
















LHV Group

Q2 2017 results
18 July 2017

Busy second quarter

- **Focus on customer experience**
 - Video recognition
 - Smart-ID
 - Chatbot
 - ATM's
 - Payroll payment solution
- **Pension funds investments to Estonia**
 - Bonds issued by Transpordi Varahaldus and RKAS
 - 100 EURm investments to Estonia
- **Internal capital transactions**
 - Asset management capital reduction by 6.6 EURm
 - Bank's capital increase by 3 EURm
- **Other**
 - UK branch documentation and location
 - One-time impairments in loan portfolio
 - IFRS 9 effect of loan portfolio impairments
 - IFRS 15 effect in particular to Asset management by capitalizing the sales costs

Rapid volume growth and record-breaking client activity

Financial results, EURt	9 quarters	Q2-17	Q1-17	Δ quarter
Net interest income		8,607	8,164	+442
Net fee and commission income		5,213	5,285	-72
Other income		845	373	+473
Total revenue		14,665	13,822	+843
Total operating expenses		7,926	7,695	+231
Earnings before impairment		6,739	6,127	+611
Impairment losses on loans		1,839	94	+1,745
Income tax		21	983	-962
Net profit		4,878	5,050	-172
Business volumes, EURm	9 quarters	Q2-17	Q1-17	Δ quarter
Deposits from customers		1,008	798	+210
Loans (net)		606	546	+60
Assets under management		1,035	1,020	+14
Customers, thous.		392	393	-1
Key figures	9 quarters	Q2-17	Q1-17	Δ quarter
Cost / income ratio (C/I)		54.0%	55.7%	- 1.6 pp
ROE (attr.to owners of the parent)		16.4%	17.1%	- 0.6 pp

- Successful Q2 with rapid business volumes growth and record-breaking client activity
- Credit portfolio quality is good but individual impairments can't be excluded
- Reduction in net income is related to one-time impairments
- Pension funds have focused on Estonian direct investments
- Cost / income ratio 54% and ROE 16.4% on good levels

LHV Group – comparison with financial plan

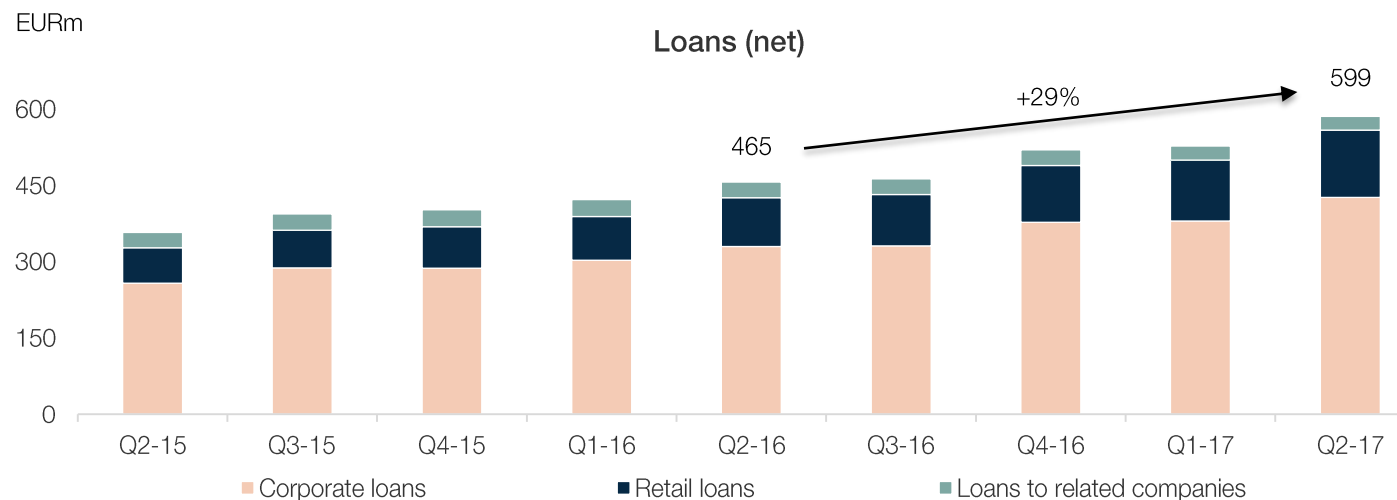
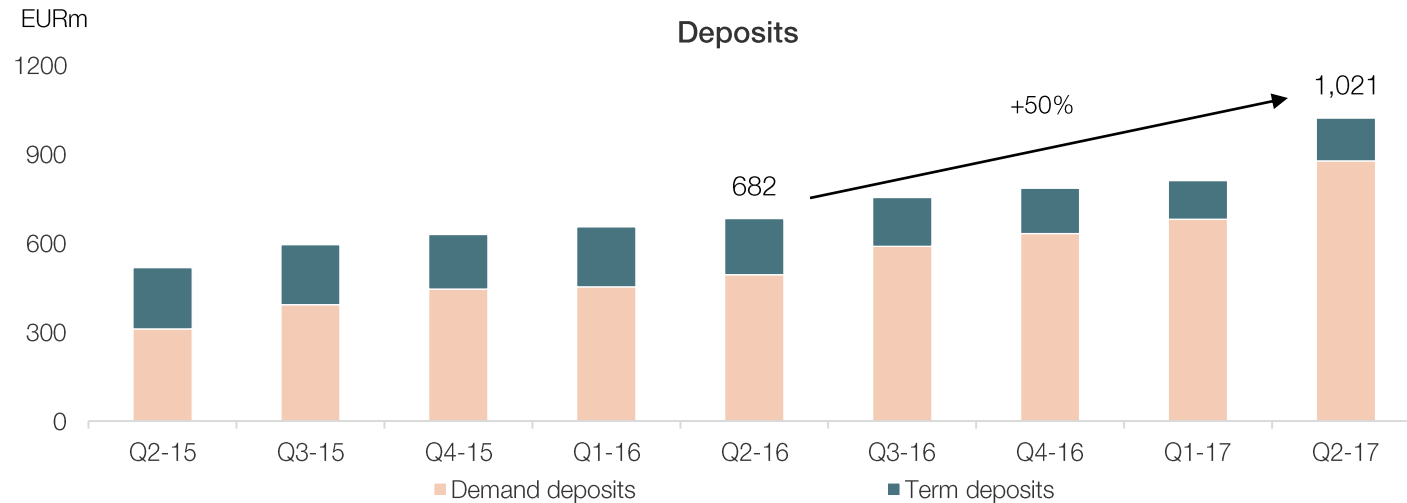
Net income compared to financial plan +1 EURm

