

LHV GROUP

Presentation to investors – October 2015



Table of contents

Introduction and summary of risks	3
LHV Group	7
Business areas	
LHV Bank	14
LHV Asset Management	26
Mokilizingas	35
Funding and capital	40

Introduction

Organisation of the issue of subordinated bonds

This presentation has been prepared with the aim of introducing the planned issue of subordinated bonds by AS LHV Group (LHV) and giving background information for making potential investment decisions. The details of the issue have been provided in the AS LHV Group Public Offering, Listing and Admission to Trading Prospectus (<https://www.lhv.ee/images/files/docs/Prospectus-EN.pdf>).

LHV plans to engage additional subordinated capital in the total amount of up to EUR 10 million. In the case of oversubscription LHV has the right to increase the issue size up to EUR 15 million. 10 000 bonds will be offered to Estonian retail and institutional investors in the course of the offering, at a price of EUR 1 000 per bond. This constitutes a public offering of bonds, with the issued bonds to be listed on the NASDAQ Tallinna Stock Exchange after the issue.

The offering period will commence at 12:00 a.m. on 5 October 2015 (local time in Estonia) and end at 5:00 p.m. on 26 October 2015 (local time in Estonia).

LHV will decide on the allocation of the offer bonds after the expiry of the offering period, no later than on 27 October 2015. The offer bonds will be allocated to investors participating in the offering in accordance with the following principles:

- LHV shall be entitled to prefer Estonian investors to foreign investors who may participate in the institutional offering;
 - LHV shall be entitled to prefer its existing shareholders, bondholders and customers to other investors;
- Under the same circumstances, all investors shall be treated equally.

The offer bonds allocated to investors will be transferred to the investors' securities accounts on or about 29 October 2015 through the "delivery versus payment"(DVP) method, simultaneously with the transfer of payment for such offer bonds.

Investment risk (I)

Summary of risks

Investing in the securities issued by LHV Group entails various risks. Every potential investor should thoroughly consider the risks involved, the scope and probability of the risks, and other relevant circumstances. If the risks are realised, investors may lose a part or all of the value of their investment. Below, please find examples of risks which, if realised, may reduce the value of LHV and the securities issued by LHV.

Counterparty credit risk. Counterparty credit risk is inherent to the core operations of the Group. Counterparty credit risk is the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group companies.

Concentration risk. The operations of the Group are subject to concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of customers. If loans are heavily concentrated in a certain economic sector, the Group is exposed to risks inherent to such economic sector.

Market risk. Market risk arises from the Group's trading and investment activities in the financial markets, primarily in interest rate products, foreign exchange and stock markets as well as from borrowing activities and other means of taking in financial resources.

Foreign currency risk. Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities.

Price risk. The Group holds positions in different financial instruments, which are subject to fluctuations in market price arising from various circumstances beyond the control of the Group.

Interest rate risk. The operations of the Group and foremost the operations of LHV Bank are inherently exposed to interest rate risk. Interest rates are affected by numerous factors beyond the control of the Group companies, which may not be estimated adequately.

Liquidity risk. Liquidity risk relates to the ability of the Group to meet its contractual obligations on time and it arises from differences between maturities of assets and liabilities.

Investment risk (II)

Summary of risks

Operating risk. Operating risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition to human, process or information system failures and flaws, the operating risk embraces risk of corporate fraud and misconduct.

Dependency on information technology systems. The Group has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its customers. Failures of or significant disruptions to the Group's information technology systems could prevent it from conducting its operations.

Dependency on cash flows from subsidiaries. The Company is a holding company conducting its operations through the Subsidiaries. The Company itself does not own significant assets other than investments into the Subsidiaries. Therefore, in order to be able to meet its obligations arising from the Bonds, the Company is dependent on the receipt of dividends, interest payments or payments from share capital decrease from its Subsidiaries.

Dependency on qualified staff. The results of operations of the Group companies depend highly on the ability to engage and retain qualified, skilled and experienced staff. In the highly competitive environment, the Group companies must make continuous efforts to attract new qualified personnel and motivate existing management and employees.

Competitive market. The Group operates in a highly competitive market.

Exposure to conduct of other market participants. The Group's access to financing, investment and derivative transactions may be adversely affected by market practices of other market participants.

Control over joint ventures. The operations of joint ventures (LHV Finance and Mokilizingas) may be adversely affected by the joint venture partners of the Company.

Changes in economic environment. Each of the Group's operating segments is affected by general economic and geopolitical conditions.

Investment risk (III)

Summary of risks

Exposure to regulative changes. The Group operates in highly regulated fields of business and its operations are subject to a number of laws, regulations, policies, guidance and voluntary codes of practice, which are subject to changes.

