

LHV Group

Q2 2019 results
July 16, 2019

The logo consists of the letters 'LHV' in a bold, black, sans-serif font. The letters are closely spaced and positioned in the bottom right corner of the slide. The background of the slide features a large, stylized, light gray 'V' shape that is partially obscured by the logo.

The most active and best performing quarter in history

For customers

- Fivefold increase in the number of ATMs
- Transactions with foreign stocks through the mobile banking
- Alternative investments through the internet banking

For UK customers

- Joined real-time net settlement system for sterling payments

Records in business volumes

- Customer numbers
- Loans
- Deposits
- Funds
- Card payments

Acquisition of Danske portfolio

- Strong growth of the loan portfolio
- Increase in the volume of deposits

Capital

- Raise of capital in amount of 40 EURm
- Redemption of subordinated bonds
- Preparations for share issue

LHV Asset Management

- New member of the Management Board
- My Pension application
- Pillar II pension reform

LHV Group

The best quarter results (based on continuous operations)

Financial results, EURt	9 quarters	Q2-19	Q1-19	Δ quarter
Net interest income		11,628	10,945	+683
Net fee and commission income		6,613	6,225	+389
Other income		219	155	+64
Total revenue		18,460	17,324	+1,136
Total expenses		9,403	9,105	+298
Earnings before impairment		9,057	8,219	+838
Impairment losses on loans		697	951	-254
Income tax expense		697	2,265	-1,568
Net income		7,662	5,002	+2,660
Business volumes, EURm	9 quarters	Q2-19	Q1-19	Δ quarter
Deposits from customers		2,083	1,567	+516
Loans (net)		1,118	991	+127
Assets under management		1,293	1,257	+36
Customers, thous.		346	342	+5
Key figures	9 quarters	Q2-19	Q1-19	Δ quarter
Cost / income ratio (C/I)		50.9%	52.6%	- 1.6 pp
pre-tax ROE*		19.9%	17.4%	+ 2.4 pp
ROE*		18.1%	12.2%	+ 5.9 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
- The volume of assets is over 2 EURb. All important business volumes – loans, deposits, funds – are growing
- Impairment losses on loans are low and there are no customers with large loan amounts under separate monitoring
- Pension funds focus on finding investments outside of the stock market
- Net income of the quarter is 7.7 EURm, which is historically strongest excluding the quarter results affected by the sale of Mokilizingas