Financial results, EURt	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Total revenue, incl.		4,727	28,487	23,438	28,221	+267
Net interest income		2,737	16,771	14,018	17,769	-998
Net fee and commission income		1,728	10,498	7,962	10,177	+321
Total operating expenses		2,656	15,622	13,929	15,915	-293
Earnings before impairment		2,071	12,866	9,509	12,306	+560
Impairment losses on loans		1,431	1,933	997	1,971	-39
Income tax		-1	1,004	146	1,372	-368
Net profit		641	9,929	8,367	8,962	+967
attr. to owners of the parent		461	8,890	7,574	8,096	+794
Business volumes, EURm	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Deposits from customers		1,008	1,008	672	836	+172
Loans (net)		606	606	469	598	+8
Assets under management		1,035	1,035	891	1,072	-37
Key figures	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		56.2%	54.8%	59.4%	56.4%	- 1.6 pp
ROE (attr. to owners of the parent)		5.2%	16.9%	19.6%	15.6%	+ 1.3 pp
Net interest margin (NIM)		3.1%	3.5%	3.6%	3.8%	- 0.4 pp
ROA		0.7%	2.0%	2.1%	1.9%	+ 0.1 pp

- Revenues ahead of financial plan despite slightly different structure
- Expenses lower than planned mainly due to lower IT costs
- Credit impairments according to financial plan
- Net income ahead of financial plan by 1.0 EURm
- Half year cost / income ratio 54.8% ning ROE 16.9%, both ahead of financial plan
- Financial plan remains valid

LHV Banking

Strong growth continued in all business lines



- In quarter client base increased over 5,300 and reached 120,000 clients
- The clients' activity of payments, card payments and card acquiring reached new records
- Deposits increased by 211 EURm. From that 139 EURm came from one fintech client whose business is growing very fast, and 41 EURm from one institutional banking client, who is using the funds in take-over transaction
- Loans increased by 59 EURm. Main growth came from corporates and home loans

