

Company AS LHV Group
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Attachments:

- ASLHV-10004332761-en.pdf (<http://oam.fi.ee/en/download?id=4906>)
- ASLHV-10004332762-en.pdf (<http://oam.fi.ee/en/download?id=4907>)
- ASLHV-10004332763-en.pdf (<http://oam.fi.ee/en/download?id=4908>)
- ASLHV-10004332765-et.pdf (<http://oam.fi.ee/en/download?id=4909>)
- ASLHV-10004332766-et.pdf (<http://oam.fi.ee/en/download?id=4910>)
- ASLHV-10004332767-et.pdf (<http://oam.fi.ee/en/download?id=4911>)

Currency

Title LHV Group unaudited results for Q3 and 9 months of 2020

In Q3 of 2020, AS LHV Group earned EUR 10.8 million in consolidated net profit. AS LHV Pank earned EUR 10.7 million in net profit, at that, EUR 1.2 million in net profit from servicing clients related to the United Kingdom branch. AS LHV Varahaldus earned EUR 0.8 million in net profit.

Compared to Q2 of this year, the net profit of the consolidation group grew by EUR 7.2 million, i.e., it tripled. Compared to Q3 of 2019, net profit grew by EUR 2.8 million, i.e. 35%. The Group's return on equity was 18.9%. Previously formed discounts on loans were partially reduced.

In Q3, LHV Group's volume of assets increased to EUR 4.1 billion, i.e. by 10%. Within the quarter, the Group's consolidated loan portfolio grew by EUR 52 million to EUR 1.86 billion (+3%; + EUR 65 million in Q2) and consolidated deposits increased by EUR 129 million to EUR 3.22 billion (+4%; + EUR 134 million in Q2). At the same time, deposits related to payment institutions increased by EUR 57 million, while deposits related to deposit platforms decreased by EUR 137 million. The total volume of funds managed by LHV increased by EUR 56 million in Q3, to EUR 1.5 billion (+4%; + EUR 96 million in Q2).

Within the quarter, LHV added more than 11,000 bank clients, with the bank's total number of clients surpassing 235,000. The number of active clients of the II pension pillar increased by more than 4000 in the quarter.

In Q3, all pension funds managed by LHV Varahaldus had a positive rate of return; at that, funds with a higher equity risk showed the best rate of return. In Q3, the best rate of return was provided by LHV Pension Fund Roheline, its



rate of return for the three months being 20.4%.

AS LHV Group's consolidated net profit in the first 9 months of 2020 was EUR 21.8 million, which is EUR 1.1 million higher than the result of the first 9 months of 2019. AS LHV Pank earned EUR 21.6 million and AS LHV Varahaldus EUR 1.3 million as net profit in 9 months. Since, in terms of consolidated profit, LHV is ahead of the current financial plan by EUR 8.3 million, the company will publish an updated financial plan in October 2020.

Comment by Madis Toomsalu, Managing Director of the LHV Group:

"For LHV, the third quarter was active and effective. We have continued with an open credit policy and with activities directed at the future. Our credit portfolio remains high quality. Our clients have used the grace periods granted largely as a precaution for ensuring liquidity. September was a great example of this: in relation to grace periods, of the loans in the amount of EUR 54 million that were supposed to end, payments in the extent of only EUR 6 million were postponed. The EUR 52 million growth of our loan portfolio was characterised by an decline in demand, rather than supply.

However, looking at the volume of billions of euros that are proposed as a political response to the estimated economic downturn, Estonian companies should prepare for the next economic upturn. The real world is indeed more complicated, since an economic downturn will lead to a decrease in investments with a leveraged effect; also, in order to benefit, different subsidies and loans received must be placed in a yielding manner. Still, considering the political measures and the measures of central banks, a considerable amount of funds will reach the real economy through money markets. Whether this is all good or reasonable should be left for discussions of economic theory, but in case of today's investment decisions, mathematics should not be ignored. In the short term, the main virtue is still liquidity, and such a recommendation for making investments is directed at companies with a sufficient cash balance or good access to financing. Likewise, it is important to carefully contemplate the sustainability of such investments as well as their suitability for the future.

Among the more important events, the international business magazine Euromoney picked LHV as the best bank in Estonia for the third year in a row. In August, we were the first bank to introduce a virtual ISIC card intended for students, we added the contactless payment opportunity for users of Fitbit and Garmin devices, and we introduced a home credit card together with Alexela. From September, we started providing full service payment acquiring, which is a simple and beneficial opportunity for merchants to offer their clients the payment methods they require.