Maintaining capital adequacy ratios. Credit institutions and investment firms are subject to strict capital adequacy requirements subject to frequent reforms and changes.

Exposure to regulatory actions and investigations. The Group provides various financial services and products and is therefore subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Several local and European authorities, including financial supervision, consumer protection, anti-money laundering, tax, and other authorities, regularly perform investigations, examinations, inspections and audits of the Group's business, including, but not limited to regarding capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting, corporate governance, etc.

Contractual risks. The operations of the Group are materially dependent on the validity and enforceability of the transactions and agreements entered into by the Group.

Exposure to civil liability. The Group operates in a legal and regulatory environment that exposes it to significant risk of claims, disputes and legal proceedings.

Tax regime risks. Tax regimes of the geographical markets where the Group operates are from time to time subject to change, some of which may be dictated by short-term political needs and may therefore be unexpected and unpredictable.



Overview

LHV GROUP

LHV

LHV Group Overview

- LHV Group is the largest domestic provider of capital in Estonia. LHV's customers include private persons, SMEs and institutional investors. In addition to Estonia, LHV offers financial services in Lithuania and Latvia
- For private customers, LHV mainly offers savings and investment services. For business customers, LHV offers smart, flexible financing, along with the management of daily financial affairs
- LHV's financial services are used by more than 200 000 active customers in Estonia, more than 90 000 in Lithuania and more than a thousand in Latvia
- LHV employs nearly 300 people
- LHV has more than 250 shareholders



LHV Group

Business philosophy

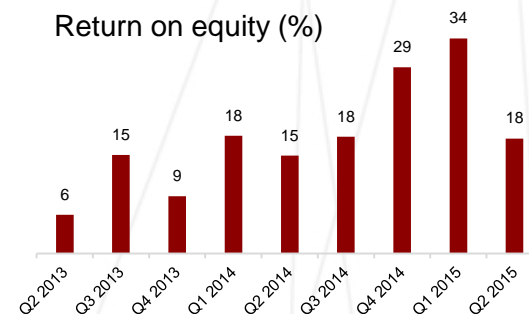
- LHV is focused on active, entrepreneurial and independent customers
- LHV's products and services are simple, transparent and relevant. LHV communicates with customers mainly via modern electronic communication channels and through means preferred by customers
- LHV makes an effort to offer only the products and services which set LHV apart from the rest of the market, in a positive way
- Partnership is central to the business pursuits of LHV. Together with its partners, LHV participates in various ventures and initiatives
- All customers and partners of LHV have the option of becoming a future stakeholder in LHV. LHV strives to become a publicly traded company

LHV Group

Objectives

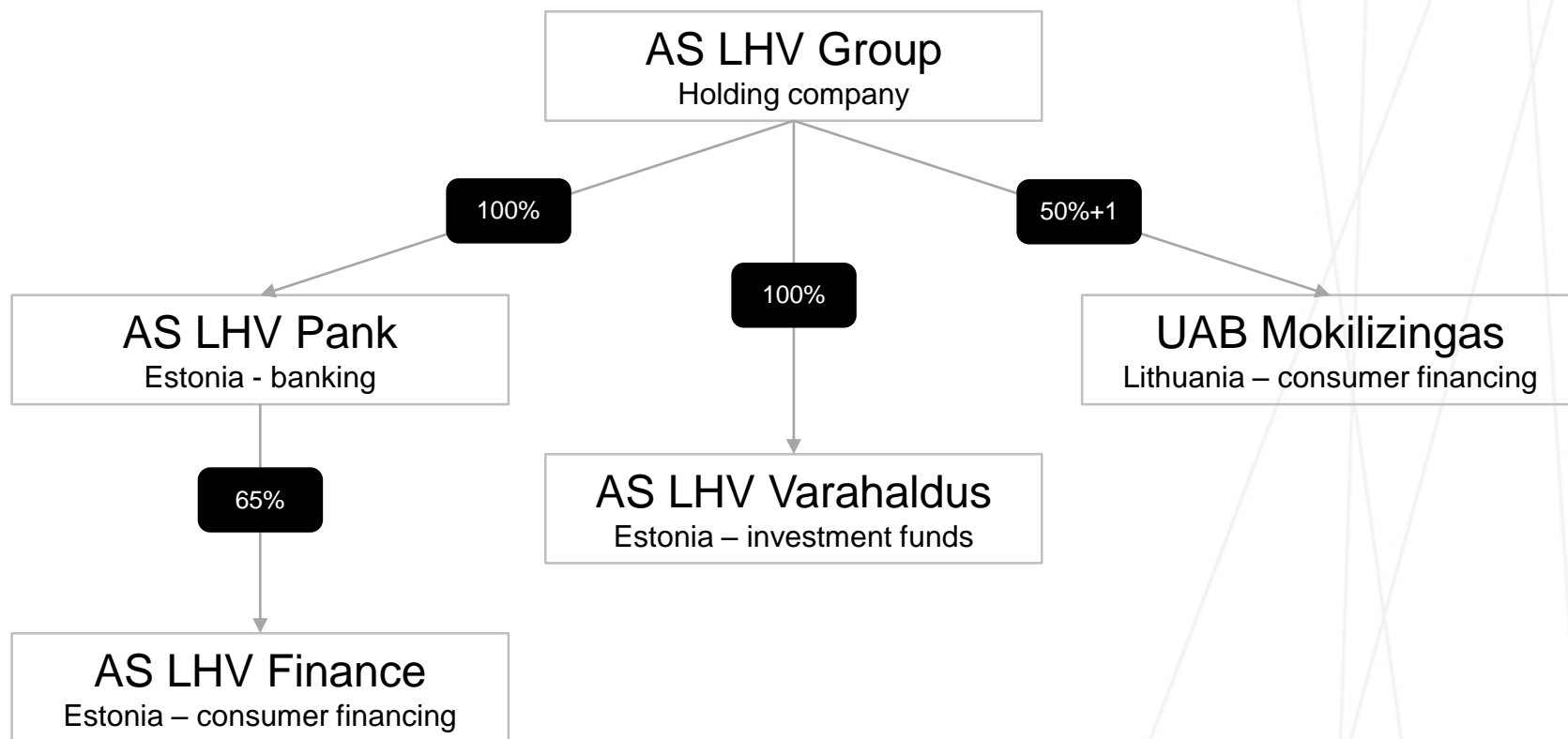
LHV has set its sights on:

