

# LHV Group

Q1 2019 results  
April 16, 2019



# Quarter with fastest growth in customer number

## For customers

- Instant payments
- Entrepreneur Account
- New ATMs
- Home loans all over Estonia

## Records in business volumes

















- Customer numbers
- Loans
- Deposits (excl. financial intermediaries)
- Funds
- Assets under management
- Card payments

## Other

- Recognition for providing the best service
- Best investor relations on Baltic markets
- Best brokering service on Baltic markets
- Planned changes in pillar II legislation
- Acquisition of Versobank's portfolio

# LHV Group

## Solid growth trends are continuing

Financial results, EURt	9 quarters	Q1-19	Q4-18	Δ quarter
Net interest income		10,945	10,289	+656
Net fee and commission income		6,225	6,094	+131
Other income		155	212	-57
<b>Total revenue</b>		<b>17,324</b>	<b>16,595</b>	<b>+730</b>
<b>Total expenses</b>		<b>9,105</b>	<b>8,783</b>	<b>+322</b>
<b>Earnings before impairment</b>		<b>8,219</b>	<b>7,811</b>	<b>+408</b>
Impairment losses on loans		951	543	+409
Income tax expense		2,265	544	+1,721
<b>Net income</b>		<b>5,002</b>	<b>6,725</b>	<b>-1,722</b>
Business volumes, EURm	9 quarters	Q1-19	Q4-18	Δ quarter
Deposits from customers		1,567	1,422	+145
Loans (net)		991	919	+72
Assets under management		1,257	1,214	+43
Customers, thous.		397	337	+61
Key figures	9 quarters	Q1-19	Q4-18	Δ quarter
Cost / income ratio (C/I)		52.6%	52.9%	- 0.4 pp
pre-tax ROE*		17.4%	17.5%	- 0.1 pp
ROE*		12.2%	16.1%	- 3.9 pp

- Net interest income that decreased after the sale of Mokilizingas is again at the highest level and growing. Good trends in net fee and commission income
- All important business volumes – loans, deposits, funds – are growing
- Pension funds focus on finding investments outside of the stock market
- Net profit of the quarter – solid 5 EURm, which was affected by income tax of 1.7 EURm on dividends

\* ROE is based on LHV Group net profit and equity attributable to the owners of AS LHV Group

