

Company AS LHV Group
Type Company Release
Category Management interim statement or quaterly financial report
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Attachments:

- LHV Group Presentation 2021-Q3-EN.pdf (<http://oam.fi.ee/en/download?id=5811>)
- LHV Group Factbook 2021-Q3-EN.pdf (<http://oam.fi.ee/en/download?id=5812>)
- LHV Group Interim Report 2021-Q3-EN.pdf (<http://oam.fi.ee/en/download?id=5813>)
- LHV Group investoresitlus 2021-Q3-ET.pdf (<http://oam.fi.ee/en/download?id=5814>)
- LHV Group faktiraamat 2021-Q3-ET.pdf (<http://oam.fi.ee/en/download?id=5815>)
- LHV Group vahearuanne 2021-Q3-ET.pdf (<http://oam.fi.ee/en/download?id=5816>)

Currency

Title LHV Group unaudited results for Q3 and nine months of 2021

In Q3 of 2021, AS LHV Group earned EUR 16.6 million in net profit. In this regard, AS LHV Pank earned EUR 17.1 million in net profit, with EUR 3.3 million coming from the servicing of clients associated with the United Kingdom branch. During the quarter, AS LHV Varahaldus generated EUR 0.6 million in net profit, and AS LHV Kindlustus generated EUR 0.2 million in net loss. The Group's return on equity in Q3 was 24.3%.

Compared to Q2 of this year, the net profit of the Group grew by EUR 3.7 million (+28%), and compared to the year before, by EUR 5.8 million (+54%).

In Q3, LHV Group's volume of assets increased to EUR 6.5 billion, i.e. 11% over the quarter. The Group's consolidated deposits increased by EUR 535 million to EUR 5.46 billion over the quarter (+11%; EUR +188 million in Q2). Compared to the previous quarter, the consolidated loan portfolio increased by EUR 148 million to EUR 2.55 billion (+6%; EUR +97 million in Q2). The total volume of funds managed by LHV decreased by EUR 336 million due to pension reform, namely to EUR 1.28 billion (-21%; EUR +33 million in Q2). The number of processed payments associated with financial intermediaries amounted to EUR 5.9 million in Q3 (-2% compared to 6.1 million payments in Q2).

AS LHV Group's consolidated net profit in the first nine months of 2021 was EUR 40.9 million, which is EUR 19.1 million, or 88% higher than the result of the first nine months of 2020. Over the nine months, AS LHV Pank earned EUR 45.4 million in net profit (of which EUR 8.5 million related to the servicing of clients associated with the UK branch), AS LHV Varahaldus EUR 2.3 million in net loss, and AS LHV Kindlustus EUR 0.6 million in net loss.



Income statement, EUR thousand	Q3-2021	Q2-2021	9 months 2021	9 months 2020
Net interest income	25 857	22 927	69 156	48 599
Net fee and commission income	9 546	9 098	27 284	19 168
Net gains from financial assets	50	292	-34	268
income from insurance activities	435	419	943	0
Other income	216	97	353	64
Total revenue	36 103	32 834	97 702	68 098
Staff costs	-7 424	-8 006	-22 683	-17 546
Office rent and expenses	-536	-384	-1 383	-559
IT expenses	-1 138	-993	-3 136	-2 379
Marketing expenses	-634	-549	-1 715	-1 347
Other operating expenses	-5 518	-7 993	-18 018	-10 717
Total operating expenses	-15 251	-17 925	-46 936	-32 548
Earnings before impairment losses	20 852	14 910	50 766	35 550
Impairment losses on loans and advances	-1 444	791	-2 254	-8 655
Income tax	-2 819	-2 785	-7 591	-5 086
Net profit	16 589	12 916	40 921	21 808
Profit attributable to non-controlling interest	636	507	1 516	1 697
Profit attributable to share holders of the parent	15 953	12 409	39 405	20 111

Balance sheet, EUR thousand	Sept 2021	Jun 2021	Sept 2020
Cash and cash equivalents	3 769 432	3 341 694	1 753 730



Financial assets	138 800	86 614	430 661
Loans granted	2 566 887	2 418 634	1 870 335
Loan impairments	-18 024	-17 298	-14 512
Receivables from customers	6 240	5 319	2 443
Other assets	32 279	26 704	29 216
Total assets	6 495 615	5 861 667	4 071 872
Demand deposits	5 198 733	4 658 731	2 756 352
Term deposits	257 838	262 762	459 132
Loans received	563 203	505 867	471 554
Loans received and deposits from customers	6 019 774	5 427 361	3 687 038
Other liabilities	86 519	62 264	35 252
Subordinated loans	110 000	110 000	125 000
Total liabilities	6 216 294	5 599 625	3 847 290
Equity	279 321	262 043	224 582
Minority interest	7 899	7 263	5 921
Total liabilities and equity	6 495 615	5 861 667	4 071 872

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Profitability ratios	Q3-2021	Q2-2021	9 months 2021	9 months 2020
Return on equity	24,3%	19,7%	20,7%	12,8%
Cost / Income ratio	42,2%	54,6%	48,0%	47,8%
Net gains from financial assets	0,2%	-0,1%	0,1%	0,7%

The quarterly result was influenced by high client activity and growth in the bank's business volumes, as well as the volume of funds decreased due to the pension reform. The Group's return on equity is better than planned and



corresponds to long-term target. With regard to net profit, LHV Group is outperforming the updated financial plan by EUR 1.7 million.

