

LHV Group

Q1 2018 results
April 24, 2018

Active quarter

Main events

- United Kingdom branch permit
- LHV Banks' high service quality
- Best Private Banking in Estonia Recognition
- Health and Beauty loan
- Home Furnishing loan
- Launching Telia mTasku

Records in business volumes

- Deposits
- Loans
- Funds
- Client assets
- Customers

Pension funds' Estonian investments

- Estonia-oriented actively managed pension fund established

Other

- Long-term forecast published
- LHV Bank share capital increased
- 16 cents dividend per share

Subsequent events

- LHV Bank capital requirements will change
- Offer approved for the sale of Mokilizingas shares

Good growth in earnings before impairment and taxes

Financial results, EURt	9 quarters	Q1-18	Q4-17	Δ quarter
Net interest income		10,195	9,868	+327
Net fee and commission income		6,232	5,987	+246
Other income		-91	-416	+325
Total revenue		16,337	15,439	+897
Total operating expenses		8,880	8,486	+394
Earnings before impairment		7,457	6,953	+503
Impairment losses on loans		1,186	-40	+1,226
Income tax		2,014	201	+1,813
Net profit		4,256	6,791	-2,535
Business volumes, EURm	9 quarters	Q1-18	Q4-17	Δ quarter
Deposits from customers		1,725	1,537	+188
Loans (net)		766	732	+34
Assets under management		1,127	1,103	+24
Customers, thous.		476	444	+32
Key figures	9 quarters	Q1-18	Q4-17	Δ quarter
Cost / income ratio (C/I)		54.4%	55.0%	- 0.6 pp
ROE (attr.to owners of the parent)		12.4%	19.4%	- 7.0 pp

- Ongoing growth in interest revenues, also positive trend in net fee and commission income
- Credit portfolio quality is good, only a few clients are under more thorough surveillance
- Pension funds focus on Estonian investments
- Cost / income ratio on good level, ROE was influenced by income tax liabilities on dividends
- Updated financial plan will be disclosed on May 17

LHV Group – comparison with financial plan

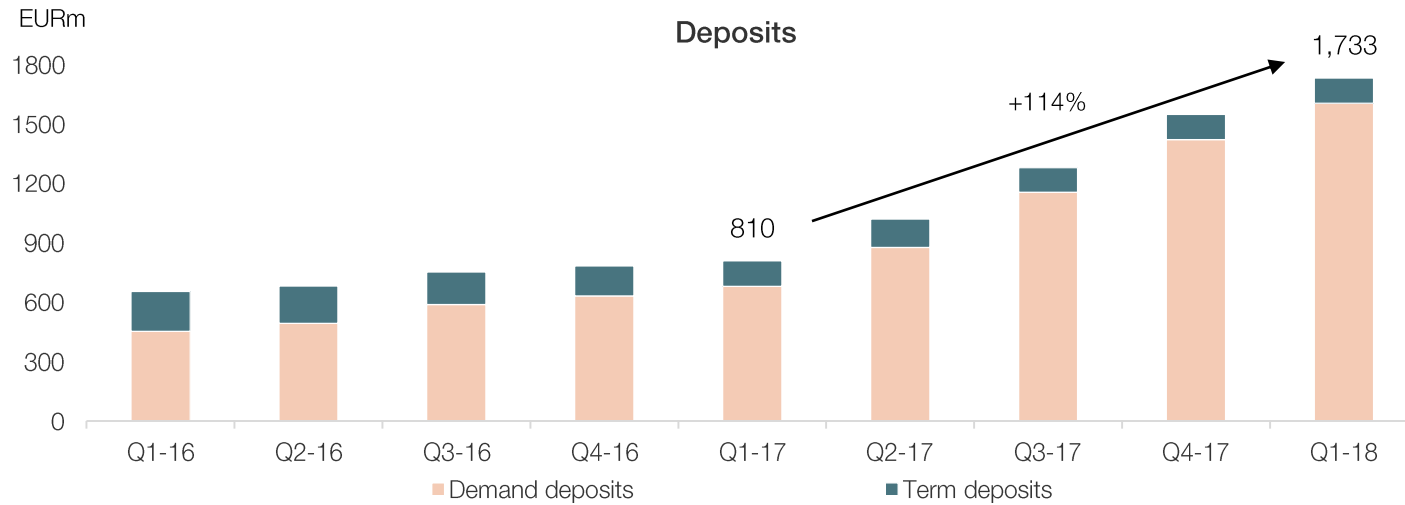
Net profit compared to financial plan +0.4 EURm