# LHV Group – comparison with financial plan

## Net profit exceeds financial plan by 0.9 EURm

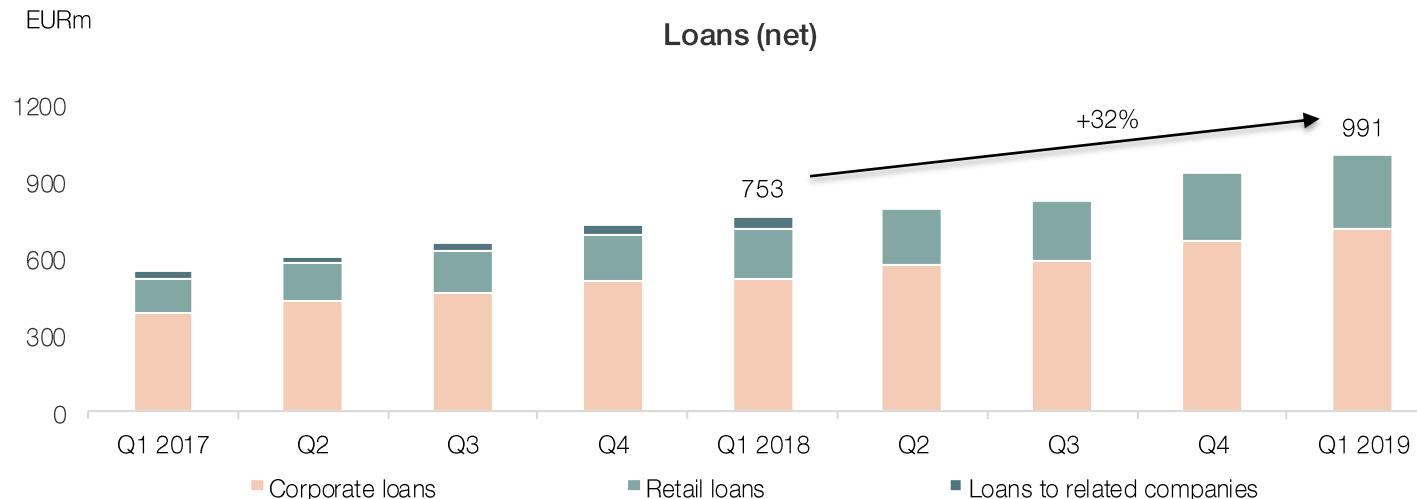
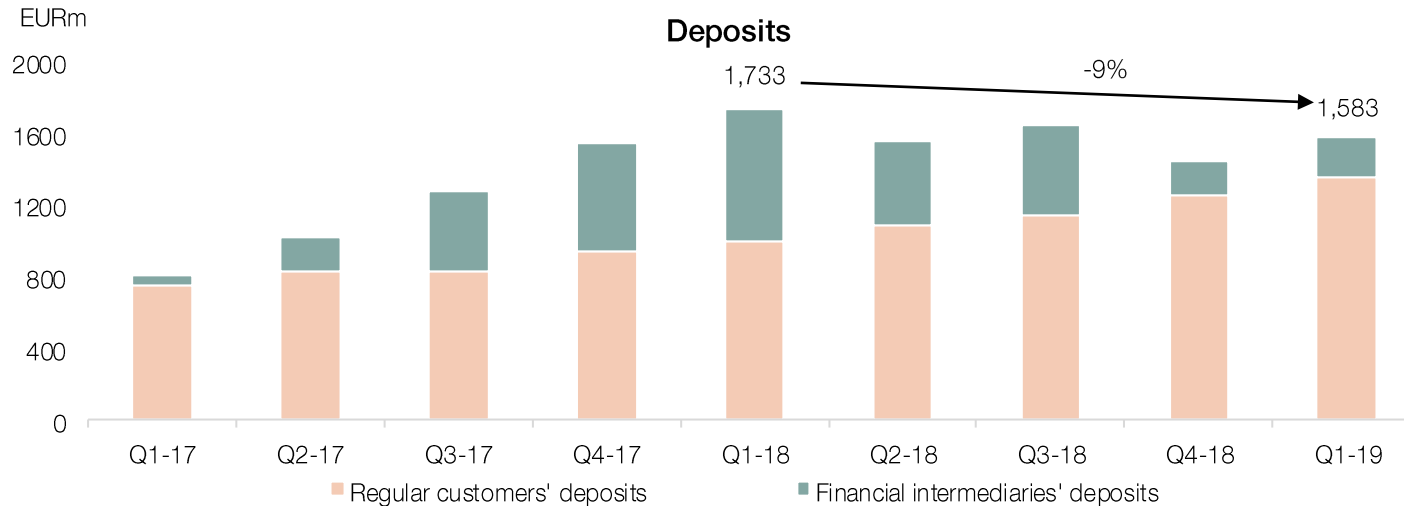
Financial results, EURt	13 months	Mar-19	YTD19	YTD18	FP YTD	Δ YTD FP
<b>Total revenue, incl.</b>		6,165	17,324	16,337	16,919	+406
Net interest income		3,929	10,945	10,195	10,670	+275
Net fee and commission income		2,276	6,225	6,232	6,196	+28
<b>Total operating expenses</b>		3,313	9,105	8,880	9,034	+72
<b>Earnings before impairment</b>		2,852	8,219	7,457	7,885	+334
Impairment losses on loans		135	951	1,186	986	-35
Income tax		1,951	2,265	2,014	2,794	-529
<b>Net profit, incl.</b>		766	5,002	4,256	4,105	+898
attr. to shareholders		846	4,690	3,951	3,862	+828
<b>Business volumes, EURm</b>	<b>13 months</b>	<b>Mar-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Deposits from customers		1,567	1,567	1,725	1,521	+46
Loans (net)		991	991	766	964	+26
Assets under management		1,257	1,257	1,127	1,249	+8
<b>Key figures</b>	<b>13 months</b>	<b>Mar-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		53.7%	52.6%	54.4%	53.4%	- 0.8 pp
pre-tax ROE*		19.2%	17.4%	17.7%	16.3%	+ 1.2 pp
ROE*		6.4%	12.2%	12.4%	9.9%	+ 2.3 pp
Net interest margin (NIM)		2.6%	2.7%	2.2%	2.6%	+ 0.1 pp
ROA		0.5%	1.2%	0.9%	1.0%	+ 0.2 pp

