

Company AS LHV Group
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Attachments:

- ASLHV-10004552751-en.pdf (<http://oam.fi.ee/en/download?id=5135>)
- ASLHV-10004552752-en.pdf (<http://oam.fi.ee/en/download?id=5136>)
- ASLHV-10004552753-en.pdf (<http://oam.fi.ee/en/download?id=5137>)
- ASLHV-10004552755-et.pdf (<http://oam.fi.ee/en/download?id=5138>)
- ASLHV-10004552756-et.pdf (<http://oam.fi.ee/en/download?id=5139>)
- ASLHV-10004552757-et.pdf (<http://oam.fi.ee/en/download?id=5140>)

Currency

Title LHV Group unaudited financial results for Q4 and the 12 months of 2020

In Q4 2020, AS LHV Group earned a consolidated net profit of EUR 18 million: of that, the bank earned a net profit of EUR 13 million, while EUR 1.6 million in net profit was earned from servicing clients related to the United Kingdom branch. The net profit of Varahaldus, supported by the earned performance fee, was EUR 7.1 million. The pre-tax rate of return on equity capital owned by the shareholders of LHV Group was 36.1% in Q4.

In addition to productive everyday activities, the Q4 results of the Group were also affected by one-off events: the acquisition of Danske's loan portfolio and the performance fee of pension funds. The net profit of LHV Group in Q4 2020 was EUR 7.3 million higher compared to Q3, and EUR 11.6 million higher, year-on-year.

By the end of the quarter, LHV Group's volume of assets increased to EUR 4.97 billion. Within the quarter, the Group's consolidated loan portfolio grew by EUR 353 million to EUR 2.21 billion (+19%; + EUR 52 million in Q3) and deposits increased by EUR 904 million to EUR 4.12 billion (+28%; + EUR 129 million in Q3). At the same time, the deposits related to financial intermediaries increased by EUR 457 million and deposits of regular clients by EUR 464 million; deposits related to the deposit platform continued to be decreased. The volume of funds managed by LHV increased by EUR 41 million in Q4, to EUR 1.54 billion (+3%; + EUR 56 million in Q3). Loan discounts were made in the extent of EUR 2.2 million in Q4.

The consolidated net profit of AS LHV Group in 2020 amounted to EUR 39.8 million, which was EUR 12.8 million (+47%) more than in 2019. In 2020, the pre-



tax return on the equity owned by LHV Group shareholders was 20.5%, while the return on equity based on net profit was 17.3%. LHV's profit outperformed the financial plan by EUR 7.2 million, largely due to the performance fee of pension funds. Within the year, the bank earned EUR 34.6 million (EUR 5.3 million from servicing clients related to the United Kingdom branch) and Varahaldus earned EUR 8.3 million.

The volume of LHV Group's assets grew by EUR 1.94 billion (+64%). The consolidated loan portfolio of LHV Group increased by EUR 522 million year-on-year (+31%) and deposits increased by EUR 1419 million (+53%). The volume of the funds managed by LHV grew by EUR 163 million (+12%) year-on-year.

Income statement, EUR thousand	Q4-2020	Q4-2019	12 months 2020	12 months 2019
Net interest income	19 893	13 270	68 492	47 388
Net fee and commission income	14 183	6 427	33 351	25 677
Net gains from financial assets	1 316	170	1 584	670
Other income	57	58	120	84
Total revenue	35 449	19 925	103 547	73 818
Staff costs	-6 368	-5 236	-23 914	-19 266
Office rent and expenses	-239	-277	-798	-959
IT expenses	-964	-861	-3 343	-2 771
Marketing expenses	-475	-443	-1 822	-2 089
Other operating expenses	-3 381	-4 543	-14 098	-14 182
Total operating expenses	-11 427	-11 361	-43 975	-39 266
EBIT	24 023	8 564	59 572	34 552
Earnings before impairment losses	24 023	8 564	59 572	34 552
Impairment losses on loans and advances	-2 243	-1 546	-10 898	-3 209
Income tax	-3 741	-586	-8 827	-4 250
Net profit	18 039	6 432	39 847	27 092



Profit attributable to non-controlling interest	200	713	1 897	2 296
Profit attributable to share holders of the parent	17 840	5 719	37 950	24 797
Balance sheet, EUR thousand		Dec 2020	Sept 2020	Dec 2019
Cash and cash equivalents		2 393 537	1 753 730	1 271 153
Financial assets		330 055	430 661	40 962
Loans granted		2 225 681	1 870 335	1 693 138
Loan impairments		-16 858	-14 512	-6 104
Receivables from customers		9 388	2 443	3 551
Other assets		29 604	29 216	29 212
Total assets		4 971 407	4 071 872	3 031 912
Demand deposits		3 635 166	2 756 352	2 189 478
Term deposits		484 604	459 132	511 437
Loans received		468 585	471 554	25 647
Loans received and deposits from customers		4 588 355	3 687 038	2 726 562
Other liabilities		27 776	35 252	24 321
Subordinated loans		110 000	125 000	75 000
Total liabilities		4 726 131	3 847 290	2 825 883
Equity		245 276	224 582	206 028
Minority interest		8 483	5 921	5 218
Total liabilities and equity		4 971 407	4 071 872	3 031 912

Despite the ongoing health crisis, LHV Group achieved good results in terms of all indicators in the last quarter of 2020. The Banker magazine recognised LHV with the title of the best bank in Estonia; also, the Estonian Association for Environmental Management recognised LHV's Tallinn office as the best Green Office of the year.