Q2 cost/income below 50% but larger impairments

Financial results, EURt	9 quarters	Q2-17	Q1-17	Δ quarter
Net interest income		7,658	7,169	+489
Net fee and commission income		1,809	1,819	-10
Other income		837	261	+576
Total revenue		10,304	9,248	+1,056
Total operating expenses		5,063	4,902	+161
Earnings before impairment		5,240	4,346	+894
Impairment losses on loans		1,882	70	+1,811
Net profit		3,359	4,276	-917
Business volumes, EURm	9 quarters	Q2-17	Q1-17	Δ quarter
Deposits from customers		1,022	811	+211
Loans (net)		599	540	+59
Customers, thous.		153	149	+4
Key figures	9 quarters	Q2-17	Q1-17	Δ quarter
Cost / income ratio (C/I)		49.1%	53.0%	- 3.9 pp
ROE (attr.to owners of the parent)		14.2%	19.2%	- 4.9 pp
Net interest margin (NIM)		2.9%	3.1%	- 17 bp

- Net profit 3.3 EUR. Although revenues grew much faster than costs, there were higher than normal credit impairments. From the impairments 1.4 EURm was related to two clients
- As new products payroll payment, Chatbot, Smart-ID and video recognition was launched. Additional ATM's were installed
- In quarter end documents were given in to Financial Authority regarding establishing branch in UK, the branch location in London was agreed and bank joined UK Finance

LHV Banking – comparison with financial plan

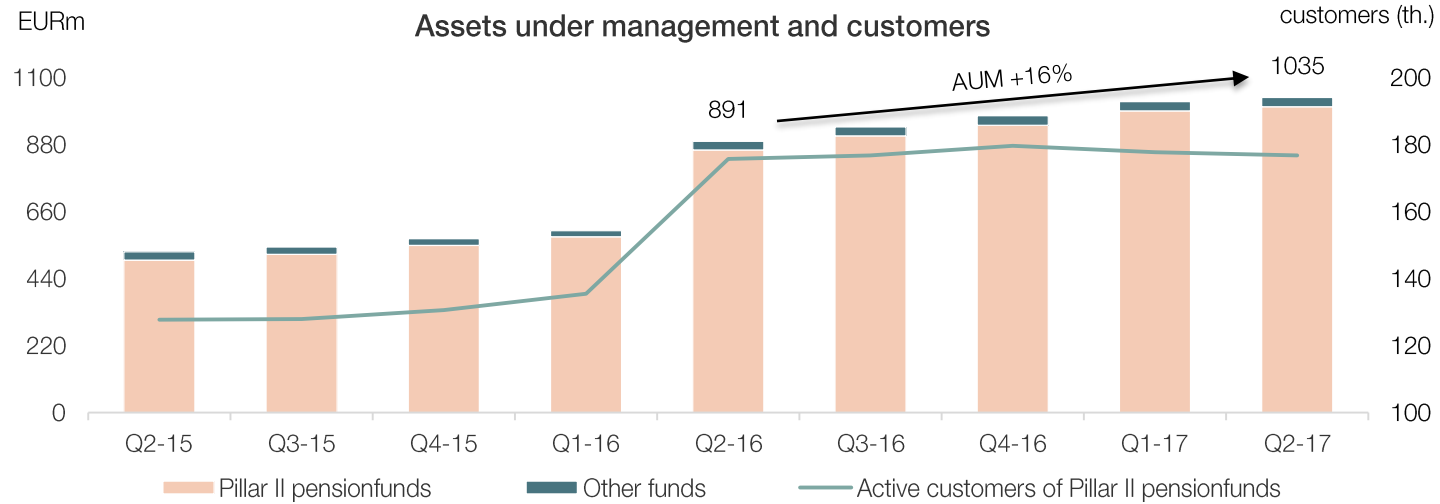
Profit ahead of financial plan by +0.5 EURm

Financial results, EURt	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Total revenue, incl.		3,287	19,552	15,826	18,865	+687
Net interest income		2,423	14,826	11,781	15,544	-717
Net fee and commission income		594	3,627	2,478	3,227	+401
Total operating expenses		1,658	9,966	8,739	10,197	-231
Earnings before impairment		1,629	9,586	7,087	8,668	+918
Impairment losses on loans		1,553	1,952	726	1,511	+442
Net profit		77	7,634	6,361	7,158	+477
Business volumes, EURm	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Deposits from customers		1,022	1,022	683	849	+173
Loans (net)		599	599	465	591	+8
Key figures	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		50.4%	51.0%	55.2%	54.1%	- 3.1 pp
CT1 capital adequacy		13.8%	13.8%	13.6%	14.1%	- 0.3 pp
Total capital adequacy		17.3%	17.3%	18.0%	17.7%	- 0.4 pp
Net interest margin (NIM)		2.8%	3.1%	3.1%	3.4%	- 0.3 pp