Over the year, the Group's volume of deposits has increased by EUR 2.2 billion (+70%) and loans by EUR 693 million (+37%). The volume of the funds managed by LHV has decreased by EUR 212 million (-14%). The number of payments made by financial intermediaries has increased by EUR 7.4 million (+70%).

Of the increase in deposits in Q3, EUR 230 million came from deposits related to payment intermediaries, the deposits of private clients increased by EUR 110 million, and the deposits of companies increased by EUR 209 million, deposits from platforms decreased by EUR 14 million. The quality of the credit portfolio is still very good, all lending is financed by deposits. The discounts on loans are smaller than expected due to faster growth. The increase of EUR 108 million was due to loans granted to companies, and the loan portfolio of private clients increased by EUR 40 million.

Over the quarter, the number of LHV bank clients increased more than 16,300 to 302,000 clients. Over the year, the number of the bank's clients has increased by 28%. Just as important as the increase in credit volumes is the continued rise in investment activities. LHV has managed to empower its market leader role. During the quarter, nearly 9900 new investment agreements were concluded.

Among the most important service innovations in Q3, LHV Pank launched a pension investment account solution, the possibility to save for a home loan deposit with the Growth Account, and the option to open an account for a company electronically.

Compared to the previous quarter, the number of active II pension pillar clients in Asset Management decreased by 36,000, amounting to 139,000 now. Nevertheless, the impact of the pension reform was more modest than expected, with the largest pension reform costs remaining in Q2. The rate of return of the largest actively managed LHV pension funds M, L, and XL was 1.1%, 1.3%, and 0.7%, respectively. Following payouts, the proportion of alternative asset classes in actively managed pension funds is higher than before and closer to the long-term target.

The number of LHV Kindlustus clients has increased to 139,000 and client satisfaction with claims processing continues to remain high. The insurance product range was extended to include the insurance of residential premises for business clients. In connection with the boost in consumption, sales volumes increased in the sales of extended warranty and equipment insurance in Q3. In general, the insurance trends are in line with the expected development.

The application for a UK credit institution's licence is subject to the completion of a supervisory business plan and an assessment of liquidity and capital adequacy, accompanied by the preparation of documentation. Active recruitment is ongoing to expand the business, and LHV has decided to staff two IT teams in Leeds.



Of the other significant events during the quarter, the rating agency Moody's has provided LHV Group with a rating of Baa3 with a positive outlook. Then, the Group issued EUR 100 million in unsecured bonds. The bonds were issued to meet regulatory requirements.

In August, LHV Group finished its investment in Bank North of the United Kingdom. For GBP 4.455 million, LHV acquired a 9.9% share in the company.

The number of the shareholders of LHV has increased to 17,500 investors. At the end of September, LHV Group raised EUR 25.3 million in new share capital, which will be added to the balance sheet in October. The issue of securities will support further growth both internationally and in Estonia.

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

"The strong quarter shows that we have been able to maintain our growth despite an increasingly high benchmark, while being the third largest banking group in the Estonian banking market. In August, LHV Group's market value reached more than EUR 1 billion, fulfilling the financial vision we presented to investors four years ago.

As promised, the growth in the value of our enterprise has been driven by business growth in Estonia, financial technology exports, exceptional transactions, and the development of new business lines. Meeting the objectives will help us embrace new ones, as our ambitions have only increased over time. We will continue to be able to improve the range of products for financial intermediaries and, thereby, reach a wider range of clients in various European countries. In Estonia, we have set the goal of becoming the largest bank in Estonia in ten years and the second largest in five years.

To achieve these goals, LHV has excellent people in place and the systems they have established, which we are constantly developing. I am glad to see that we are highly valued in the labour market as an employer."

To access the reports of AS LHV Group, please visit the website at <https://investor.lhv.ee/en/reports/>.

In order to introduce the quarterly results, LHV Group will organise an investor meeting via the Zoom webinar environment. The virtual investor meeting will take place on 19 October at 9.00, before the market opens. The presentation will be made in Estonian. We kindly ask you to register at the following address: https://lhvbank.zoom.us/webinar/register/WN_r1qxQT6rTfScrUdLiEawCA.



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 630 people. LHV's banking services are used by nearly 302,000 clients, and pension funds managed by LHV have nearly 139,000 active clients. LHV's UK branch offers banking infrastructure to 180 international financial services companies, via which LHV's payment services reach clients around the world.

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