During the quarter, LHV gained over 23,000 new bank clients - within the year, the number of LHV Pank clients increased by 28%, i.e., by almost 57,000. The activity of regular clients was also unprecedented. In Q4, the activity of clients was increased due to changes accompanying the pension reform. Among more important events for clients, LHV introduced the Google Pay payment opportunity and a loan product for apartment associations to the market. LHV Pank decided to decrease the service fees for foreign shares, and this amendment to the price list entered into force at the turn of the year, together with introducing the pension investment account to the market. In November, the indirect member service was launched for payment intermediaries.

In October, the acquisition of Danske's credit portfolio related to companies and the public sector was finished; as a result, LHV's loan portfolio increased by EUR 254 million and surpassed the EUR 2 billion mark. Both corporate and retail loans grew in Q4. The health crisis did not have a strong effect on the credit portfolio in Q4, and its quality remains good; grace periods are ending as planned - by the end of the year, 1170 clients with a total loan volume of EUR 155 million were still in the grace period. The loan discounts made are mainly model-based; the credit rating of a few loan customers most affected by the crisis has worsened, while the proportion of nonperforming loans remains low.

During the quarter, LHV announced the plan to create a separate bank located in the United Kingdom, to distinguish the bank's activities in Estonia and the United Kingdom more than before. Regulatory approval is a prerequisite of this plan. In relation to this, changes in the management of AS LHV Pank and AS LHV Finance have been conducted by today. Erki Kilu took command of the new company LHV UK Limited; he is replaced by Chairman of the Management Board of AS LHV Pank Kadri Kiisel. The new Head of AS LHV Finance is Mari-Liis Stalde.

The activity of LHV Varahaldus has been most affected by the strong quarter of stock markets and the pension reform that entered into force on 1 January. The number of active clients of the II pillar grew by 4000 people within the quarter, while the number of III pillar clients multiplied; the growth of volume however remained modest. Pension funds with the strongest rate of return in 2020 were LHV pension funds; the highest rate of return was achieved by clients of LHV Pensionifond Roheline that only started out in March. Whereas the rate of return of funds XL and L exceeded the reference index, Varahaldus earned a performance fee in the amount of EUR 6.2 million for the year. During the quarter, LHV Varahaldus introduced the first green III pillar pension fund in Estonia, LHV Pensionifond Roheline Pluss, to the market. The pension reform that entered into force will negatively affect the volume of funds in 2021, but the volumes will presumably reach the end of 2020 levels by the end of 2023.

At the end of December, the Financial Supervision Authority granted AS LHV Kindlustus an activity licence for an insurance provider to engage in non-life insurance activities. In the coming months, LHV Kindlustus will start offering home insurance, and the extended warranty insurance at Euronics stores. During the year, the company will also introduce motor third party liability insurance,



comprehensive insurance, travel insurance and accident insurance to the market.

Comment by Madis Toomsalu, CEO of LHV Group:

"Considering the ongoing health crisis and the accompanying economic downturn, it was a good year for LHV. The ability of clients to adapt to the situation turned out to be most important. We also tried to contribute here, offering as flexible solutions as possible to clients, including grace periods. The majority of agreed grace periods have ended by today. As the second important decision, we continued financing the economy, even in the background of the crisis. Loan portfolios also grew organically, but the largest contribution was made by the acquisition of Danske's corporate and public credit portfolio. To ensure LHV's further growth, at the end of the year, we announced our intention to establish a bank in the United Kingdom to separate our current business activities in Estonia and in the United Kingdom more clearly. Applying for the activity licence may take a couple of years and it requires the permission of local supervisory authorities. As an important topic, we sensed that LHV's responsibility in ensuring the well-being of the environment and society has increased. Whereas in the past, we have placed great emphasis on effects related to overall management and social risks, in recent years, we have also greatly addressed environmental risks. Last year, we adopted LHV's strategy on sustainability and the goals derived from this strategy."

In economic terms, the trends that had already emerged earlier, deepened in 2020. National budget deficits increased and central banks showed a willingness to finance such deficits. The view was taken that economic regions with sufficient size and power, a historically sound currency, and central banks ensuring unlimited monetary creation, could not become insolvent. Just as boundaries of zero interest rates were smashed in the past, now the obstacles to monetary expansion have also disappeared. An objective assessment on the quality of these measures can only be made in the years to come. While the issues of fiscal and financial growth can be partially mended with money supply, it is less certain to what extent such mending will increase inequality, whether between countries with different levels of debt, between people investing or spending, or between different generations."

AS LHV Group reports are available at: <https://investor.lhv.ee/aruaanded>.
LHV will disclose the new financial plan for 2021, with a five-year forecast, on 16 February.

In order to introduce the quarterly and 12-month results, LHV Group will be organising an investor meeting via the Zoom webinar environment. The virtual investor meeting will take place on 9 February 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_VfUNGlhaQcSWP2rkh-cThw.

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 520 people. LHV's banking services are used by



259,000 clients, and pension funds managed by LHV have more than 180,000 active clients. LHV's UK branch offers banking infrastructure to 140 international financial services companies, via which LHV's payment services reach clients around the world.

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