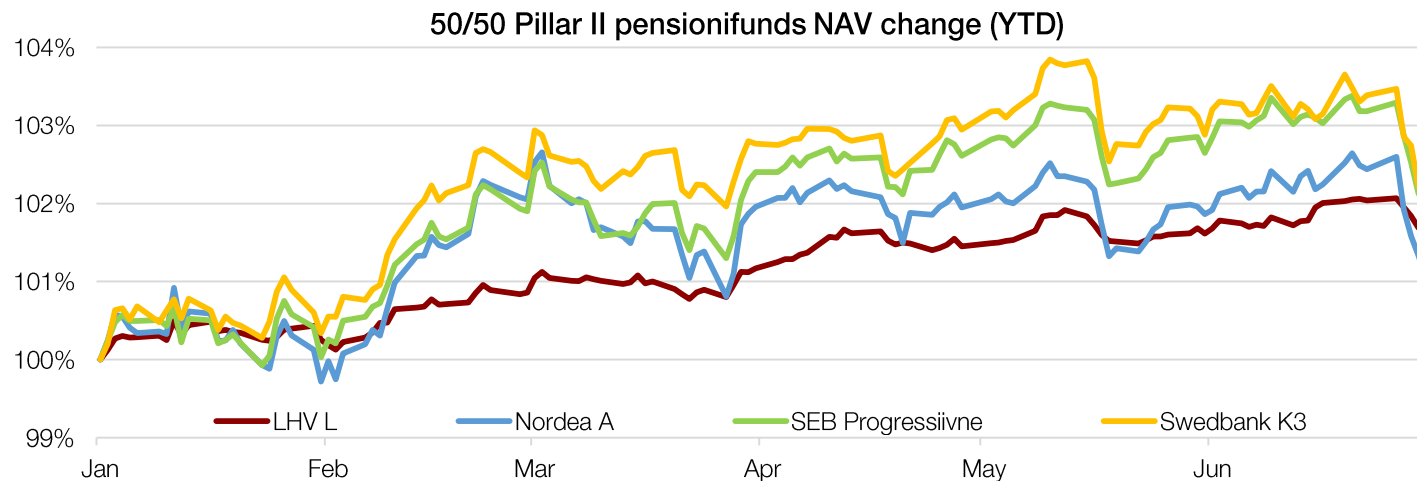
- Growth in deposits is in line with the plan
- Loan growth is 8 EURm ahead of plan. As banks capitalisation was planned very precicely follow loan growth, then there is a need to increase banks captial by 3 EURm
- Interest income is lower due to lower loan portfolio in first quarter. Fee income is larger because of institutional banking
- Overall credit quality remains strong. Credit impairment are related to specific single customers

LHV Asset Management

100 EURm Estonia related direct investment decisions



- Within first half year there were 100 EURm Estonia related non-listed investment decisions made
- Number of active II pillar clients decreased by one thousand. Funds volume increased by 14 EURm within a quarter
- AUM growth was modest as volume decreased in May due to this years first round of application to exchange funds became valid



LHV Asset Management










Decreasing share capital by 6.6 EURm

Financial results, EURt	9 quarters	Q2-17	Q1-17	Δ quarter
Total revenue		3,204	3,298	-94
Selling expenses		405	580	-175
Other operating expenses		1,192	1,147	+45
Total operating expenses		1,597	1,726	-129
EBIT		1,607	1,572	+35
Net financial income		5	104	-99
Income tax		0	951	-951
Net profit		1,612	724	+887
Business volumes, EURm	9 quarters	Q2-17	Q1-17	Δ quarter
Pillar II pensionfunds		1,004	990	+14
Pillar III pensionfunds		15	15	+0
Eurofunds		15	16	-0
Active customers of PII funds, thous.		177	178	-1
Key figures	9 quarters	Q2-17	Q1-17	Δ quarter
Cost / income ratio (C/I)		49.8%	52.3%	- 2.5 pp
ROE		41.7%	14.9%	+ 26.8 pp

- Dividend payment and share capital reduction in total 10.4 EURm
- Similar pension funds were merged, what concluded the take-over of Danske Capital
- AS SEB Pank became new custody bank for funds