- being the best financial service provider to private customers engaged in saving and investment, as well as to small and medium sized enterprises
- serving as an attractive and respected employer, endorsing progress, self-realisation and growth
- pursuing an annual return on equity of over 20%
- becoming a publicly traded company, with the company's shares listed on the local stock exchange



LHV Group

Group structure



LHV Group

Economic results and business volumes

EURt	2010	2011	2012	2013	2014	
Net interest income	1 322	3 517	6 057	11 838	20 343	
Net fee and commission income	4 251	5 153	6 388	9 426	12 772	
Other income	41	-1 023	894	2 769	484	
Total income	5 614	7 647	13 339	24 033	33 600	56%
Total expenses	8 365	13 530	14 048	16 743	21 738	27%
Operating profit	-2 751	-5 883	-710	7 290	11 862	
Share of profit from associate companies	-125	33	26	10	0	
Impairment losses on loans	0	2 607	1 074	2 872	2 644	
Income tax expense	0	0	0	83	-449	
Profit	-2 876	-8 457	-1 757	4 345	9 667	

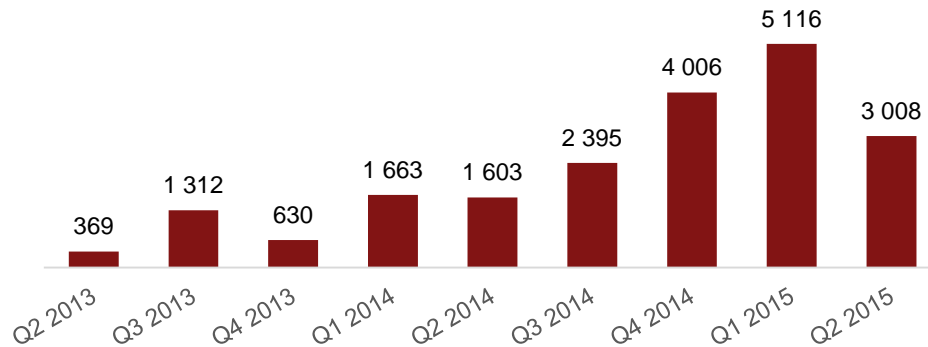
EURt	2010	2011	2012	2013	2014
Deposits	114 189	209 186	280 007	352 852	457 923
Loans	38 074	66 680	106 067	206 768	315 842
Net asset value of funds	83 006	144 024	252 888	376 480	504 316
Equity	10 933	14 228	21 080	31 947	58 032

- Compound annual growth growth in revenue: 56%
- Compound annual growth in expenses: 27%
- All core business areas profitable since 2013
- Deposits collected exceed loans issued by a factor of 1,45
- Return on equity in 2014: 21,4%*

