

Company AS LHV Group
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Attachments:

- ASLHV-10004337121-en.pdf (<http://oam.fi.ee/en/download?id=4916>)
- ASLHV-10004337123-et.pdf (<http://oam.fi.ee/en/download?id=4917>)

Currency

Title LHV Group updated its financial plan for 2020

In relation to the milder than estimated effects of the coronavirus crisis, LHV Group's financial results exceed what was forecast previously, which is why AS LHV Group is publishing an updated financial plan for the current year. Compared to the plan that has been in force since April, both forecast revenues and business volumes have increased; at the same time, impairment losses have decreased - therefore, the profit forecast and efficiency indicators have been raised.

Pursuant to the updated financial plan, this year, the consolidated revenues of LHV Group will increase by 29%, expenses by 11%, and the impairment losses on loans by 3.7 times. In comparison to the previous year, consolidated net profit will grow by EUR 5.5 million, i.e., 20%. The quality of the loan portfolio is significantly better, compared to the spring-plan. The financial plan that was in effect so far foresaw significantly higher discounts and thereby, a decrease in revenue in the year-on-year comparison.

Key indicators	Updated FP 2020	2019 results	Change YoY	Previous FP 2020	Change compared to previous plan
Financial results, EURt					
Total revenue	95,395	73,818	21,577	87,316	8,079
Total expenses	43,749	39,266	4,483	44,773	-1,024
Impairment losses on loans	11,950	3,209	8,740	19,357	-7,408
Earnings before taxes	39,697	31,342	8,354	23,185	16,512



Net profit	32,611	27,092	5,519	19,231	13,380

Business volumes, EURm					

Loans	2,227	1,687	540	1,806	421

Deposits	3,301	2,701	600	2,985	316

Assets under management	1,531	1,374	157	1,454	78

Key ratios					

Cost / Income ratio	45.9%	53.2%	-7.3%	51.3%	-5.4%

ROE (pre tax)	16.6%	16.2%	0.4%	10.2%	6.4%

Capital adequacy	17.3%	18.0%	-0.6%	17.6%	-0.2%

The updated financial plan also considers the effect of the purchase of the Danske Bank corporate and municipal loan portfolio, and therefore, regarding LHV business volumes, estimates the loan portfolio to grow by 32% this year, and deposits to grow by 22%. Pursuant to the updated plan, the volume of managed funds will increase by 11% this year.

Compared to the financial plan disclosed at the peak of coronavirus crisis, the Group will earn 70% more in net profit this year, reaching EUR 32.6 million. Of this, EUR 21.8 million has been earned in the first 9 months. At the same time, the financial plan has not estimated the potential of a success fee by asset management.

In the updated plan, the company's cost/income ratio and the return on equity have improved as the growth of business volumes increase revenues; at the same time, expenses have slightly gone down compared to the previous plan. LHV's capitalisation and liquidity are still at a strong level.

Comment by Madis Toomsalu, CEO of LHV Group:

"LHV can only be as successful as our clients. In terms of economic sectors, the situation is different, but the economy as a whole has fared better than what was initially forecast. We have continued with decisions that support our clients and with our local and open credit policy. Through this, our loan portfolio has continued to grow during the crisis as well, and loan discounts have remained significantly lower than what was forecast. The updated forecast takes into account the interest revenues added by the purchase of the Danske portfolio from the beginning of October. The forecast has estimated the capitalisation of LHV Pank and LHV Kindlustus during the current year. In the case of LHV Varahaldus, operating revenues have been taken into account; a potential success fee would be added outside of the forecast, since estimating the inputs that are the basis for the success fee has a high error rate. Besides



business in Estonia, we are increasingly focusing on growing the business related to clients in the United Kingdom; from the estimated profit of the Group in 2020 in the amount of EUR 32.6 million, this constitutes EUR 4.8 million in total."

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.

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