* 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 1.1 EURm

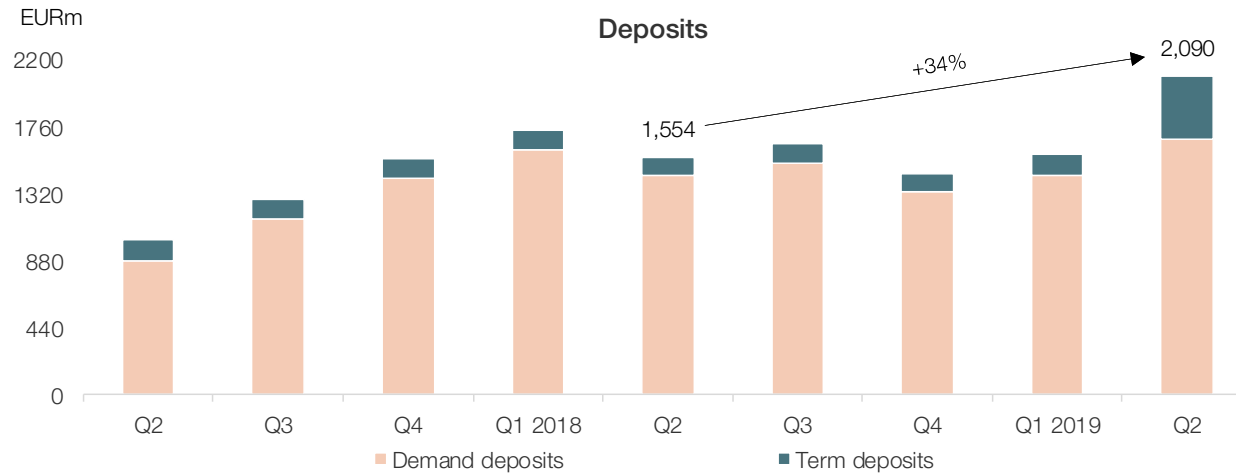
Financial results, EURt	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Total revenue, incl.		5,917	35,784	36,983	35,058	+726
Net interest income		3,736	22,573	20,027	22,247	+326
Net fee and commission income		2,034	12,838	13,761	12,709	+128
Total operating expenses		3,098	18,508	17,106	17,824	+684
Earnings before impairment		2,819	17,276	19,876	17,233	+43
Impairment losses on loans		341	1,649	2,868	2,187	-538
Income tax		194	2,963	2,713	3,468	-506
Net profit, incl.		2,284	12,665	14,295	11,578	+1,087
attr. to shareholders		2,082	11,788	13,474	10,776	+1,012
Business volumes, EURm	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Deposits from customers		2,083	2,083	1,543	1,651	+432
Loans (net)		1,118	1,118	777	1,037	+81
Assets under management		1,293	1,293	1,167	1,298	-4
Key figures	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		52.4%	51.7%	46.3%	50.8%	+ 0.9 pp
pre-tax ROE*		17.4%	18.4%	24.3%	17.8%	+ 0.6 pp
ROE*		15.9%	15.0%	20.7%	13.8%	+ 1.2 pp
Net interest margin (NIM)		2.0%	2.6%	2.2%	2.6%	- 0.0 pp
ROA		1.2%	1.4%	1.6%	1.3%	+ 0.1 pp

- Revenues and expenses exceed financial plan due to higher business volumes
- The outperformance of the financial plan in the volume of deposits is caused by the Danske transaction, the deposits obtained in significant amounts incl deposits through the Raisin platform. Loan volumes ahead of the financial plan due to higher demand. Fund volumes according to plan
- Loans impairment are significantly below the planned volumes
- Net profit exceeds financial plan by 1.1 EURm, mostly due to lower impairment losses on loans and lower income tax paid on dividends

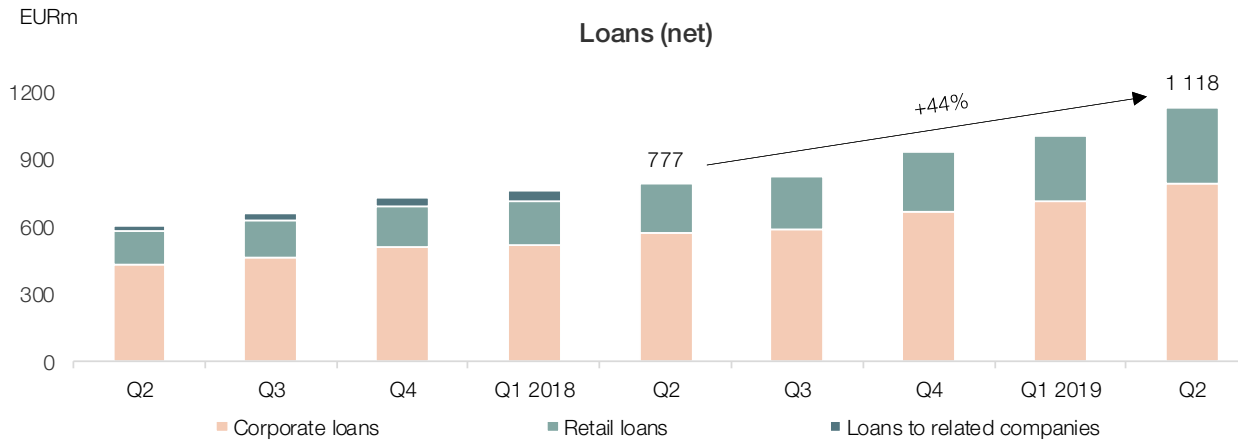
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LHV Banking