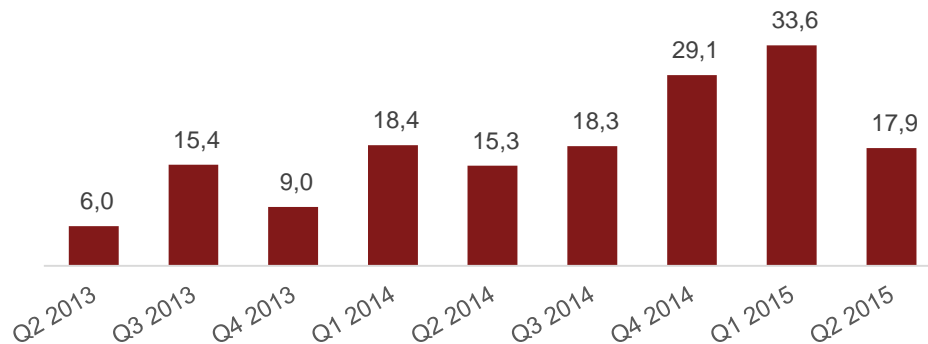
* The return on equity ratio is based on the profit and equity attributable to owners of AS LHV Group, and does not include non-controlling interest.

Nine quarters – consistent growth in profit

Net profit for the quarter (EURt)



Return on equity* (%)



- Growth in business volumes serves to enhance efficiency and boost profits
- Q4 2014 and Q1 2015 affected by disposal of business operations in Finland
- Economic environment has been favorable – credit losses have been minor
- Return on equity has yet to achieve its target but exceeds forecasts

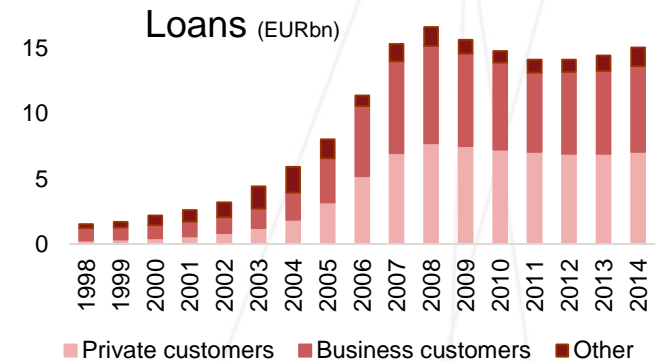
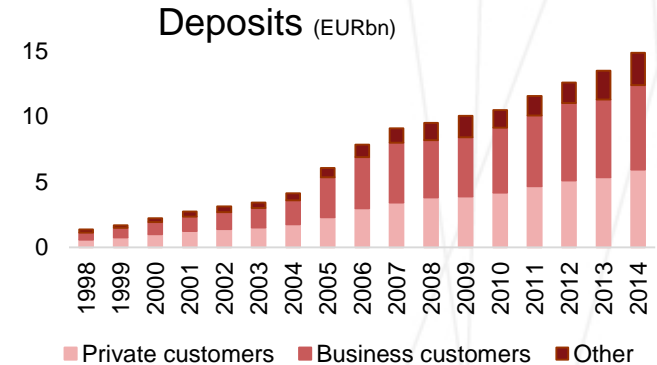
Business areas
LHV BANK

LHV

LHV Bank

Market overview

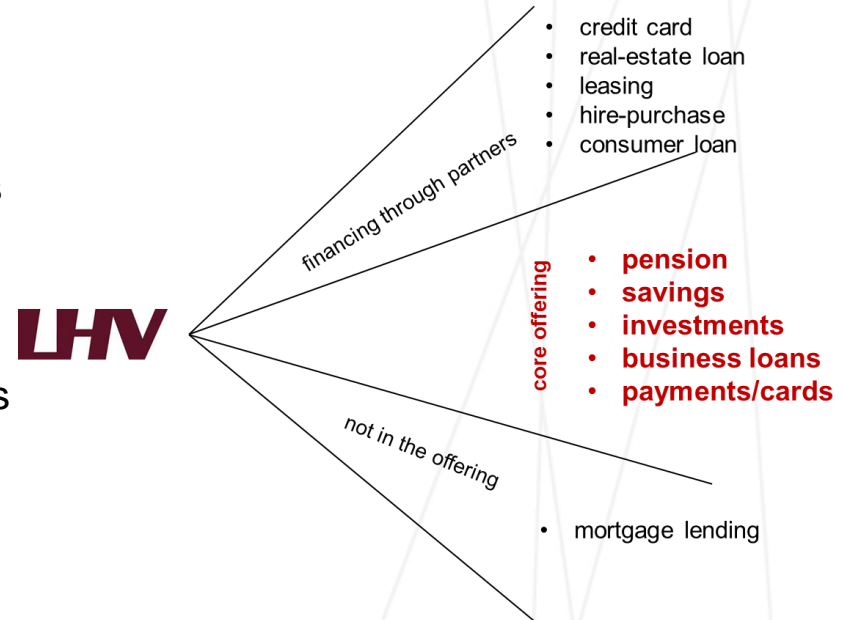
- There are 16 credit institutions operating in Estonia (with 7 branches of foreign banks)
- The volume of deposits in the banking market amounts to EUR 15 billion
 - Deposits have grown every year over the past 20 years
 - The aggregate market share of the four largest banks is 90%
- The volume of loans in the banking market amounts to EUR 15 billion
 - After a 4-year decline, the volumes have, once again, been growing slightly since 2013
 - The aggregate market share of the four largest banks is 91%
- The annual income base of the banking market is approximately EUR 550 million
 - of which net interest income makes up 2/3 and net fee income 1/4
- In 2008 - 2014, the banking market posted a total aggregate profit of EUR 1,5 billion. The average profit for the last three years is EUR 374 million