Financial results, EURt	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total revenue, incl.		5,740	16,337	13,822	15,934	+402
Net interest income		3,615	10,195	8,164	10,162	+33
Net fee and commission income		2,160	6,232	5,285	5,676	+557
Total operating expenses		3,154	8,880	7,695	9,011	-131
Earnings before impairment		2,586	7,457	6,127	6,923	+533
Impairment losses on loans		141	1,186	94	1,002	+184
Income tax		1,973	2,014	983	2,044	-31
Net profit		472	4,256	5,050	3,877	+380
attr. to owners of the parent		542	3,951	4,469	3,505	+445
Business volumes, EURm	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Deposits from customers		1,725	1,725	798	1,553	+172
Loans (net)		766	766	546	759	+7
Assets under management		1,127	1,127	1,020	1,144	-18
Key figures	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		55.0%	54.4%	55.7%	56.6%	- 2.2 pp
ROE (attr. to owners of the parent)		4.7%	12.3%	17.2%	10.9%	+ 1.3 pp
Net interest margin (NIM)		2.3%	2.2%	3.6%	2.3%	- 0.1 pp
ROA		0.3%	0.9%	2.2%	0.9%	+ 0.0 pp

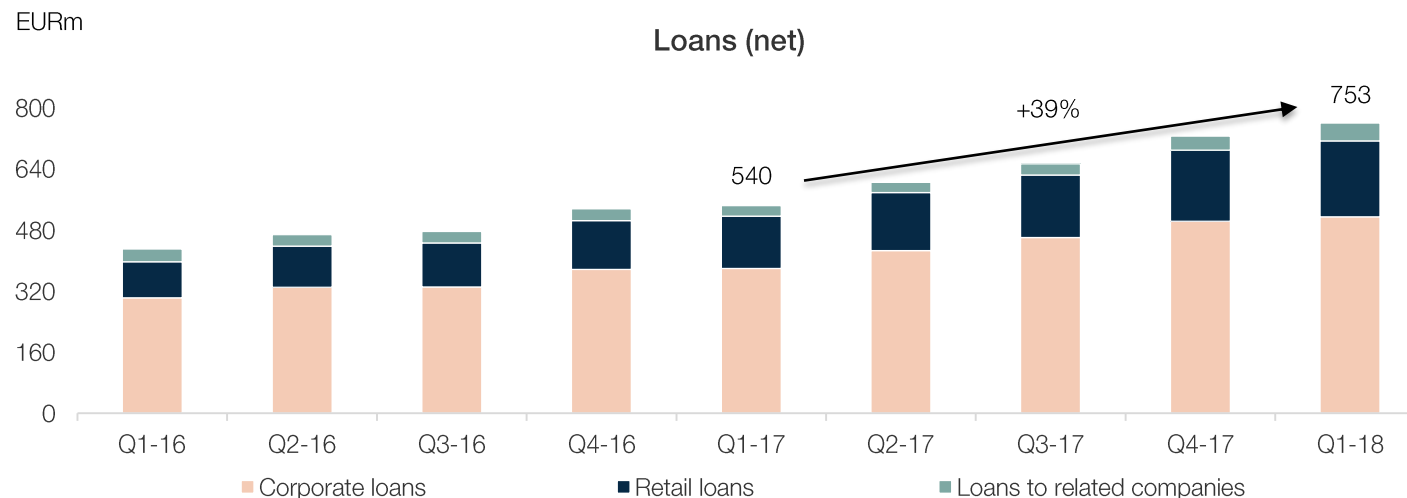
- Both consolidated profit and net profit attributable to owners of the parent exceed financial plan by 0.4 EURm
- Revenues and expenses are outperforming financial plan. Q1 dominated by income tax on dividends, exceeding 2017 Q1 by 2 times
- Credit impairments exceed financial plan mainly due to better than expected growth in loan portfolio