Deposits and loans are growing at a good pace



- 8,600 new customers. New, significant records in regular customers activity
- Customer deposits increased by 507 EURm, incl. regular customer deposits by 268 EURm, payment intermediaries' deposits by 8 EURm and deposit platforms by 231 EURm. In total 242 EURm obtained through the deposit platforms
- Loan growth 127 EURm, including 82 EURm in corporate loans and 45 EURm in retail loans
- Conclusion of the Danske Private Customers Loan Portfolio acquisition agreement. The loan portfolio with 10,800 customers is worth 470 EURm, 97% of which are mortgages. The discount of the portfolio is 39 EURm
- Takeover of the Danske bank role in the joint ATM network of Danske Bank and Luminor Bank
- Transactions with foreign stocks through the mobile banking and alternative investments through the internet banking
- Banking Association innovation prize for Business Account and Euromoney recognition of being the Best bank in Estonia



LHV Banking

Revenue of main business lines is broad-based and growing at same pace with volumes

Financial results, EURt	9 quarters	Q2-19	Q1-19	Δ quarter
Net interest income		11,842	11,238	+604
Net fee and commission income		3,009	2,704	+305
Other income		177	-22	+199
Total revenue		15,028	13,920	+1,108
Total expenses		7,739	7,511	+228
Earnings before impairments		7,289	6,409	+880
Impairment losses on loans		697	951	-254
Income tax expense		697	1,293	-596
Net income		5,894	4,165	+1,729

Business volumes, EURm	9 quarters	Q2-19	Q1-19	Δ quarter
Deposits from customers		2,090	1,583	+507
Loans (net)		1,118	991	+127
Customers, thous.		208	200	+8















Key figures	9 quarters	Q2-19	Q1-19	Δ quarter
Cost / income ratio (C/I)		51.5%	54.0%	- 2.5 pp
pre-tax ROE*		18.2%	15.8%	+ 2.4 pp
ROE*		16.1%	12.5%	+ 3.6 pp
Net interest margin		2.3%	2.6%	- 0.3 pp

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

- Greater amount of deposits obtained to ensure the sufficient amount of financing for acquisition of Danske Private Customers Loan Portfolio
- Income growth in both interest and fee income
- The quality of the loan portfolio remains strong
- EBT 6.6 EURm, net profit 5.9 EURm
- The share capital was increased by 10 EURm, additional Tier1 bonds in amount of 14.5 EURm and subordinated bonds in amount of 20.5 EURm were issued to make the capital base stronger to ensure loan portfolio growth and Danske Private Customers Loan portfolio acquisition