LHV Bank

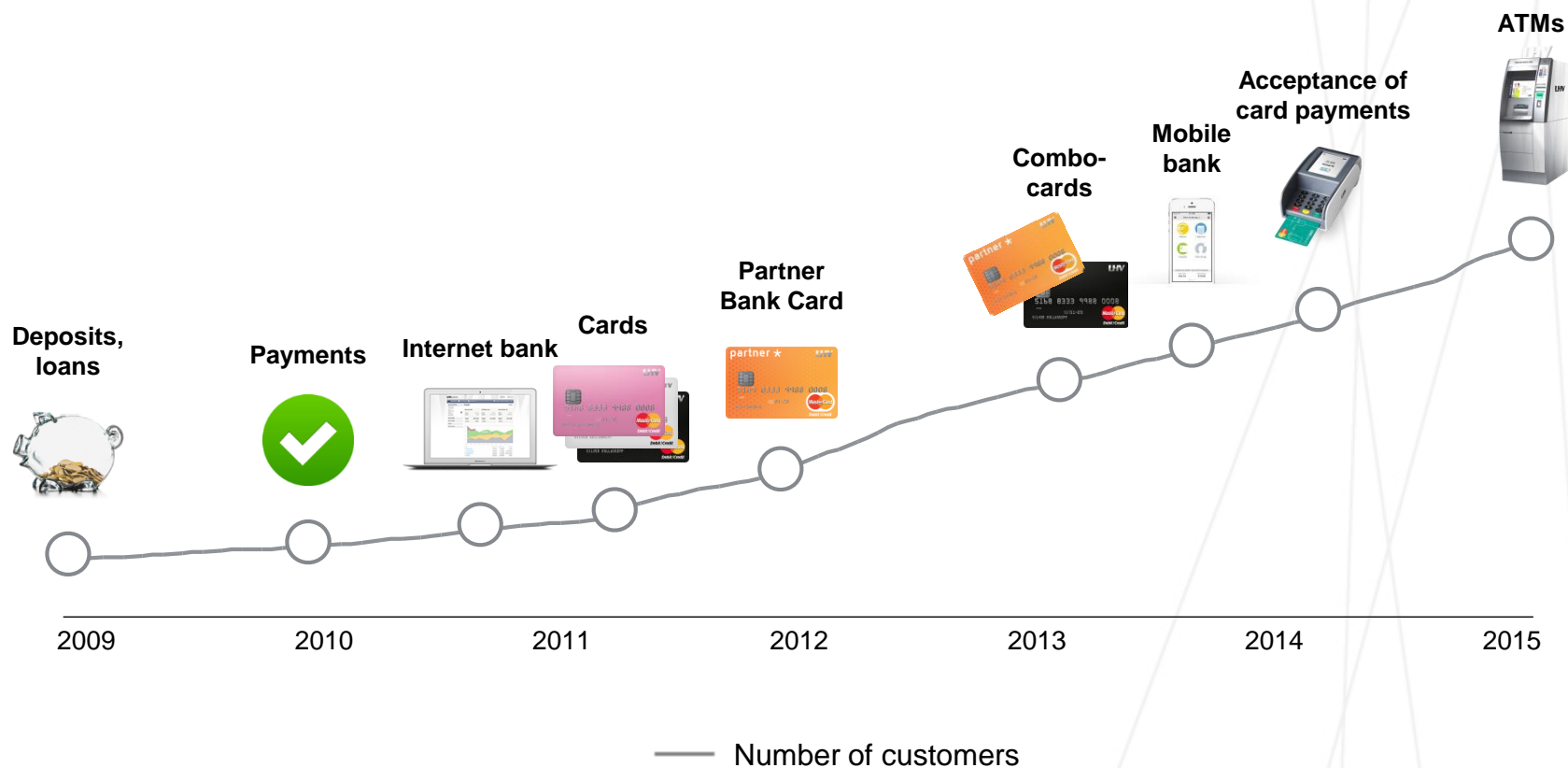
Position

- **Long-term ambition** – among the top three home banks in Estonia
- **Customers** – private persons and SMEs accumulating and investing in financial assets
- **Market** – Estonia is the home market. We will expand to foreign markets when possible
- **Products** – each of our product and service is valuable for the customer
- **Pricing** – our price list is simple
- **Sales and service** – we communicate with customers via modern communication channels
- **Marketing** – we actively market our core products