In September, we finished the public offering of LHV's subordinated bonds. Since the initial issue volume of EUR 25 million was oversubscribed by 3.4 times, we increased the issue volume within the maximum permitted volume, to EUR 35 million.

After the quarter, at the beginning of October, we finalised the transaction in



the course of which we acquired Danske's credit portfolio related to Estonian companies, apartment associations and the public sector. The final volume of the transaction worked out to EUR 273 million. As a result of the transaction, LHV Pank's loan portfolio grew by EUR 254 million, and surpassed the EUR 2 billion line for the first time.

We are still applying for an activity licence for the non-life insurance undertaking LHV Kindlustus. We hope to receive the activity licence from the Financial Supervision Authority around the turn of the year. At the same time, we are engaged in preparing information systems, recruiting people, and preparing the introduction of products to the market.

In terms of profit, we are ahead of the current financial plan published in April by EUR 8.3 million. The estimated crisis has been easier than forecast before, and the granted grace periods gave our clients the opportunity to build the necessary reserves. This is why the formed provisions have been EUR 6.4 million lower than planned. For this reason, we will be updating LHV Group's financial plan for the current year in October."

Income statement, EUR thousand	Q3-2020	Q2-2020	9 months 2020	9 months 2019
Net interest income	16 731	15 545	48 599	34 119
Net fee and commission income	6 472	6 188	19 168	19 250
Net gains from financial assets	335	322	268	500
Other income	44	-16	64	26
Total revenue	23 582	22 039	68 098	53 895
Staff costs	-5 630	-6 146	-17 546	-14 029
Office rent and expenses	-45	-236	-559	-682
IT expenses	-868	-782	-2 379	-1 909
Marketing expenses	-557	-315	-1 347	-1 646
Other operating expenses	-3 613	-3 183	-10 717	-9 641
Total operating expenses	-10 713	-10 661	-32 548	-27 908
EBIT	12 869	11 378	35 550	25 987
Earnings before impairment losses	12 869	11 378	35 550	25 987
Impairment losses on loans and				



advances		27	-7 672	-8 655	-1 663
	Income tax		-2 122	-156	-5 086
					-3 664
Net profit		10 774	3 550	21 808	20 660
	Profit attributable to non-controlling interest		677	615	1 697
					1 583
	Profit attributable to share holders of the parent		10 096	2 935	20 111
					19 078

Balance sheet, EUR thousand	Sept 2020	Jun 2020	Sept 2019
Cash and cash equivalents	1 753 730	1 438 793	1 468 510
Financial assets	430 661	423 117	124 035
Loans granted	1 870 335	1 818 644	1 233 626
Loan impairments	-14 512	-14 608	-11 561
Receivables from customers	2 443	3 039	33 491
Other assets	29 216	28 527	28 700
Total assets	4 071 872	3 697 512	2 374 714
Demand deposits	2 756 352	2 512 196	2 005 227
Term deposits	459 132	574 739	529 442
Loans received	471 554	271 553	28 640
Loans received and deposits from customers	3 687 038	3 358 488	2 563 309
Other liabilities	35 252	35 702	39 524
Subordinated loans	125 000	90 000	75 000
Total liabilities	3 847 290	3 484 190	2 677 833
Equity	224 582	213 322	198 967
Minority interest	5 921	5 243	4 505



Total liabilities and equity	4 071 872 3 697 512 2 374 714
+-----+	+-----+

AS LHV Group reports are available at <https://investor.lhv.ee/en/reports>.

In order to introduce the quarterly results, LHV Group will be organising an investor meeting which will be conducted in the webinar form through the Zoom environment. The virtual investor meeting will take place on 20 October at 18:00. The presentation will be in Estonian. You can register at <https://lhvbank.zoom.us/meeting/register/tJAvCQrrTMqG9HWPYShAMC3PcuZAXYksDS2>.

LHV Group is the largest domestic financial group and capital provider in Estonia. LHV Group's key subsidiaries are LHV Pank and LHV Varahaldus. LHV employs over 490 people. LHV's banking services are used by more than 235,000 clients, and pension funds managed by LHV have more than 183,000 active clients. LHV's UK branch offers banking infrastructure to 130 international financial services companies, via which LHV's payment services reach clients around the world.

Priit Rum
Communication Manager
Phone: +372 502 0786
Email: priit.rum@lhv.ee (<mailto:priit.rum@lhv.ee>)