LHV Banking – comparison with financial plan

Net profit ahead of financial plan by +0.8 EURm

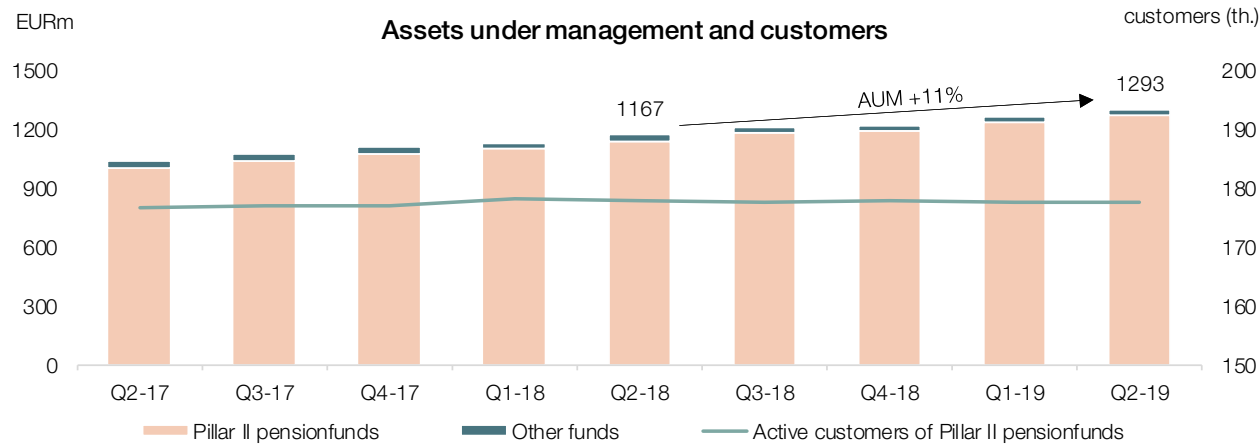
Financial results, EURt	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Total revenue, incl.		4,780	28,948	25,087	28,482	+466
Net interest income		3,834	23,081	18,795	22,878	+202
Net fee and commission income		834	5,712	6,051	5,612	+101
Total operating expenses		2,478	15,250	12,383	14,537	+713
Earnings before impairment		2,303	13,698	12,704	13,945	-247
Impairment losses on loans		341	1,649	2,479	2,187	-538
Income tax		194	1,990	1,469	2,496	-506
Net profit		1,767	10,059	8,756	9,262	+797
Business volumes, EURm	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Deposits from customers		2,090	2,090	1,555	1,652	+438
Loans (net)		1,118	1,118	777	1,036	+81
Key figures	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		51.8%	52.7%	49.4%	51.0%	+ 1.6 pp
CT1 capital adequacy		12.7%	12.7%	14.2%	13.6%	- 0.9 pp
Total capital adequacy		18.9%	18.9%	17.0%	16.8%	+ 2.1 pp
Net interest margin (NIM)		2.1%	2.5%	2.1%	2.6%	- 0.2 pp

- Net profit exceeded financial plan by 0.8 EURm due to higher interest income gained on higher volumes and strong quality of loan portfolio
- The deposits obtained through the deposit platforms increase interest expenses in the short term
- The process of applying for additional license for covered bonds has started in order to finance next year mortgage portfolio with covered bonds
- Expenditures are exceeding the planned ones due to the higher-than-planned business volumes and partly pre-paid expenses of future periods
- Deposits exceeded financial plan by 438 EURm and loans by 81 EURm

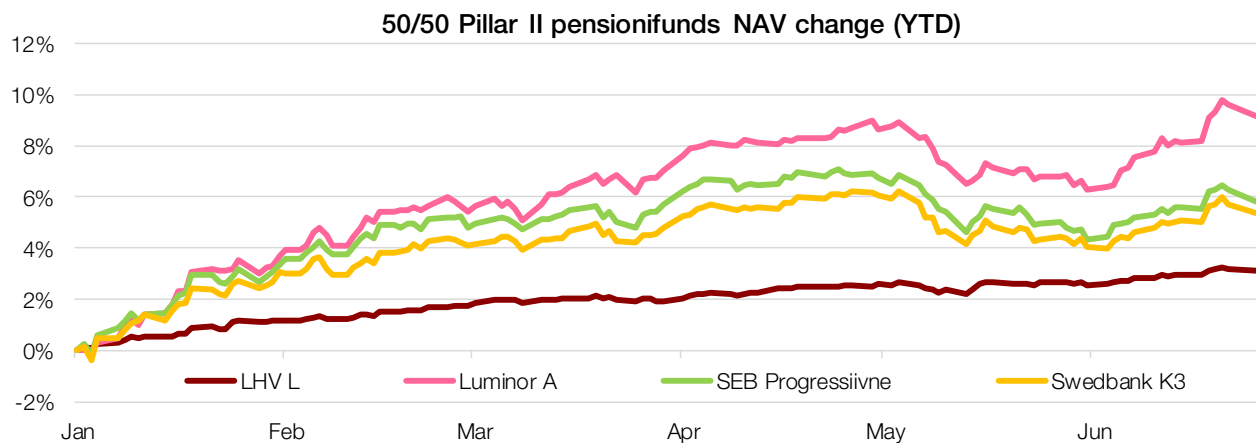
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LHV Asset Management