LHV Asset Management – comparison with financial plan

Income tax expense lower than planned

Financial results, EURt	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Total revenue		1,059	6,611	5,253	6,679	-69
Total expenses		520	3,324	3,035	3,352	-28
Earnings before taxes		539	3,287	2,218	3,328	-41
Income tax		0	951	0	1,275	-324
Net profit		539	2,336	2,218	2,053	+284
Business volumes	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Assets under management, EURm		1,035	1,035	891	1,072	-37
Active customers of PII funds, thous.		177	177	176	180	-3
Key figures	13 months	Jun-17	YTD17	YTD16	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		48.6%	51.1%	58.0%	50.9%	+ 0.2 pp
Funds average return		0.0%	1.6%	0.8%	1.6%	- 0.1 pp

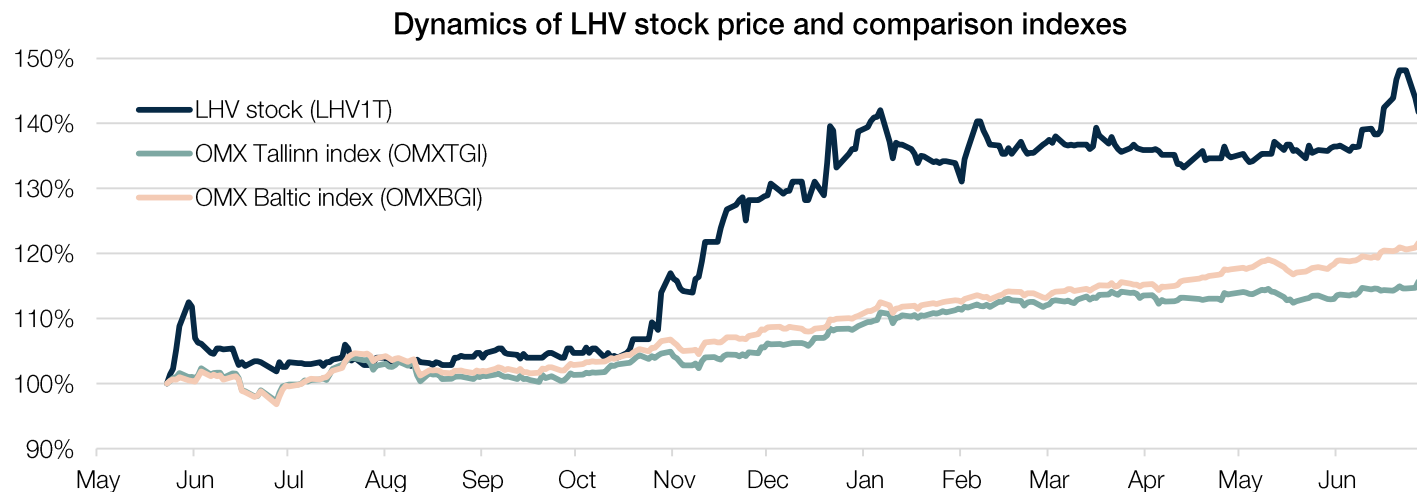
- Additional expenses related with direct investments to Estonia
- II pillar pension funds sales costs and custody expenses have decreased
- The volume difference compared to plan impacts revenues from May onwards

LHV Group

Stock information



- LHV share price increased close to 10 EUR by the end of the Q2
- **1,236** trades were made with the stock during Q2 on the market with a turnover of 3.2 EURm which gave the stock an average price of EUR 9.62
- Shareholders earnings per share (EPS) in Q2 is 0.17 EUR and cumulative 6 months EPS is 0.35 EUR
- As of 30 June 2017 LHV had 5,089 shareholders and 52% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 30 June 2017 is 254 EURm