- Revenues exceed financial plan, expenses exceed the plan less
- All main business volumes exceed financial plan
- Credit impairments according to plan
- Net profit exceeds financial plan by 0.9 EURm, partly due to lower income tax paid on dividends

\* ROE is based on LHV Group net profit and equity attributable to the owners of AS LHV Group

# LHV Banking

## Record number in new customers



- 9,500 new customers. New, significant records in regular customers activity, incl. in investment activities
- Customer deposits increased by 135 EURm, incl. regular customer deposits by 102 EURm and payment intermediaries' deposits by 33 EURm
- Loan growth 72 EURm, including 44 EURm in corporate loans and 28 EURm in retail loans. Acquisition of Versobank portfolio with total volume of 13 EURm
- Several new products and services: entrepreneur account, instant payments, virtual IBAN, API, additional ATMs, new payment monitoring system, home loan surety agreement with Kredex
- As the fourth bank in Estonia, LHV was assigned as a vital service provider

## Good revenue growth in comparison to previous quarter

Financial results, EURt	9 quarters	Q1-19	Q4-18	Δ quarter
Net interest income		11,238	10,580	+658
Net fee and commission income		2,704	2,465	+238
Other income		-22	353	-375
<b>Total revenue</b>		<b>13,920</b>	<b>13,399</b>	<b>+521</b>
<b>Total expenses</b>		<b>7,511</b>	<b>7,040</b>	<b>+471</b>
<b>Earnings before impairments</b>		<b>6,409</b>	<b>6,359</b>	<b>+50</b>
Impairment losses on loans		951	543	+409
Income tax expense		1,293	544	+749
<b>Net income</b>		<b>4,165</b>	<b>5,272</b>	<b>-1,108</b>
<b>Business volumes, EURm</b>	<b>9 quarters</b>	<b>Q1-19</b>	<b>Q4-18</b>	<b>Δ quarter</b>
Deposits from customers		1,583	1,448	+135
Loans (net)		991	919	+72
Customers, thous.		200	192	+8
<b>Key figures</b>	<b>9 quarters</b>	<b>Q1-19</b>	<b>Q4-18</b>	<b>Δ quarter</b>
Cost / income ratio (C/I)		54.0%	52.5%	+ 1.4 pp
pre-tax ROE*		15.8%	17.3%	- 1.5 pp
ROE*		12.5%	15.5%	- 3.0 pp
Net interest margin		2.6%	2.4%	+ 0.2 pp

- No exceptional revenues or expenses affecting the quarter result
- Quality of the loan portfolio remains high
- EBT 5.5 EURm, net profit 4.2 EURm. Higher income tax due to dividend payment of Bank's subsidiary LHV Finance in amount of 3.4 EURm
- To ensure loan portfolio growth according to plan, additional Tier1 instruments were issued in amount of 6.5 EURm

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# LHV Banking – comparison with financial plan

