

Company AS LHV Group
Type Company Release
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Attachments:

- LHV Group Interim Report 2021-Q2-EN.pdf (<http://oam.fi.ee/en/download?id=5639>)
- LHV Group Factbook 2021-Q2-EN.pdf (<http://oam.fi.ee/en/download?id=5640>)
- LHV Group Presentation 2021-Q2-EN.pdf (<http://oam.fi.ee/en/download?id=5641>)
- LHV Group vahearuanne 2021-Q2-ET.pdf (<http://oam.fi.ee/en/download?id=5642>)
- LHV Group faktiraamat 2021-Q2-ET.pdf (<http://oam.fi.ee/en/download?id=5643>)
- LHV Group investoresitlus 2021-Q2-ET.pdf (<http://oam.fi.ee/en/download?id=5644>)

Currency

Title LHV Group unaudited results for Q2 2021

In the second quarter of 2021, AS LHV Group altogether earned EUR 12.9 million in consolidated net profit. Within the quarter, the bank earned EUR 16.5 million in net profit, including EUR 3.1 million from servicing clients related to the United Kingdom branch. Varahaldus generated EUR 2.3 million in net loss, and Kindlustus generated EUR 112,000 in net loss. The return on equity (ROE) of the Group was 19.7% in the second quarter.

Compared to the first quarter of this year, the Group's net profit was EUR 1.5 million higher, i.e., 13% higher. Compared to the second quarter of 2020, net profit increased by 3.6 times, growing by EUR 9.4 million.

At the end of Q2, the volume of assets of LHV Group was EUR 5.86 billion. Within the quarter, the Group's consolidated loan portfolio grew by EUR 97 million to EUR 2.4 billion (+4%; + EUR 96 million in Q1) and consolidated deposits increased by EUR 188 million to EUR 4.92 billion (+4%; + EUR 614 million in Q1). The total volume of funds managed by LHV increased by EUR 33 million in Q2, to EUR 1.62 billion (+2%; + EUR 50 million in Q1). The number of payments processed reached 16.8 million payments in Q2 (+8% compared to 15.6 million payments in Q1).

The consolidated net profit of the 6 months of 2021 of AS LHV Group reached EUR 24.3 million, which is EUR 13.3 million, or 121%, higher than in the year before. Within the 6 months, AS LHV Pank earned EUR 28.3 million in net profit, including EUR 5.3 million from servicing clients related to the United Kingdom branch. Within the 6 months, AS LHV Varahaldus generated EUR 2.9 million in net loss, and AS LHV Kindlustus generated EUR 388,000 in net loss.



Income statement, EUR thousand	Q2-2021	Q1-2021	6 months 2021	6 months 2020
Net interest income	22 927	20 372	43 299	31 868
Net fee and commission income	9 098	8 640	17 738	12 696
Net gains from financial assets	292	-375	-83	-68
income from insurance activities	419	89	508	0
Other income	97	40	137	20
Total revenue	32 834	28 765	61 599	44 516
Staff costs	-8 006	-7 253	-15 259	-11 916
Office rent and expenses	-384	-463	-847	-514
IT expenses	-993	-1 005	-1 998	-1 511
Marketing expenses	-549	-532	-1 081	-790
Other operating expenses	-7 993	-4 507	-12 500	-7 104
Total operating expenses	-17 925	-13 760	-31 685	-21 835
Earnings before impairment losses	14 910	15 005	29 915	22 681
Impairment losses on loans and advances	791	-1 601	-810	-8 683
Income tax	-2 785	-1 988	-4 773	-2 964
Net profit	12 916	11 417	24 332	11 034
Profit attributable to non-controlling interest	507	373	880	1 019
Profit attributable to share holders of the parent	12 409	11 043	23 452	10 014

Balance sheet, EUR thousand

Jun 2021 Mar 2021 Jun 2020



Cash and cash equivalents	3 341 694	3 193 146	1 438 793
Financial assets	86 614	149 739	423 117
Loans granted	2 418 634	2 322 518	1 818 644
Loan impairments	-17 298	-18 170	-14 608
Receivables from customers	5 319	5 185	3 039
Other assets	26 704	30 005	28 527
Total assets	5 861 667	5 682 423	3 697 512
Demand deposits	4 658 731	4 272 474	2 512 196
Term deposits	262 762	461 369	574 739
Loans received	505 867	508 801	271 553
Loans received and deposits from customers	5 427 361	5 242 644	3 358 488
Other liabilities	62 264	74 544	35 702
Subordinated loans	110 000	110 000	90 000
Total liabilities	5 599 625	5 427 188	3 484 190
Equity	262 043	255 235	213 322
Minority interest	7 263	6 756	5 243
Total liabilities and equity	5 861 667	5 682 423	3 697 512