LHV Bank

Product portfolio dynamics



LHV Bank

Economic results and business volumes

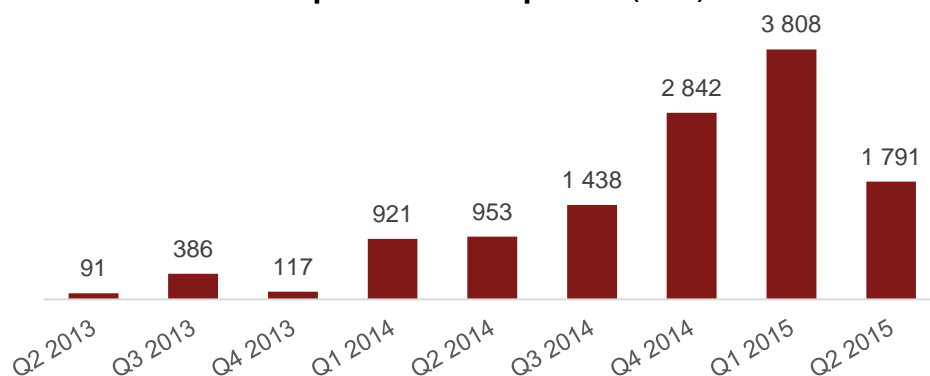
EURt	2010	2011	2012	2013	2014	
Net interest income	1 334	3 577	6 209	10 495	16 904	
Net fee and commission income	2 830	2 789	2 591	2 981	3 558	
Other income	516	-796	459	2 405	372	
Total income	4 680	5 570	9 258	15 882	20 834	45%
Total expenses	5 543	9 444	9 922	10 995	13 310	
Operating profit	-863	-3 874	-663	4 887	7 524	
Impairment losses on loans	0	2 607	1 074	2 619	1 970	
Income tax expense	0	0	0	0	-600	
Profit	-863	-6 481	-1 737	2 268	6 154	

Number / EURt	2010	2011	2012	2013	2014	
Private customers	13 867	18 363	32 450	41 250	50 576	
Business customers	2 408	3 800	5 503	7 613	10 594	
Deposits	114 808	209 355	282 021	356 308	462 027	42%
Loans	38 073	66 680	106 067	204 562	312 790	
Equity	5 674	10 395	14 656	26 872	45 141	

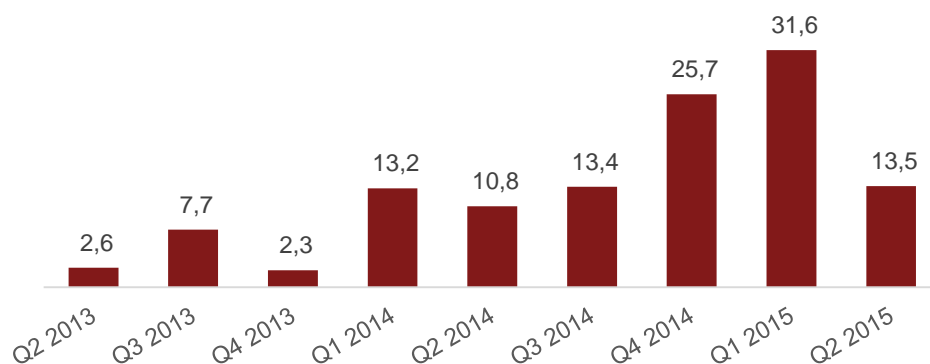
- Interest income related to collection of deposits and issuing of loans has become the main source of income
- Compound annual growth in income in the last five years: 45%
- Previous credit impairments mainly attributed to the Finnish disposed portfolio
- Compound annual growth in deposits has been more than 40%. Lending activities are financed completely from deposits

Nine quarters – a good foundation for profitable growth

Net profit for the quarter (EURt)



Return on equity* (%)



- Growing business volumes support profit growth
- Growth in volumes enhances efficiency
- Results for Q4 2014 and Q1 2015 were affected by disposal of business operations in Finland
- Strong credit quality has boosted results above expectations
- ROE for the past six months has been in the double digits

LHV Bank

Business units

Retail banking

Active and independent private persons, affluent clients, SSEs. Everyday banking services, with focus on savings and investments. Communication with customers via electronic channels, sales representatives and telemarketing.

Private banking

Wealthy private persons, entrepreneurs, managers and foreign residents. Mainly deposit, investment and portfolio management. Communication with customers via private banking customer managers.