## Net profit ahead of financial plan by +0.6 EURm

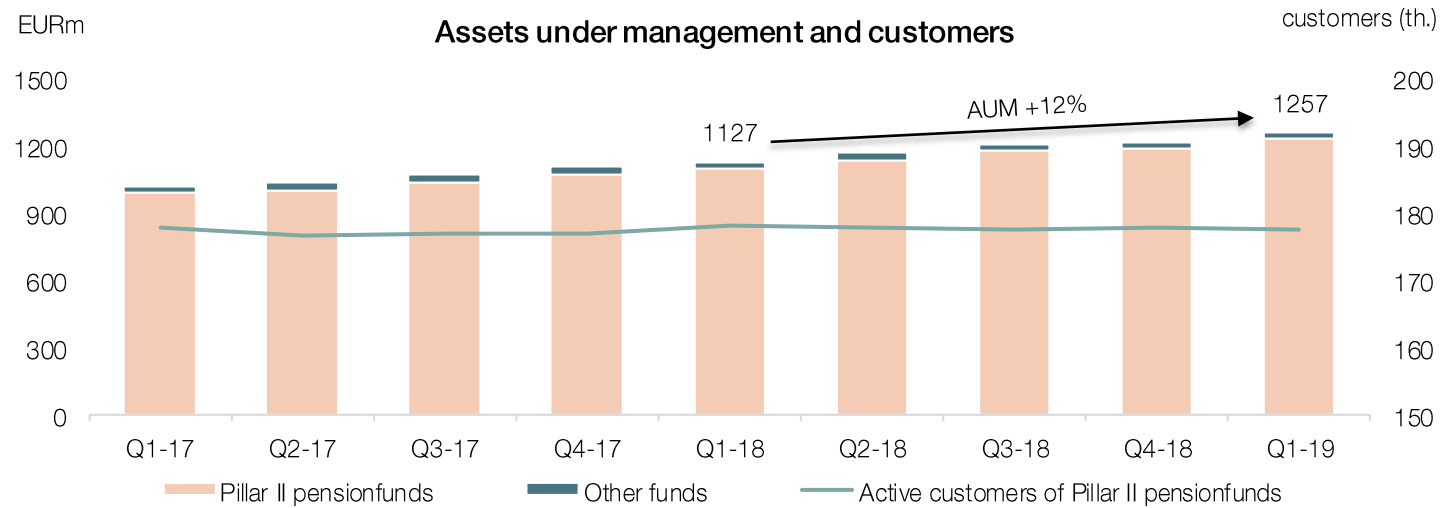
Financial results, EURt	13 months	Mar-19	YTD19	YTD18	FP YTD	Δ YTD FP
<b>Total revenue, incl.</b>		4,976	13,920	11,411	13,705	+215
Net interest income		3,968	11,238	9,195	11,005	+233
Net fee and commission income		1,070	2,704	2,250	2,703	+1
<b>Total operating expenses</b>		2,751	7,511	6,098	7,374	+137
<b>Earnings before impairment</b>		2,225	6,409	5,313	6,331	+78
Impairment losses on loans		135	951	882	986	-35
Income tax		978	1,293	838	1,822	-529
<b>Net profit</b>		1,111	4,165	3,593	3,523	+642
<b>Business volumes, EURm</b>	<b>13 months</b>	<b>Mar-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Deposits from customers		1,583	1,583	1,733	1,541	+42
Loans (net)		991	991	753	964	+27
<b>Key figures</b>	<b>13 months</b>	<b>Mar-19</b>	<b>YTD19</b>	<b>YTD18</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		55.3%	54.0%	53.4%	53.8%	+ 0.2 pp
CT1 capital adequacy		12.7%	12.7%	14.1%	13.7%	- 1.0 pp
Total capital adequacy		16.7%	16.7%	16.9%	17.1%	- 0.4 pp
Net interest margin (NIM)		2.7%	2.7%	2.0%	2.6%	+ 0.0 pp

- Net profit exceeded financial plan by 0.6 EURm – partly due to higher revenues, but mainly due to lower than planned income tax
- Deposits exceeded financial plan by 42 EURm and loans by 27 EURm