Profitability ratios	Q2-2021	Q1-2021	6 months 2021	6 months 2020
Return on equity	19,7%	18,2%	19,2%	10,4%
Cost / Income ratio	54,6%	47,8%	51,4%	49,0%
Net gains from financial assets	-0,1%	0,3%	0,1%	1,1%

In Q2, LHV Group's profits were increased by the higher than usual revenues from the deposits of financial intermediaries, and the decrease in loan discounts by



EUR 0.8 million. At the same time, net profit of the quarter was negatively affected by the non-cash flow discount of intangible assets in the amount of EUR 3.1 million, related to clients leaving the II pillar pension funds as a result of the pension reform.

As at the end of the first half of the year, LHV is ahead of the financial plan in terms of net profit by EUR 7.6 million. Due to the better-than-expected results, the company will release its updated financial plan in August 2021.

In the quarterly increase of the LHV loan portfolio, EUR 47 million originated from retail loans, and EUR 50 million from corporate loans. In terms of growth of deposits, EUR 306 million originated from financial intermediaries and EUR 32 million from regular clients, the proportion of deposit platforms decreased by EUR 150 million.

In the year-on-year comparison with June of last year, the volume of deposits has increased by EUR 1.8 billion (+59%), the volume of loans by EUR 597 million (yearly increase +33%), funds by EUR 180 million (+12%), and the number of payments processed by 12 million (+59%). LHV Pank has reached 286,000 clients, increasing the number of clients by 28% in a year.

At the same time, the credit quality of the bank has remained good. The grace periods granted last year in the context of the emergency situation have mostly ended on time, and they have decreased from the original EUR 350 million to EUR 39 million.

The active use on investment services and the increase of investing clients have continued. During the quarter, nearly 6,600 new investment contracts were concluded, and over 4,600 clients with assets were added.

Among other important events within the quarter: according to the reputation survey of Estonian companies, conducted by Kantar Emor, LHV Pank has risen to 5th place on the leaderboard of preference of employment among working people, and has become the most valued employer among students. In the Estonian favourite brand survey, conducted by Kantar Emor, LHV reached the top ten for the first time. In addition to local recognition, the leading international economic magazine Euromoney declared LHV Pank the best bank in Estonia for the fourth year in a row.

LHV Pension Funds showed a good rate of return within the quarter, although actively managed funds were bested by index funds due to a lower equity risk. One part of this relates to maintaining the necessary liquidity in actively managed funds for clients leaving in September. Within the quarter, the number of active clients of pension funds decreased by about 2,000.

In May, LHV Kindlustus introduced its motor own damage insurance and motor third party liability insurance to the market, and started offering insurance products to all clients in Estonia. As a new insurance undertaking based on Estonian capital, LHV Kindlustus wishes to compete strongly on the non-life insurance



market that has so far mostly been occupied by foreign companies.

Comment by Madis Toomsalu, CEO of LHV Group:

"For LHV, the second quarter turned out to be a quarter with some of the best results. We can clearly see that the Estonian economy is growing, and that the confidence of companies and consumers is recovering. We are pleased that despite the situation regarding the economy, we have managed to stand by our clients and thereby maintain the growth of LHV. For example, the loan portfolio has increased by EUR 600 million, i.e., by a third, and this despite the increasingly higher reference framework.

The increase of other business volumes is broad-based, as well. By means of the most complete product portfolio, wide offering of investment education, the best broker service in the Baltics, and the most favourable service fees, we have managed to increase our role as market leader.

Our international business activities deserve special attention. In the course of applying for the licence of a credit institution in the United Kingdom, we presented the preliminary regulative business plan to the supervisory authorities by the end of Q2, and in the next stage, we are focusing on assessing liquidity and capital adequacy, and on the preparation of other required documentation.

Since in terms of results, we are already significantly ahead of the financial plan published in February, we will already be revealing our new financial plan for 2021 in August."

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 via the Zoom webinar environment. The virtual investor meeting will take place on 20 July at 9:00 before the market opens. The presentation will be in Estonian. We kindly ask you to register at the address https://lhvbank.zoom.us/webinar/register/WN_g8hK1ZvvR8Sf_2eAC_PNgw.

LHV Group is the largest domestic financial group and capital provider in Estonia. LHV Group's key subsidiaries are LHV Pank, LHV Varahaldus, and LHV Kindlustus. LHV employs over 590 people. LHV's banking services are used by nearly 286,000 clients, and pension funds managed by LHV have nearly 175,000 active clients. LHV's UK branch offers banking infrastructure to over 150 international financial services companies, via which LHV's payment services reach clients around the world.

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