

Company AS LHV Group
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Title LHV Group finalises investment to acquire a share in Bank North

AS LHV Group finalised an investment of £4.455 million in Bank North (previously B-North) and acquired a 9.9% share in the company after Bank North closed a successful 'Series A' funding round and was granted its banking licence by the UK Prudential Regulatory Authority (Authorised with Restrictions - 'AWR').

In addition to AS LHV Group also pension funds managed by AS LHV Varahaldus invested in Bank North. The other participants in the 'Series A' funding round included the likes of Skipton Building Society, Channel 4 Ventures and the Greater Manchester Combined Authority. The round will support Bank North in further developing its technology as well as delivering operating capital to kick off its lending activities.

LHV Group's investment size of £4.455 million is funded from core tier 1 capital. In the short time frame the investment lowers LHV Group's capital buffers, but as Bank North's profitability targets are similar to those of LHV Group, the results will be positive as a stand alone investment. The investment has been taken into account in LHV Group's updated Financial Plan for 2021. Following the investment, Madis Toomsalu, CEO of LHV Group, will be elected a member of Bank North's supervisory board.

With receiving the AWR banking licence the financial company Commercial and Northern Ltd established in 2018 now becomes Bank North. It is being developed to serve the UK business lending market as a local bank catering mainly to the needs of SME-s.

Bank North's model is unique, built on seamlessly-integrated, cloud-native banking technology, which powers a network of regional pods, where experienced bankers will deliver committed finance to businesses up to ten times faster than the industry standard in the UK. A de-centralised model allows for tailoring to the circumstances of each customer, locally decisioned and locally delivered - differentiating it from UK's heavily centralised, standardised banking system.

Bank North plans to open the doors of its first lending pod in Manchester later



this year, before a managed roll-out across the UK. It will start lending in October 2021. More information available: <https://b-north.co.uk/>.

Comments by Madis Toomsalu, CEO of LHV Group:

"With an experienced team and high growth ambitions Bank North has a strong readiness to commence business activities, and aims to disrupt the £150 billion UK SME lending market. We seized this investment opportunity in order to broaden LHV's presence in the UK and interchange insight between LHV and Bank North. The mission of LHV is a better access to financial services and capital and we see clear parallels between plans of Bank North and the journey of LHV bank so far. Bank North's plan to provide necessary credit to local SME-s more efficiently than competitors, combining the best technological solutions with relationship banking is a business of great growth potential, as proven by LHV. This service is sought after by UK businesses at the time of recovering from the effects of the pandemic."

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 620 people. LHV's banking services are used by 290,000 clients, the pension funds managed by LHV have 174,000 active clients, and LHV Kindlustus protects a total of 132,000 clients. LHV's UK branch offers banking infrastructure to 160 international financial services companies, via which LHV's payment services reach clients around the world.

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