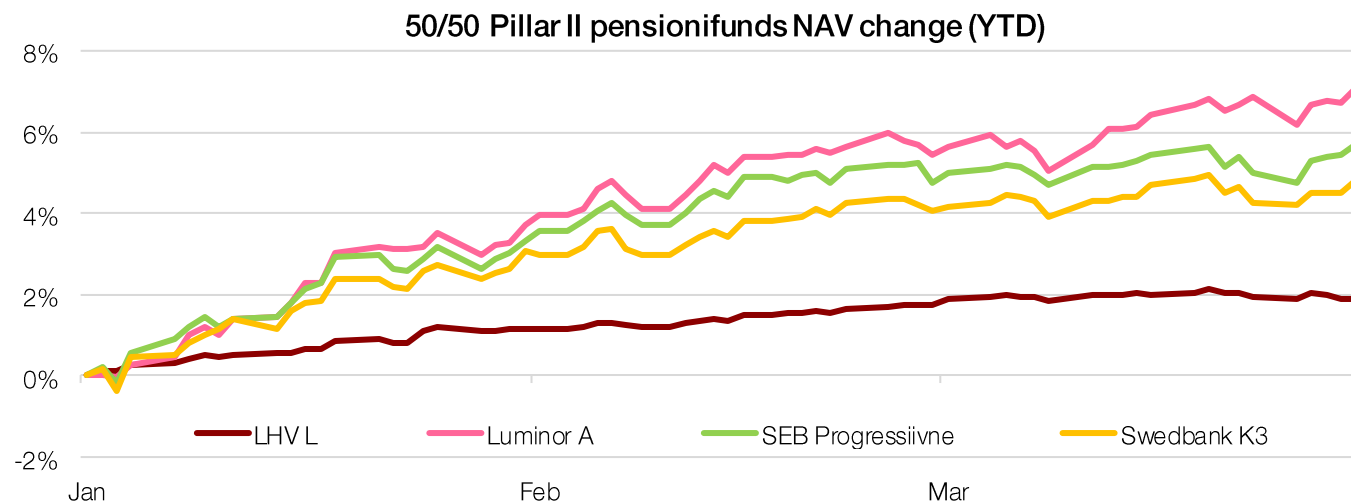
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# LHV Asset Management

## Stock markets recovered from 2018 Q4 fall



- World stock markets recovered from 2018 Q4 downfall
- LHV actively managed pension funds focus on investments outside the stock market, decreasing the dependence on stock markets
- Number of customers has remained on the same level since the acquisition of Danske Capital (market share 25%)





# LHV Asset Management










## EBIT of Q1 2.0 EURm

Financial results, EURt	9 quarters	Q1-19	Q4-18	Δ quarter
<b>Total revenue</b>		3,521	3,629	-108
<b>Total operating expenses</b>		1,483	1,529	-46
<b>EBIT</b>		2,038	2,100	-62
Net financial income		149	-169	+318
Income tax expense		972	0	+972
<b>Net profit</b>		1,215	1,931	-716
<b>Business volumes, EURm</b>	<b>9 quarters</b>	<b>Q1-19</b>	<b>Q4-18</b>	<b>Δ quarter</b>
Pillar II pensionfunds		1,232	1,187	+45
Pillar III pension funds		18	17	+1
Eurofunds		8	11	-3
Active customers of PII funds, thous.		177	178	-0
<b>Key figures</b>	<b>9 quarters</b>	<b>Q1-19</b>	<b>Q4-18</b>	<b>Δ quarter</b>
Cost / income ratio (C/I)		42.1%	42.1%	- 0.0 pp
pre-tax ROE		32.4%	28.0%	+ 4.4 pp
ROE		18.0%	28.0%	- 10.0 pp

- Dividend payment 4.4 EURm along with income tax 1.0 EURm
- Decrease in operating income is seasonal as pillar II pension funds fee rates decline along with increasing volumes
- Volume of pillar II pension funds increased by 45 EURm

# LHV Asset Management – comparison with financial plan

## Financial income outperformed financial plan

Financial results, EURt	13 months	Mar-19	YTD19	YTD18	FP YTD	Δ YTD FP
Total revenue		1,217	3,671	3,273	3,520	+151
Total expenses		533	1,483	1,486	1,512	-29
Earnings before taxes		684	2,188	1,787	2,007	+180
Income tax		972	972	1,100	972	-0
<b>Net profit</b>		<b>-288</b>	<b>1,215</b>	<b>687</b>	<b>1,035</b>	<b>+180</b>
Business volumes	13 months	Mar-19	YTD19	YTD18	FP YTD	Δ YTD FP
Assets under management, EURm		1,257	1,257	1,127	1,249	+8
Active customers of PII funds, thous.		177	177	178	178	-0
Key figures	13 months	Mar-19	YTD19	YTD18	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		44.2%	42.1%	44.5%	43.3%	- 1.2 pp
Funds average return		0.2%	1.9%	-0.1%	0.8%	+ 1.1 pp