Very strong half-year in the stock markets



- The volume of assets under management is nearly 1.3 EURb, +11% in four quarters
- Very strong half-year in stock markets, Estonia's best performing pension fund is LHV Pension Fund Index, which grew by 15.2%
- In LHV's actively managed pension funds the price risk of stock market is lowered, focus is on long-term stable yield of OTC assets
- Number of customers has remained on the same level since the acquisition of Danske Capital (market share 25%)



LHV Asset Management

EBIT of Q2 2.1 EURm

Financial results, EURt	9 quarters	Q2-19	Q1-19	Δ quarter
Total revenue		3,605	3,521	+83
Total operating expenses		1,510	1,483	+27
EBIT		2,095	2,038	+57
Net financial income		33	149	-117
Income tax expense		0	972	-972
Net profit		2,128	1,215	+912

Business volumes, EURm	9 quarters	Q2-19	Q1-19	Δ quarter
Pillar II pensionfunds		1,271	1,232	+39
Pillar III pension funds		19	18	+1
Eurofunds		3	8	-4
Active customers of PII funds, thous.		177	177	-0

Key figures	9 quarters	Q2-19	Q1-19	Δ quarter
Cost / income ratio (C/I)		41.9%	42.1%	- 0.2 pp
pre-tax ROE		33.0%	32.4%	+ 0.6 pp
ROE		33.0%	18.0%	+ 15.0 pp

- Operating profit in Q2 is 2,1 EURm
- Pre-tax profit for the first half of the year is 4.3 EURm, +12% in comparison to the first half of year 2018
- The net assets of the pillar II pension funds increased by 39 EURm, while the number of active customers remained at 177 thousand
- The Persian Gulf Fund was liquidated at the end of June, closing AUM in amount of 4.5 EURm

LHV Asset Management – comparison with financial plan

Profitability outperformed financial plan

Financial results, EURt	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Total revenue		1,230	7,308	6,736	7,156	+152
Total expenses		556	2,993	2,882	2,979	+13
Earnings before taxes		674	4,315	3,853	4,177	+138
Income tax		0	972	1,100	972	-0
Net profit		674	3,343	2,753	3,205	+138
Business volumes	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Assets under management, EURm		1,293	1,293	1,167	1,298	-4
Active customers of PII funds, thous.		177	177	178	177	+0
Key figures	13 months	Jun-19	YTD19	YTD18	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		46.3%	42.0%	42.7%	42.0%	+ 0.0 pp
Funds average return		0.6%	3.2%	1.0%	1.7%	+ 1.5 pp

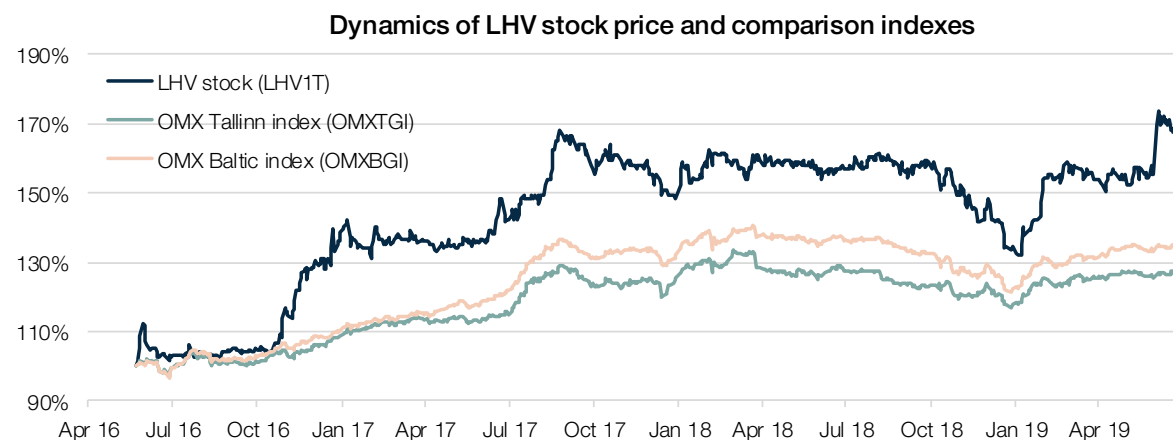
- Net profit exceeds financial plan
- The average productivity of funds is 1.5% higher comparing to the financial plan
- At the beginning of June the first pension application „My pension“ was launched
- Mihkel Oja left the company on June 19. Members of the Management Board since that day are Vahur Vallistu and Joel Kukemelk