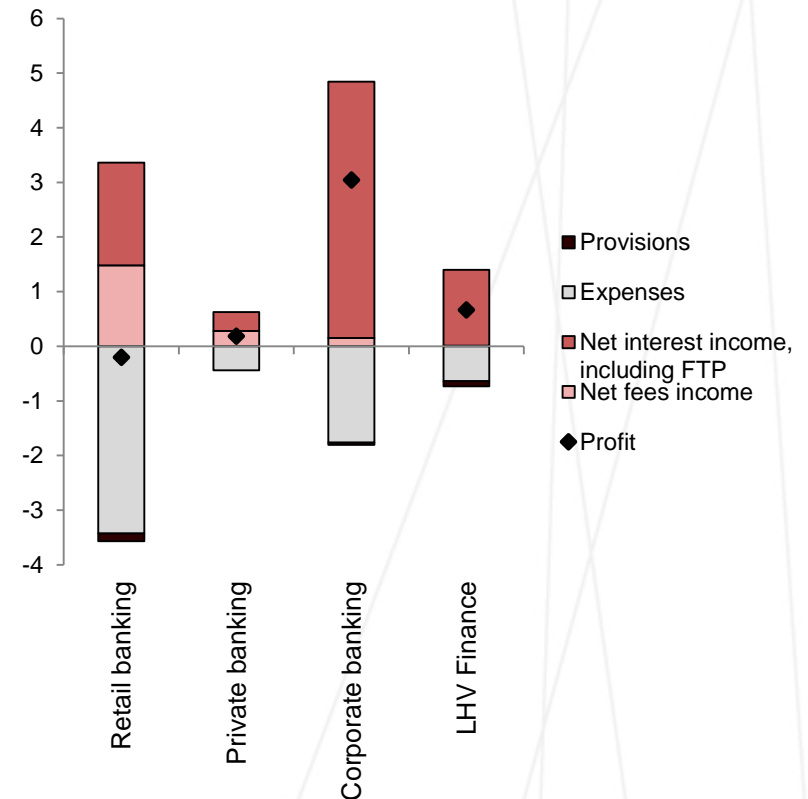
Corporate banking

SMEs (local relationship banking). Mainly financing. Communication with customers via experienced and well-connected business customer managers.

LHV Finance

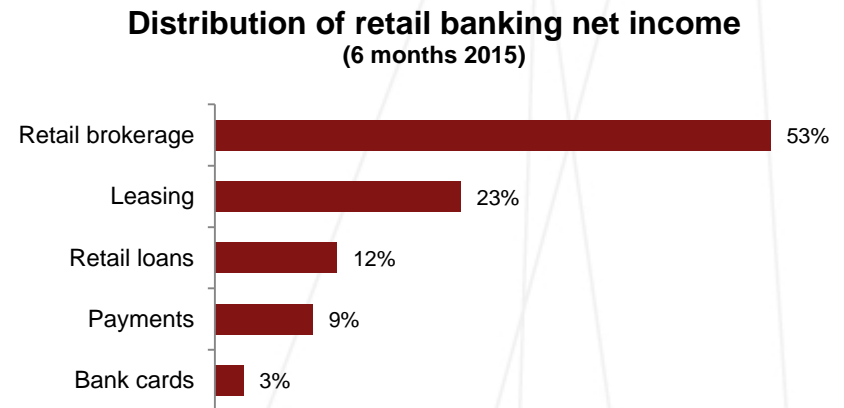
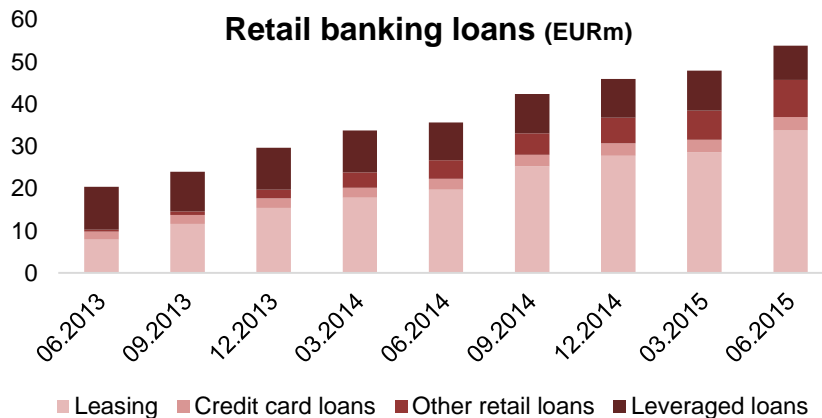
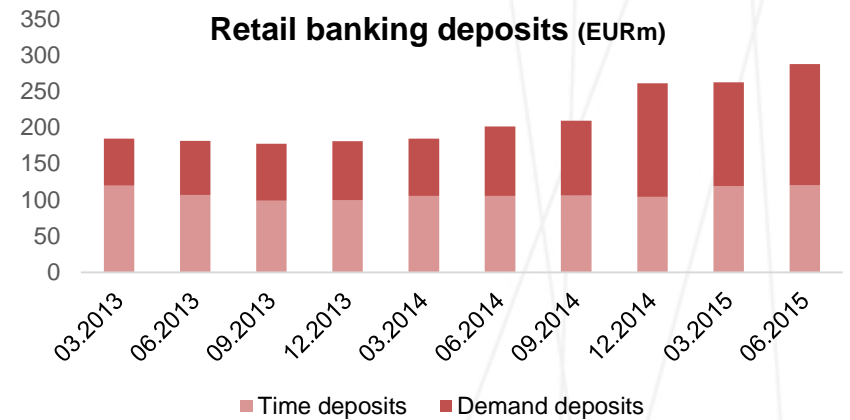
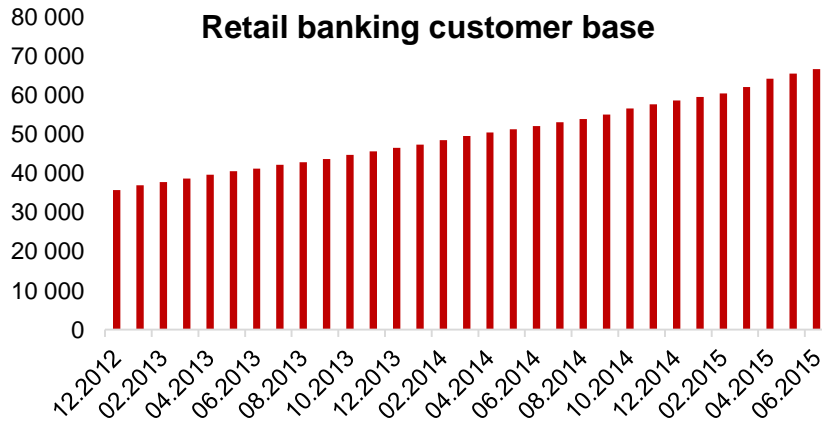
Joint venture with the owners of the Euronics retail chain. Mainly hire-purchase for durable goods, and small loans.