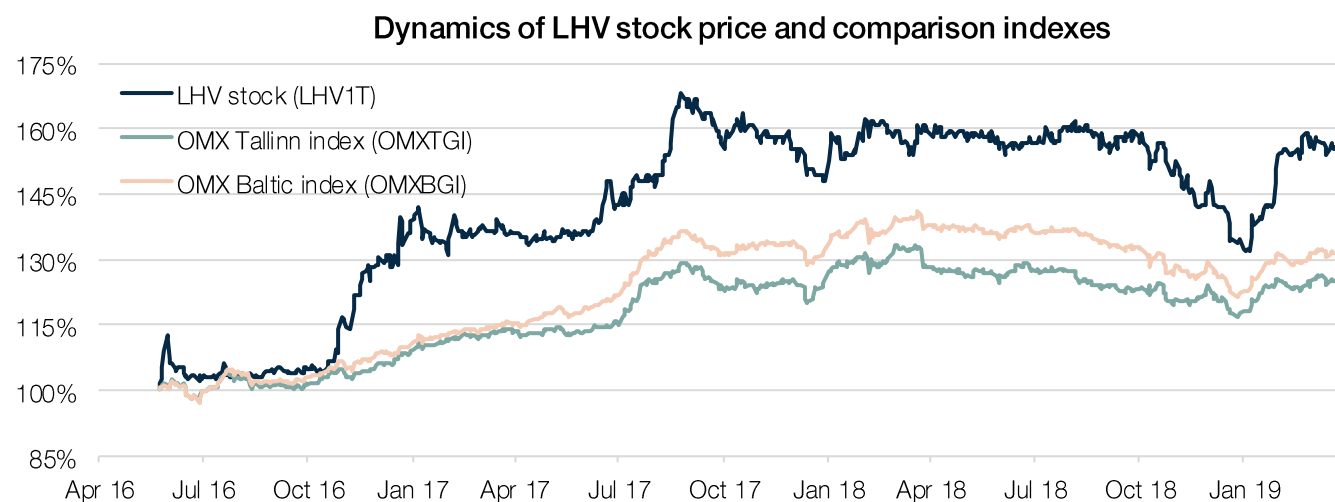
- Net profit exceeded financial plan mainly due to financial income (investments into own funds)
- Return outperformed financial plan, therefore fund volumes were higher together with fee and commission income

# LHV Group

## Stock information



- Closing share price 10.8 EUR in the end of Q1
- 1,560 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 10.69 EUR
- Shareholders earnings per share (EPS) in Q1 is 0.18 EUR
- As of 31 March 2019 LHV had 5,926 shareholders and 50,4% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 31.03.2019 was 281 EURm