First half of financial year

100 EURm

Investment decisions to Estonia

17%

ROE

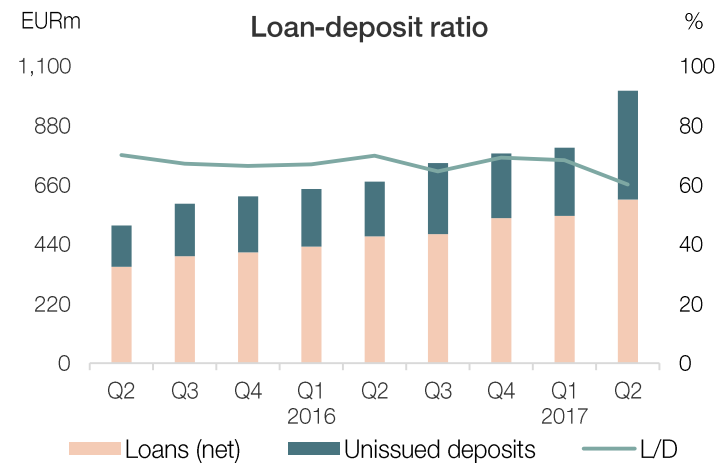
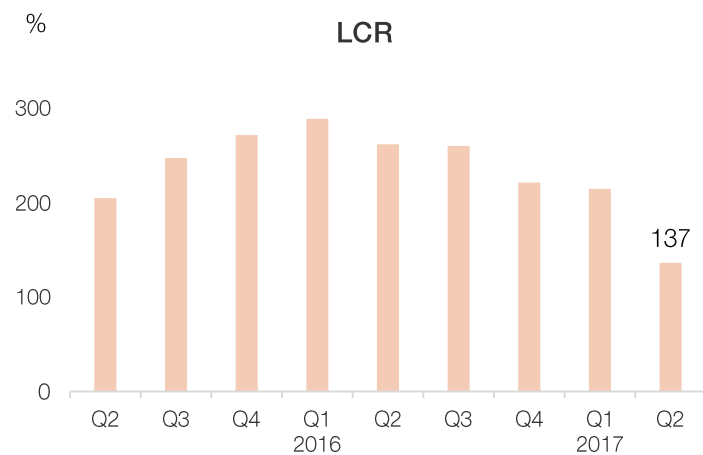
68 EURm

Loan portfolio growth

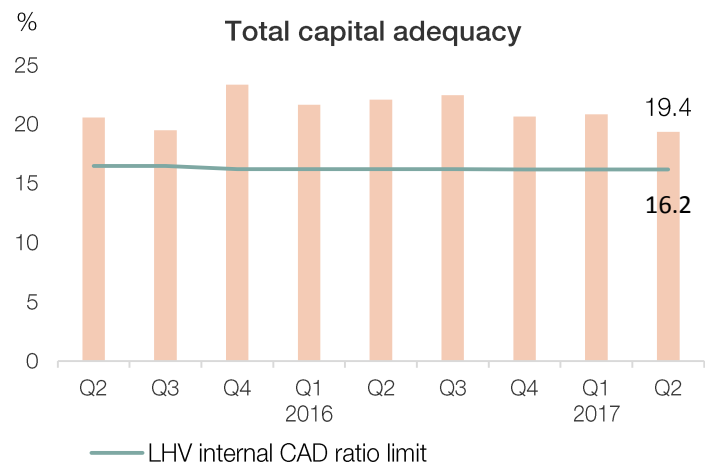
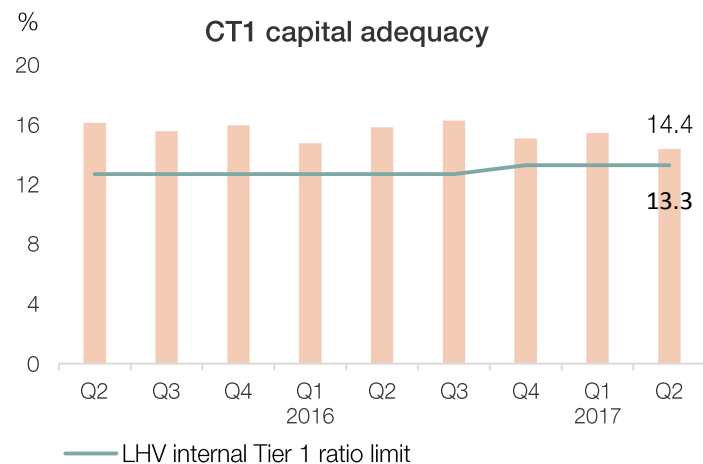
Good credit quality

