

LHV Group

Financial plan 2017
7 February 2017

The assumptions for key drivers are presented in the comments



Banks loan portfolio growth is based on deposits

Financial results, EURt	FP2017	2016	Δ YoY	Δ %
Total revenue, incl.	40,177	32,651	+7,526	+23%
Net interest income	33,134	25,552	+7,582	+30%
Net fee and commission income	6,846	5,716	+1,130	+20%
Total operating expenses	20,796	17,638	+3,158	+18%
Earnings before impairment	19,381	15,013	+4,368	+29%
Impairment losses on loans	3,259	1,766	+1,493	+85%
Net profit	16,122	13,247	+2,875	+22%
Business volumes, EURt	FP2017	2016	Δ YoY	Δ %
Deposits from customers	909,195	784,631	+124,565	+16%
Loans (net)	658,337	531,761	+126,576	+24%
Key figures	FP2017	2016	Δ YoY	
Cost / income ratio (C/I)	51.8%	54.0%	- 2.3 pp	
ROE (attr.to owners of the parent)	16.9%	17.4%	- 0.5 pp	
CT1 capital adequacy	14.2%	14.3%	- 0.0 pp	
Total capital adequacy	17.5%	18.1%	- 0.7 pp	
Net interest margin (NIM)	3.4%	3.1%	+ 0.3 pp	
ROA	1.7%	1.6%	+ 0.1 pp	

- Loan and deposits portfolio is growing ca 10 EURm per month. Deposits growth comes from demand deposits. Loan growth from corporate loans, mortgages, private and small loans
- Net interest income increase due to growth in loan portfolio and decrease in interest costs. The growth in net fees in connection with the growth of the volumes on payment intermediates and cards monthly fees
- The plan doesn't require additional capital
- The ROE remains at level as for last three years. C/I ratio continues to fall. Loans/deposits ratio remains on conservative level

Rapid growth of the funds will lower management fees for the customers

Financial results, EURt	FP2017	2016	Δ YoY	Δ %
Total revenue	13,763	13,069	+694	+5%
Total expenses	6,653	6,940	-287	-4%
Earnings before taxes	7,110	6,129	+981	+16%
Income tax	1,275	0	+1,275	na
Net profit	5,835	6,129	-294	-5%
Business volumes, EURt	FP2017	2016	Δ YoY	Δ %
Assets under management, EURt	1,158,259	973,861	+184,398	+19%
Active customers of PII funds	183,315	179,565	+3,750	+2%
Key figures	FP2017	2016	Δ YoY	
Cost / income ratio (C/I)	48.3%	53.8%	- 5.4 pp	
ROE	30.9%	40.7%	- 9.8 pp	
ROA	27.3%	35.4%	- 8.2 pp	

- 2016 incomes and costs were affected by acquisition of Danske Capital (1st of May)
- The management fees for Pension II Pillar dropping along with the growth in volumes and, therefore revenue will increase at a slower rate than the volume of the funds
- Marketing and sales costs remain on last three years average levels. Number of clients increases slightly
- According to plan dividends will be paid to parent company in amount of 5.1 EURm and equity will be decreased by 5.3 EURm*

* Decisions will be made later this year based on the actual performance of LHV Asset Management

LHV Group - forecast

Our goal is profitable growth

Financial results, EURt	FP2017	2016	Δ YoY	Δ %
Total revenue, incl.	59,666	50,558	+9,109	+18%
Net interest income	37,879	29,976	+7,903	+26%
Net fee and commission income	21,308	19,186	+2,121	+11%
Total operating expenses	32,153	28,914	+3,239	+11%
Earnings before impairment	27,513	21,644	+5,870	+27%
Impairment losses on loans	4,171	1,480	+2,691	+182%
Income tax	1,530	270	+1,260	+466%
Net profit	21,812	19,894	+1,919	+10%

Business volumes, EURt	FP2017	2016	Δ YoY	Δ %
Deposits from customers	881,182	776,802	+104,379	+13%
Loans (net)	700,946	537,641	+163,305	+30%
Assets under management	1,158,259	973,861	+184,398	+19%

Key figures	FP2017	2016	Δ YoY
Cost / income ratio (C/I)	53.9%	57.2%	- 3.3 pp
ROE (attr.to owners of the parent)	17.9%	20.7%	- 2.8 pp
CT1 capital adequacy	14.6%	15.1%	- 0.5 pp
Total capital adequacy	19.1%	20.7%	- 1.5 pp
Net interest margin (NIM)	3.9%	3.6%	+ 0.3 pp
ROA	2.4%	2.2%	+ 0.1 pp

- Increase in revenues is expected to be significantly faster than cost growth
- Net income 21.8 EURm ja ROE 17.9%, including corporate income tax of 1.5 EURm and larger credit impairments
- Credit impairments increased 2.8 times. If credit cycle remains, the credit costs will be lower than forecasted
- Capital adequacy remains strong, C/I decreases in good pace

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