LHV Group  
**3 months**

**5 EURm**

Net profit

**17.4%**

Pre-tax ROE

**Best bank**

Based on Dive's survey

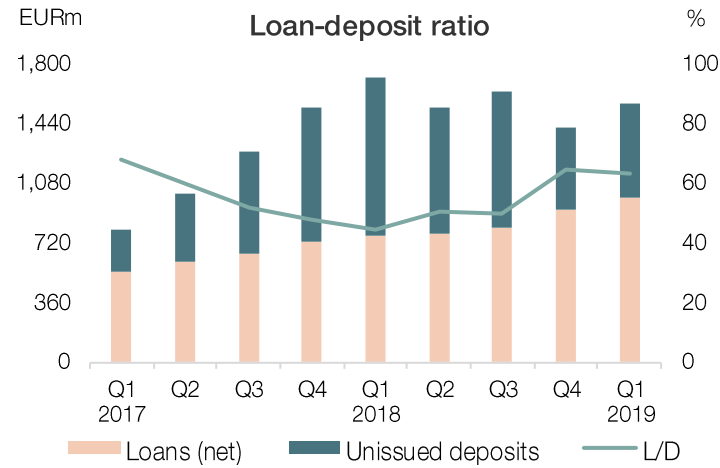
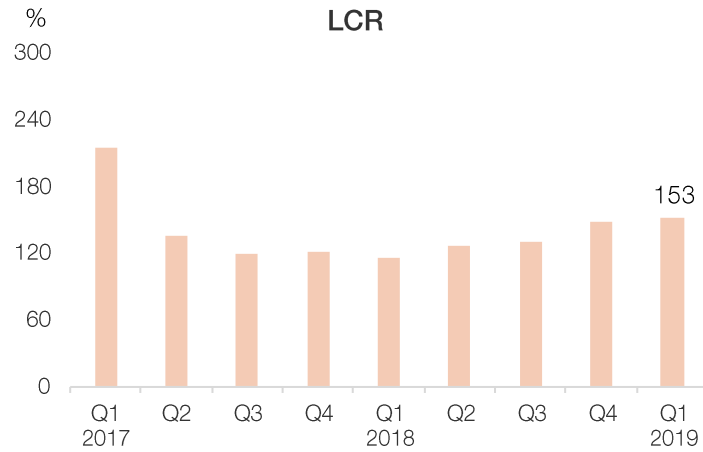
**9,500**

Bank customer increase

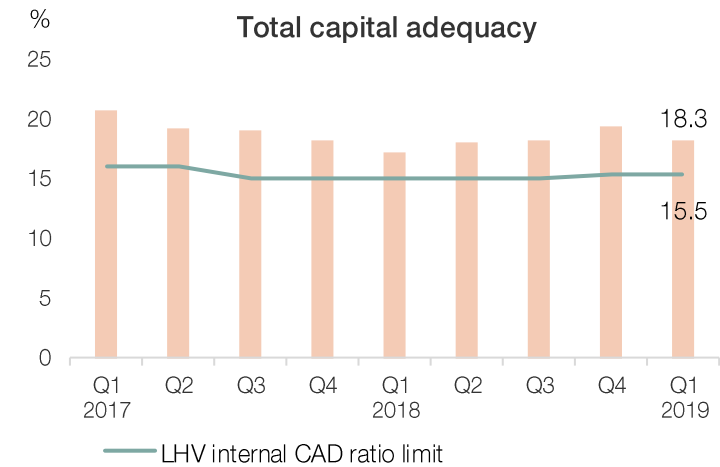
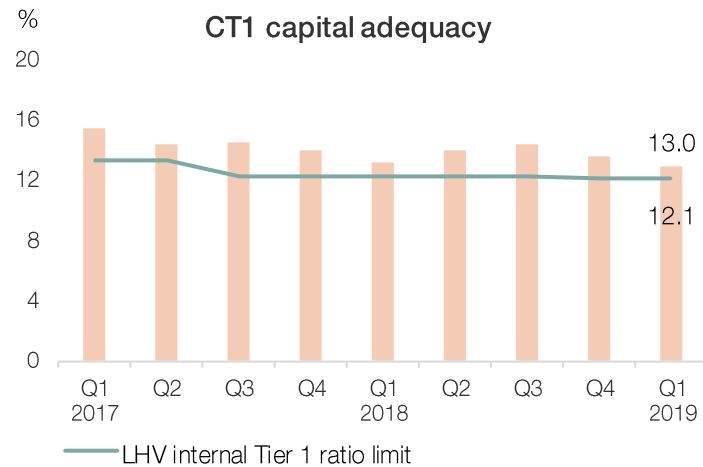
# Annexes