LHV Banking

More than 6,000 new customers in Q1



- More than 6,000 new customers in Q1. Record-breaking customer activity
- Deposits increased by 183 EURm, incl. 57 EURm by regular customers and 126 EURm by payment intermediaries
- Loan portfolio increased by 34 EURm, incl. 10 EURm corporate loans, 13 EURm retail loans and 11 EURm Mokilizingas' loan
- LHV was recognised as the best private banking service provider in Estonia by Euromoney
- LHV started to offer Home Furnishing loan and Health & Beauty loan
- UK Branch was opened



LHV Banking

Net profit 3.6 EURm

Financial results, EURt	9 quarters	Q1-18	Q4-17	Δ quarter
Net interest income		9,195	8,380	+815
Net fee and commission income		2,250	1,925	+325
Other income		-35	-434	+398
Total revenue		11,411	9,872	+1,539
Total operating expenses		6,098	5,410	+687
Earnings before impairment		5,313	4,462	+851
Impairment losses on loans		882	534	+348
Income tax		838	0	+838
Net profit		3,593	3,927	-334
Business volumes, EURm	9 quarters	Q1-18	Q4-17	Δ quarter
Deposits from customers		1,733	1,551	+183
Loans (net)		753	719	+34
Customers, thous.		170	165	+5
Key figures	9 quarters	Q1-18	Q4-17	Δ quarter
Cost / income ratio (C/I)		53.4%	54.8%	- 1.4 pp
ROE (attr.to owners of the parent)		13.4%	14.9%	- 1.5 pp
Net interest margin (NIM)		2.0%	2.1%	- 10 bp

- EBT 4.4 EURm, net profit 3.6 EURm. Income tax was related to LHV Finance dividend payment to LHV Bank which was passed on to LHV Group
- Starting from 2018, new loan impairment principles were implemented according to IFRS 9, however it had only minor impact on loan impairments
- Share capital was increased by 10 EURm in accordance with financial plan to support the loan portfolio growth