LHV Group

Stock information



- Closing share price 11.85 EUR in the end of Q2
- 1,185 trades were made with the stock during Q2 on the market with a turnover of 2.3 EURm which gave the stock an average price of 11.11 EUR
- Shareholders earnings per share (EPS) in Q2 is 0.27 EUR and cumulative shareholder EPS is 0.45 EUR.
- As of 30 June 2019 LHV had 6,045 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 30.06.2019 was 308 EURm



LHV Group
6 months

12.7 EURm

Net profit

19.8%

Pre-tax ROE

Best bank in Estonia

Euromoney

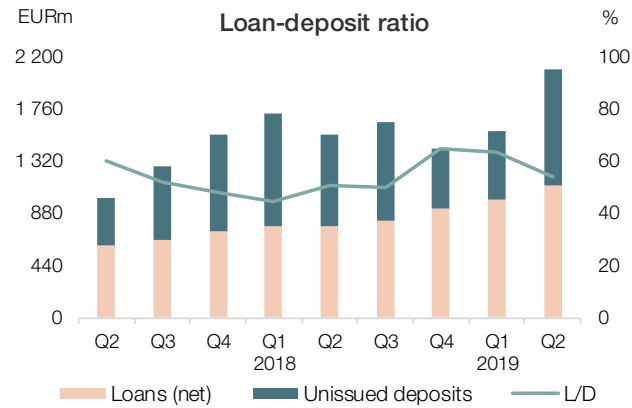
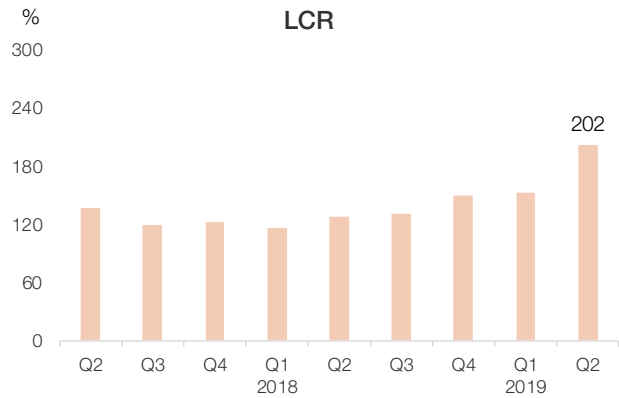
8,600

Bank customer increase

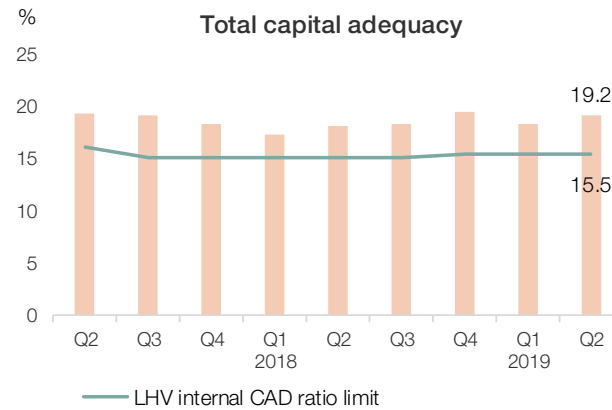
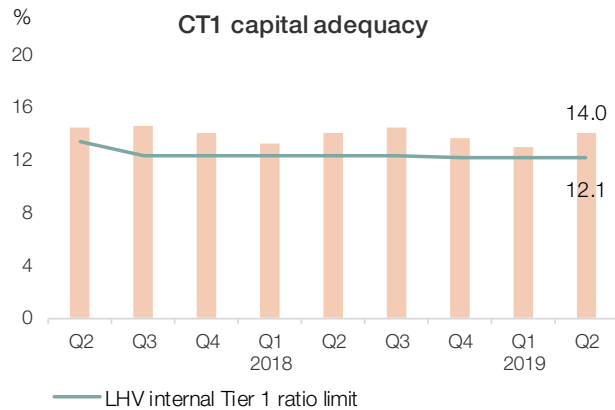
Annexes