Annexes

Numbers influenced by payment intermediaries

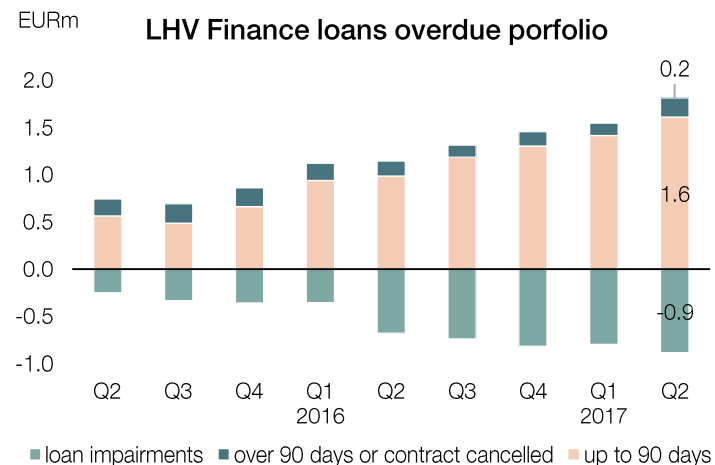
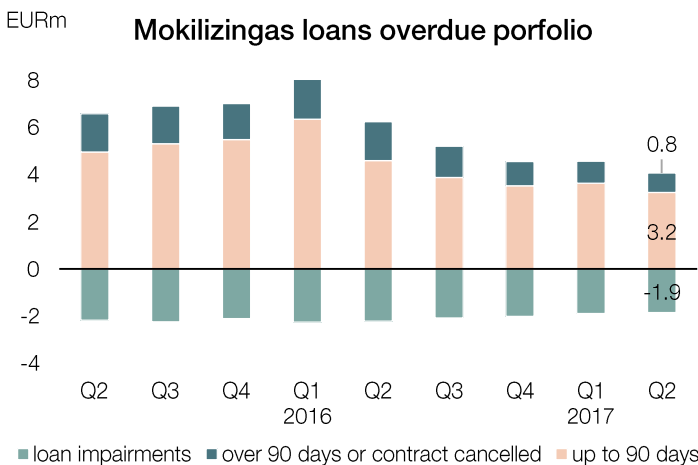
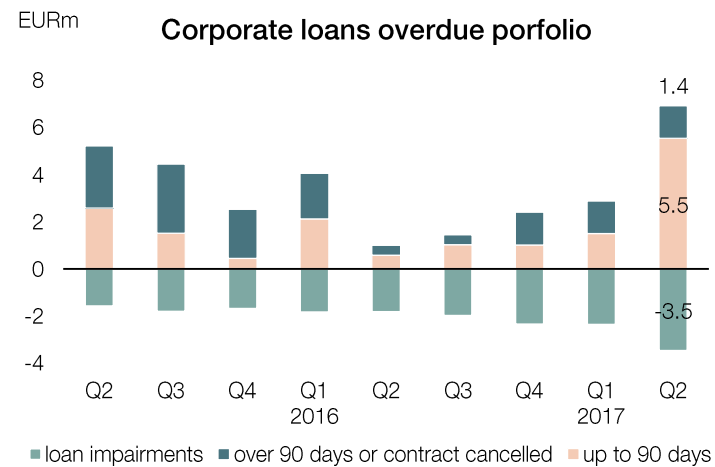
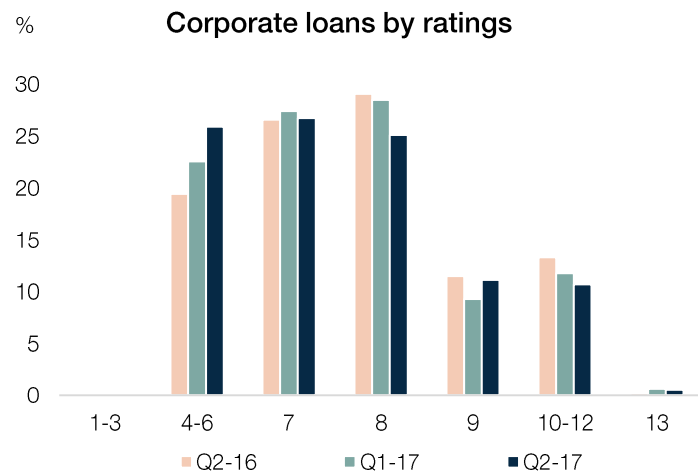


- LCR and loan /deposiit ratio have been influenced by one payment intermediary large balance
- Strong capital adequacy ratio, significantly above regulatory and internal targets



LHV Group

Q2 results influenced by credit impairments



- Corporate loans credit quality is good, overdues and credit impairments affected by two customers
- Other portfolios share of overdues remain low
- Mokilizingas loan portfolio credit quality is continuously improving
- LHV Finance overdue portfolio increase is expected due to slower portfolio growth

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