LHV Banking – comparison with financial plan

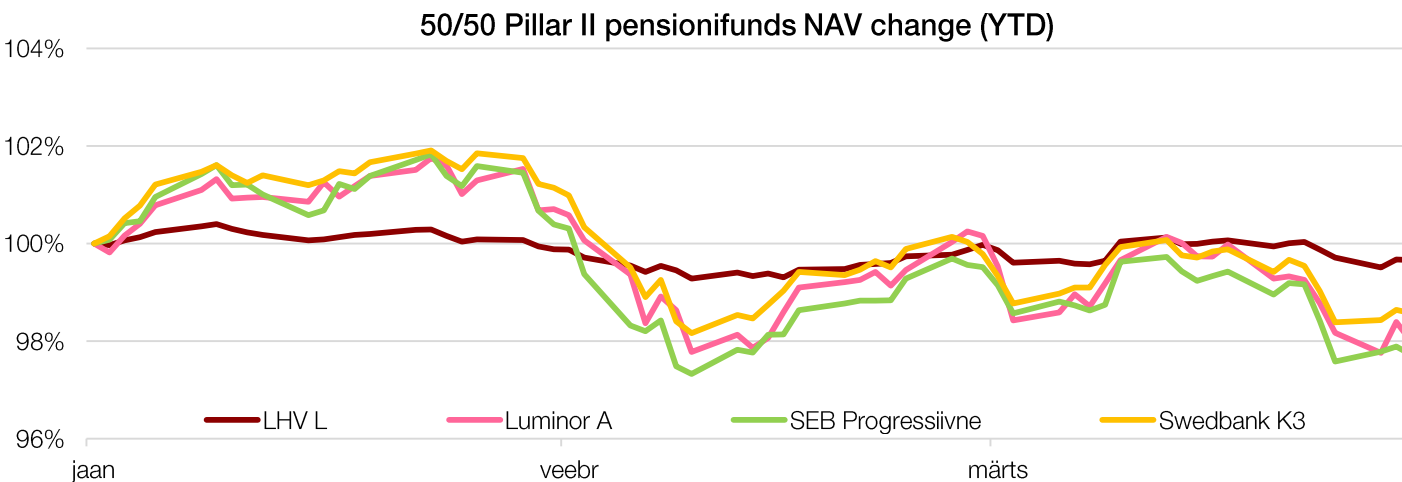
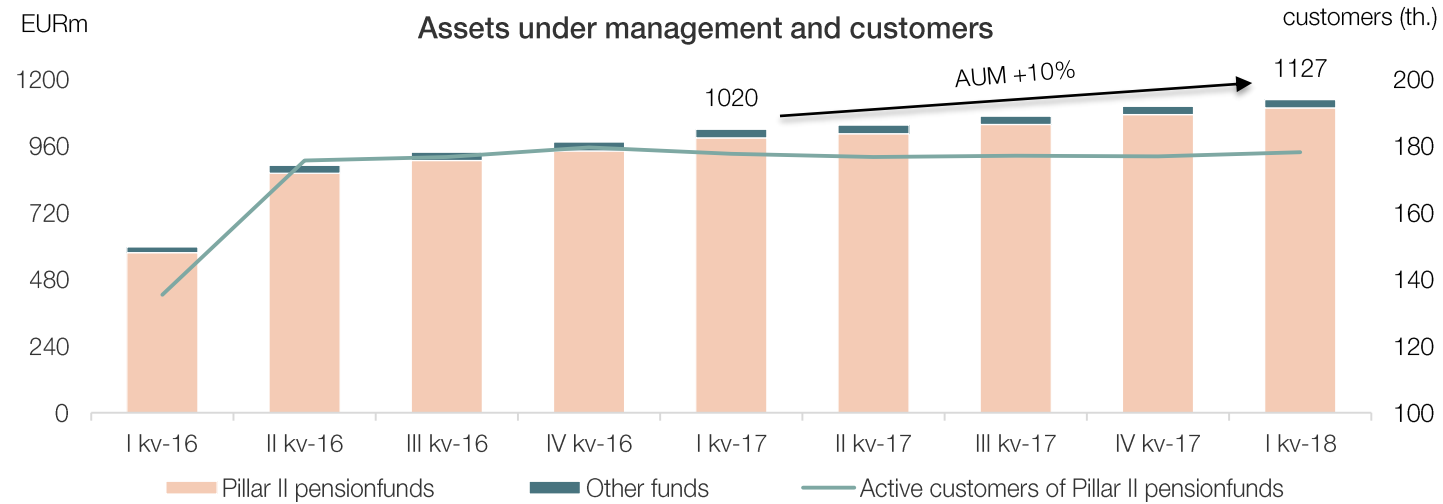
Net profit ahead of financial plan by +0.6 EURm

