

# LHV Group

October results  
November 12, 2019

# LHV Group

## Strong profit month

Financial results, EURt	13 months	Oct-19	YTD19	YTD18	FP YTD	Δ YTD FP
<b>Total revenue, incl.</b>		<b>5,597</b>	<b>59,492</b>	<b>58,736</b>	<b>59,180</b>	<b>+312</b>
Net interest income		3,692	37,811	32,822	38,395	-584
Net fee and commission income		1,854	21,104	21,901	20,312	+792
<b>Total operating expenses</b>		<b>3,515</b>	<b>31,423</b>	<b>27,974</b>	<b>31,101</b>	<b>+322</b>
<b>Earnings before impairment</b>		<b>2,082</b>	<b>28,069</b>	<b>30,762</b>	<b>28,079</b>	<b>-10</b>
Impairment losses on loans		-95	1,568	4,924	3,918	-2,350
Income tax		185	3,848	3,361	3,546	+302
<b>Net profit, incl.</b>		<b>1,993</b>	<b>22,653</b>	<b>22,477</b>	<b>20,615</b>	<b>+2,038</b>
attr. to shareholders		1,759	20,837	21,009	18,934	+1,903
<b>Business volumes, EURm</b>	<b>13 months</b>	<b>Oct-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Deposits from customers		2,565	2,565	1,468	2,515	+51
Loans (net)		1,246	1,246	850	1,690	-444
Assets under management		1,342	1,342	1,208	1,372	-30
<b>Key figures</b>	<b>13 months</b>	<b>Oct-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		62.8%	52.8%	47.6%	52.6%	+ 0.3 pp
pre-tax ROE*		11.7%	16.7%	21.4%	15.4%	+ 1.3 pp
ROE*		10.6%	14.3%	18.7%	13.1%	+ 1.1 pp
Net interest margin (NIM)		1.5%	2.2%	2.2%	2.3%	- 0.1 pp
ROA		0.8%	1.3%	1.5%	1.2%	+ 0.1 pp

- Good growth in business volumes. A strong month for customer growth
- Deposit volumes ahead of financial plan due to accumulation of deposits through deposit platforms for financing the acquisition of Danske private customers loan portfolio
- Loan portfolio expected to comply with the financial plan by the end of November, when Danske private customers portfolio acquisition is completed
- Profit decrease is caused by declined II pillar management fees; no success fees have been forecast till the year end
- October profit was 2 EURm. We are ahead of the financial plan (updated in July) by 2 EURm due to lower loan write-downs and higher revenues

# LHV Banking

## Preparation for Danske deal

Financial results, EURt	13 months	Oct-19	YTD19	YTD18	FP YTD	Δ YTD FP
<b>Total revenue, incl.</b>		4,768	48,508	42,356	48,049	+459
Net interest income		3,707	38,388	31,845	38,881	-493
Net fee and commission income		1,040	9,861	9,418	9,021	+840
<b>Total operating expenses</b>		2,878	25,818	21,121	25,615	+202
<b>Earnings before impairment</b>		1,890	22,691	21,235	22,434	+257
Impairment losses on loans		-95	1,568	4,534	3,918	-2,350
Income tax		185	2,876	2,117	2,574	+302
<b>Net profit</b>		1,801	18,246	14,584	15,942	+2,305
<b>Business volumes, EURm</b>	<b>13 months</b>	<b>Oct-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Deposits from customers		2,577	2,577	1,483	2,522	+55
Loans (net)		1,246	1,246	850	1,690	-444
<b>Key figures</b>	<b>13 months</b>	<b>Oct-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		60.4%	53.2%	49.9%	53.3%	- 0.1 pp
Net interest margin (NIM)		1.5%	2.1%	2.1%	2.2%	- 0.1 pp

- Approximately 3,800 new customers joined the bank during this month bringing new record-levels in business volumes
- Loan portfolio increased by 24 EURm of which corporate loan portfolio increased by 8.5 EURm and retail loan portfolio by 15.5 EURm
- Deposits increased by 33 EURm, while deposits from payment intermediaries decreased by 21 EURm
- The profitability is affected by pre-financing of Danske deal

## LHV Index Fund continues to be the best performing pension fund in Estonia

Financial results, EURt	13 months	Oct-19	YTD19	YTD18	FP YTD	Δ YTD FP
Total revenue		842	11,514	11,439	11,558	-44
Total expenses		505	4,968	4,776	4,984	-17
Earnings before taxes		337	6,546	6,662	6,574	-28
Income tax		0	972	1,100	972	+0
Net profit		337	5,574	5,562	5,602	-28
Business volumes	13 months	Oct-19	YTD19	YTD18	FP YTD	Δ YTD FP
Assets under management, EURm		1,342	1,342	1,208	1,372	-30
Active customers of PII funds, thous.		176	176	177	178	-1
Key figures	13 months	Oct-19	YTD19	YTD18	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		62.0%	44.2%	41.4%	44.1%	+ 0.0 pp
Funds average return		0.4%	4.9%	1.0%	3.3%	+ 1.6 pp

- Equity markets were volatile in October, nevertheless all funds with higher proportion of stocks ended the month with positive return
- LHV Index Fund is best performing pension fund in Estonia, ytd yield 20.7%
- Ytd earnings are still higher than in 2018, but 40% drop in management fees, that took effect in September, will bring down 2018 YoY earnings and profitability in November
- The ytd yield of L fund with the most diversified portfolio is 5.0%
- Eesti Ekspress bond investment and acquisition of Microsoft office building were completed in October

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