# LHV Group

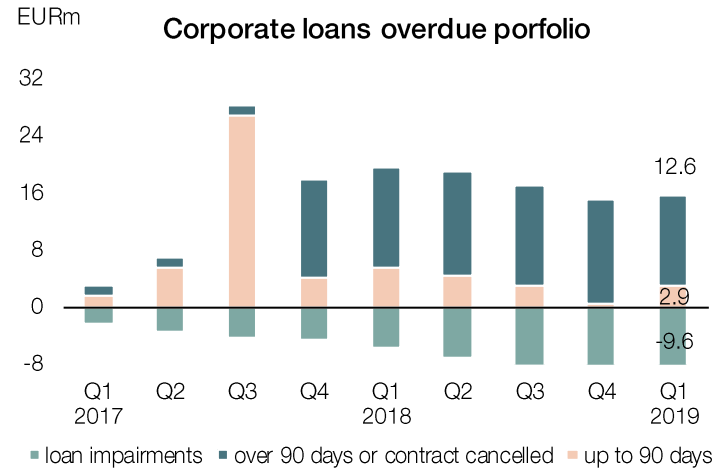
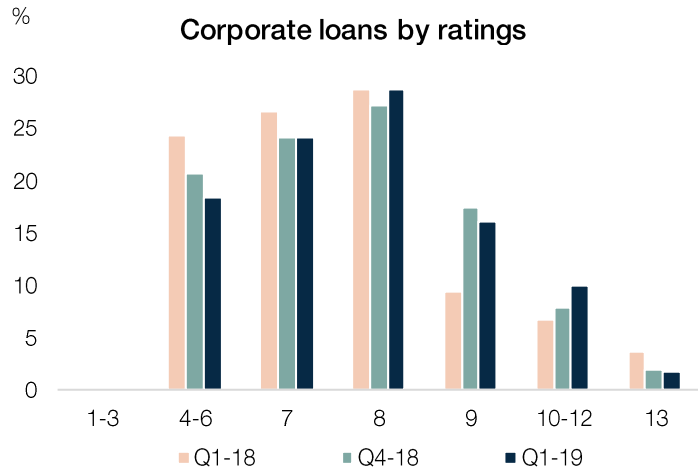
## Strong liquidity and capitalization



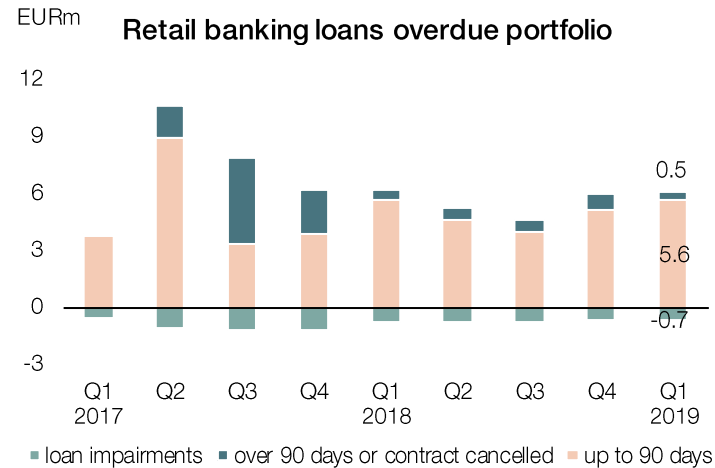
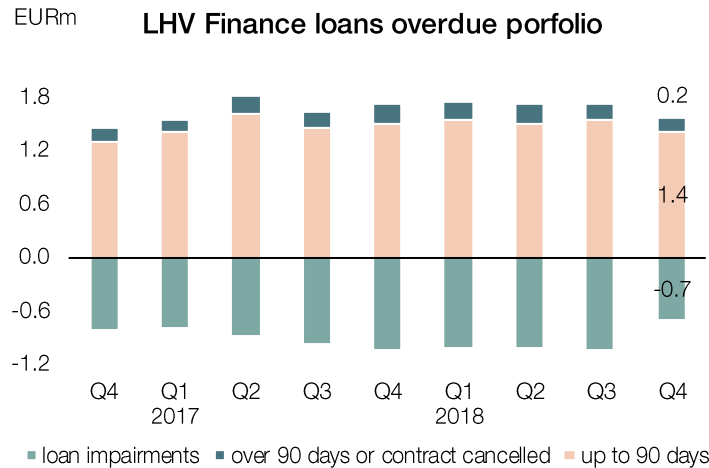
- LCR and loan /deposit ratio have been influenced by one payment intermediary's large balance. Excluding payment intermediaries, LCR would increase to 244%
- Strong capital adequacy ratio, significantly above regulatory and internal targets



# Only a few problematic customers in the loan portfolio



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



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