Financial results, EURt	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total revenue, incl.		3,991	11,411	9,248	10,765	+646
Net interest income		3,236	9,195	7,169	8,625	+571
Net fee and commission income		765	2,250	1,819	2,100	+151
Total operating expenses		2,140	6,098	4,902	6,080	+18
Earnings before impairment		1,851	5,313	4,346	4,685	+628
Impairment losses on loans		-25	882	70	815	+67
Income tax		838	838	0	875	-38
Net profit		1,038	3,593	4,276	2,995	+598
Business volumes, EURm	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Deposits from customers		1,733	1,733	811	1,564	+170
Loans (net)		753	753	540	746	+8
Key figures	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		53.6%	53.4%	53.0%	56.5%	- 3.0 pp
CT1 capital adequacy		14.1%	14.1%	14.5%	13.4%	+ 0.7 pp
Total capital adequacy		16.9%	16.9%	18.3%	16.2%	+ 0.8 pp
Net interest margin (NIM)		2.0%	2.0%	3.2%	2.0%	+ 0.0 pp

- Net profit exceeded financial plan by 0.6 EURm mainly due to higher revenues: bigger loan portfolio in the beginning of the year and higher balance of payment intermediaries' deposits during the quarter
- Deposits exceeded financial plan by 170 EURm and loans by 8 EURm
- Monthly fluctuation in loan impairments due to IFRS 9
- Starting from Jan 2019 systemically important bank buffer increases from 0.5% to 1.0%

LHV Asset Management

Good quarter in terms of relative performance of funds



- World stock markets fell on average by 4%. LHV's actively managed pension funds showed good performance in such environment
- Funds continued to avoid larger stock market exposure and focused on local market opportunities
- New II pillar fund started in March: LHV Pension Fund Estonia

Dividends and capital reduction according to plan

Financial results, EURt	9 quarters	Q1-18	Q4-17	Δ quarter
Total revenue		3,339	3,451	-112
Total operating expenses		1,486	1,670	-184
EBIT		1,853	1,781	+72
Net financial income		-66	12	-78
Income tax		1,100	0	+1,100
Net profit		687	1,793	-1,106
Business volumes, EURm	9 quarters	Q1-18	Q4-17	Δ quarter
Pillar II pensionfunds		1,097	1,072	+25
Pillar III pensionfunds		16	16	+0
Eurofunds		14	14	-1
Active customers of PII funds, thous.		178	177	+1
Key figures	9 quarters	Q1-18	Q4-17	Δ quarter
Cost / income ratio (C/I)		44.5%	48.4%	- 3.9 pp
ROE		13.7%	45.9%	- 32.2 pp

- Average II pillar management fee fell by 6% from February. Reduction in revenue in the I quarter is seasonal
- Dividend payment of 4.4 EURm brought income tax cost 1.1 EURm
- Implementation of IFRS 15 (sales costs are capitalized and amortized)

LHV Asset Management – comparison with financial plan

Growth in the number of clients

Financial results, EURt	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total revenue		1,108	3,273	3,402	3,367	-94
Total expenses		564	1,486	1,726	1,469	+17
Earnings before taxes		544	1,787	1,675	1,898	-111
Income tax		1,100	1,100	951	1,095	+5
Net profit		-556	687	724	803	-116
Business volumes	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Assets under management, EURm		1,127	1,127	1,020	1,144	-18
Active customers of PII funds, thous.		178	178	178	176	+2
Key figures	13 months	Mar-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		49.5%	44.5%	52.3%	43.8%	+ 0.7 pp
Funds average return		-0.1%	-0.1%	1.0%	0.8%	- 1.0 pp