LHV Group

Strong liquidity and capitalization

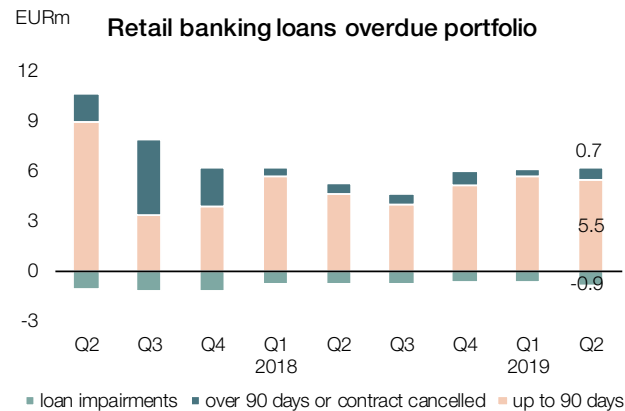
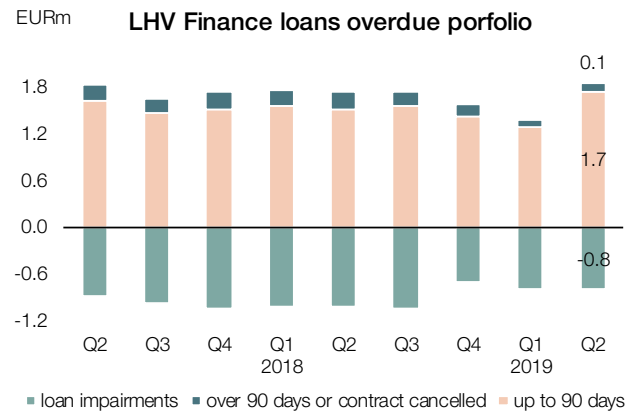
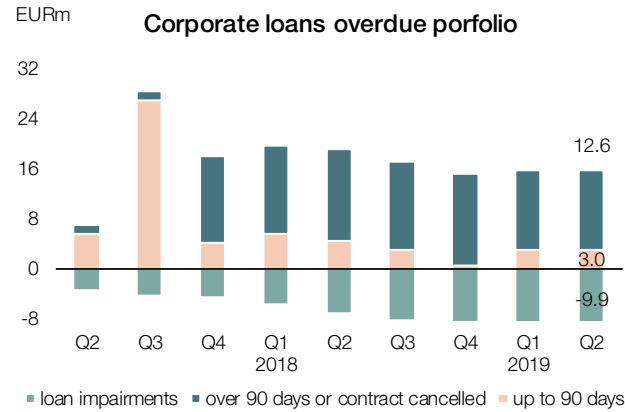
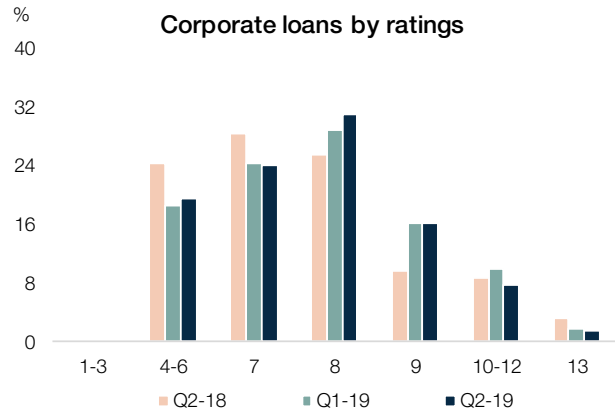


- LCR and loan /deposit ratio is at high level due to the deposits obtained
- Strong capital adequacy ratio, significantly above regulatory and internal targets



LHV Group

The quality of the loan portfolio is strong



- 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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