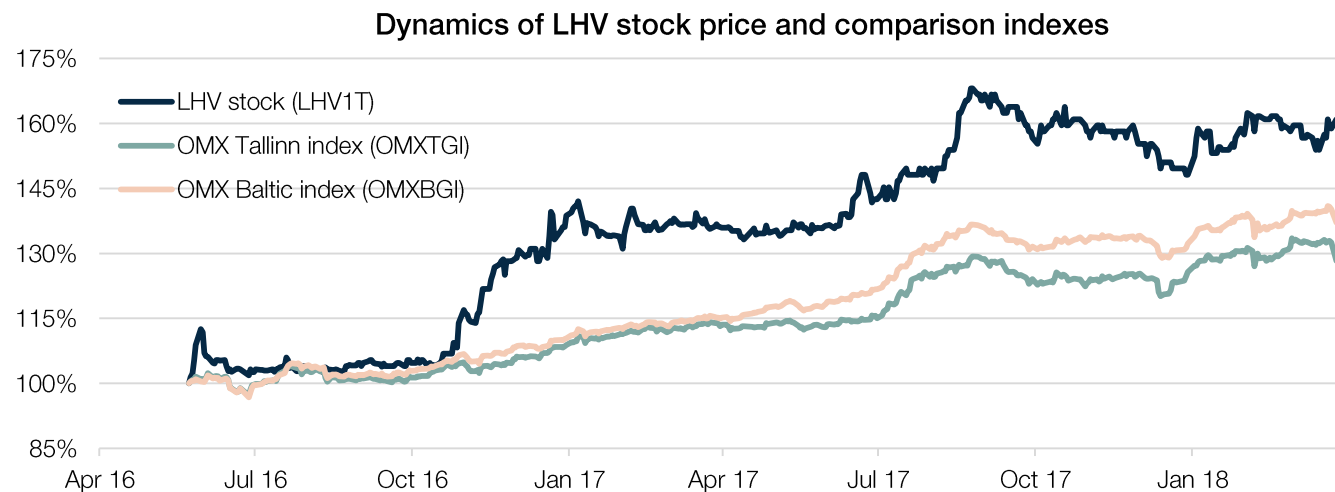
- Financial income (from LHV's own investments into funds), which was negative due to market movements, caused the main difference
- Increase in AUM was smaller due to markets meltdown
- Good sales period increase the number of clients by 1.2 thousand

LHV Group

Stock information



- Closing share price 11,2 EUR in the end of Q1
- 1,373 trades were made with the stock during Q1 on the market with a turnover of 3.8 EURm which gave the stock an average price of 11.06 EUR
- Shareholders earnings per share (EPS) in Q1 is 0.15 EUR
- As of March 31, 2018 LHV had 5,465 shareholders and 52% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of Q1 is 289 EURm



34 EURm

Loan portfolio growth

16 cents

Approved dividend per share
(after the reporting period)

United Kingdom

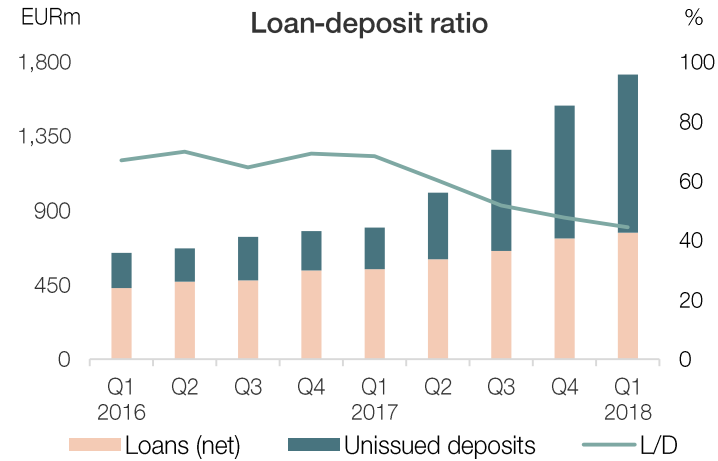
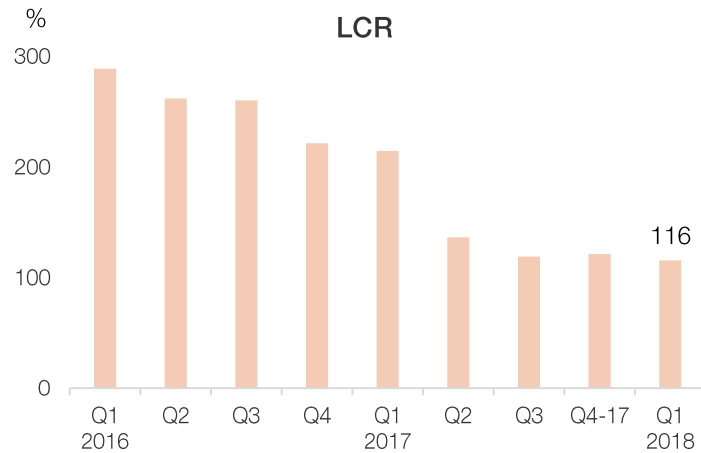
New branch

6,000

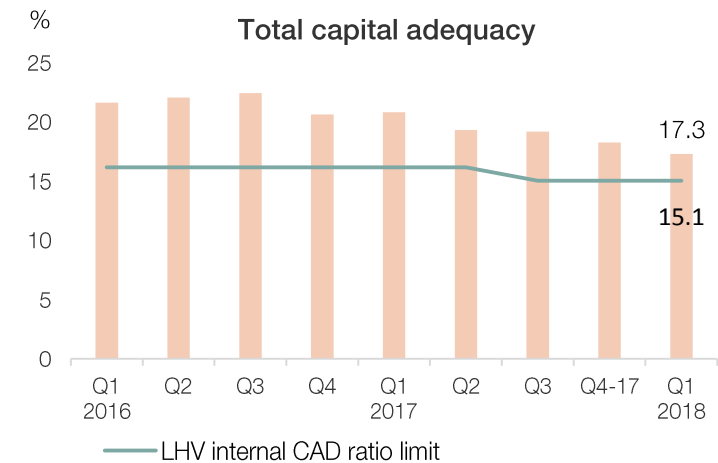
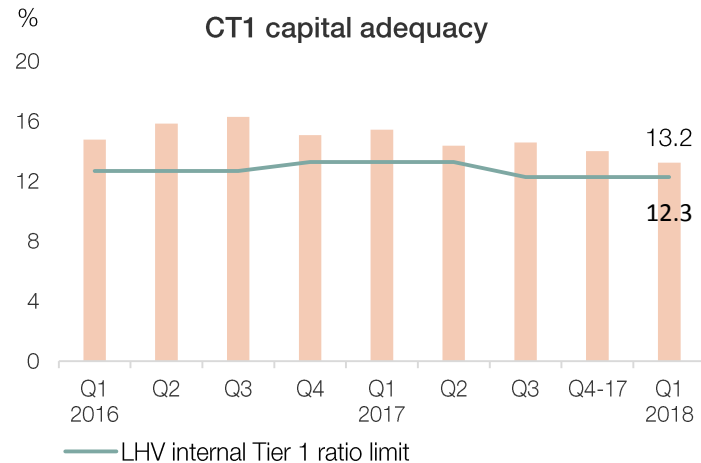
Bank customer increase

Annexes

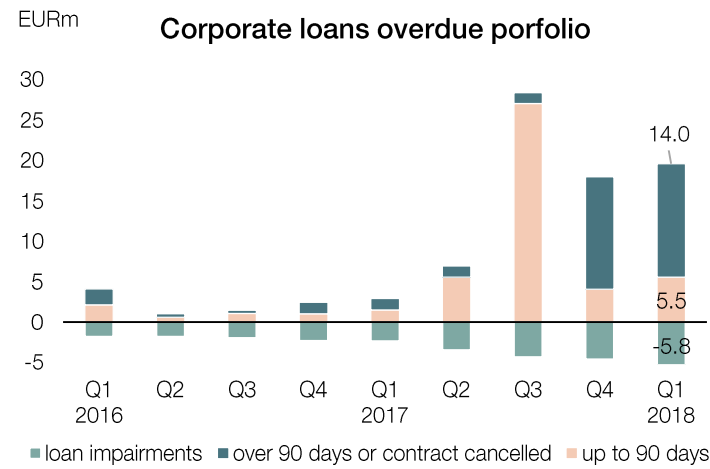
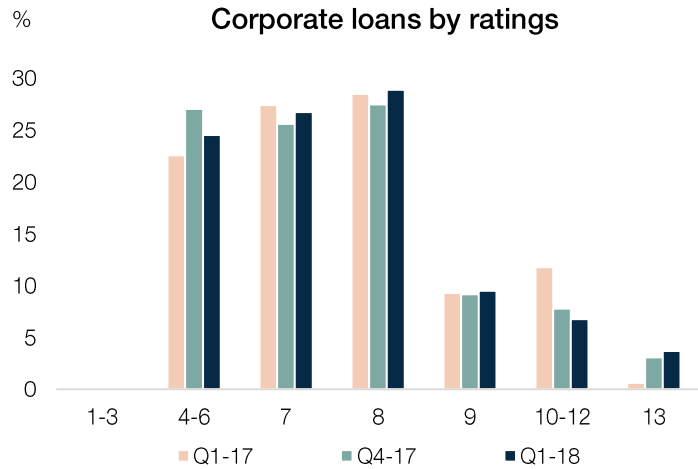
Quarter influenced by payment intermediaries



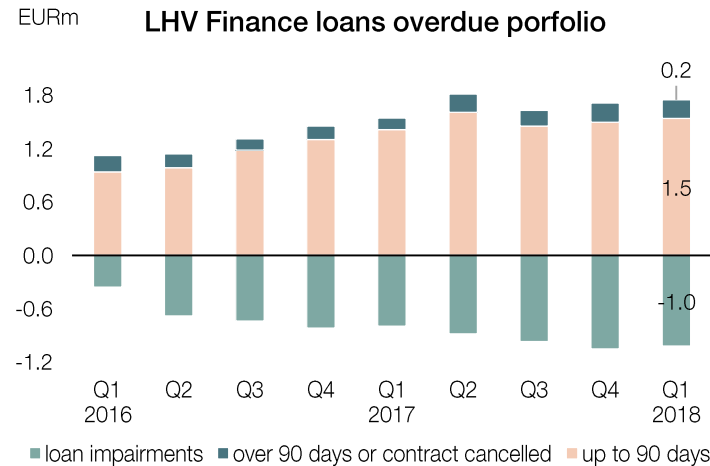
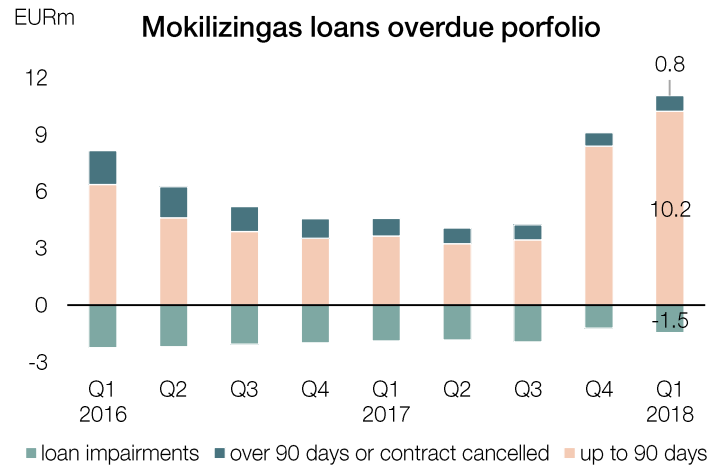
- LCR and loan /deposit ratio have been influenced by one payment intermediary's large balance. Excluding payment intermediaries, LCR would increase to 216%
- Strong capital adequacy ratio, significantly above regulatory and internal targets



Credit quality influenced by few customers



- The growth of corporate lending overdue portfolio is linked with one specific customer and additionally couple of other customers overdues by a few days
- Other portfolios share of overdues remain low



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