Profitability of business areas
6 months 2015 (EURm)



LHV Bank – Retail banking

Business overview

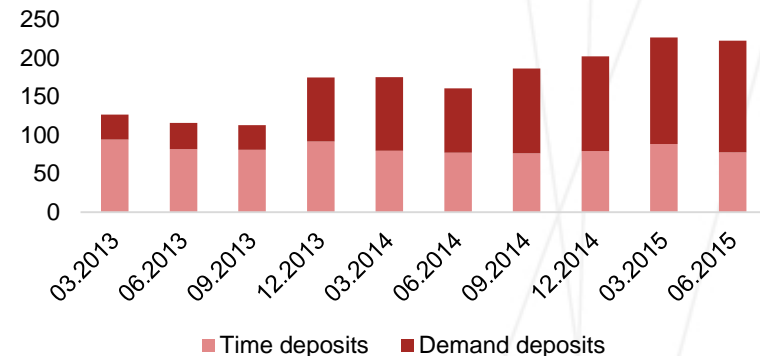


LHV Bank – Corporate banking

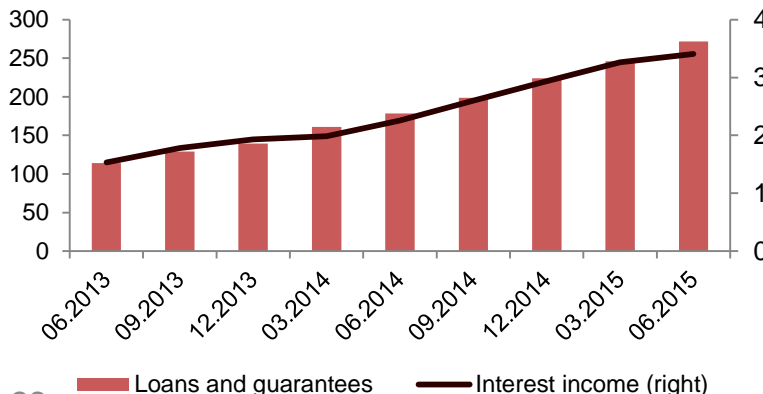
Business overview

- Corporate banking customers are small and medium-sized enterprises. 99% of the SMEs have Estonian owners. The average loan size is 762 thousand
- The corporate banking department is staffed by experienced customer managers, with an average banking experience of more than 12 years
- LHV's corporate banking stands out with its service quality, characterised primarily by high transparency, speed of service and direct communication with decision-makers

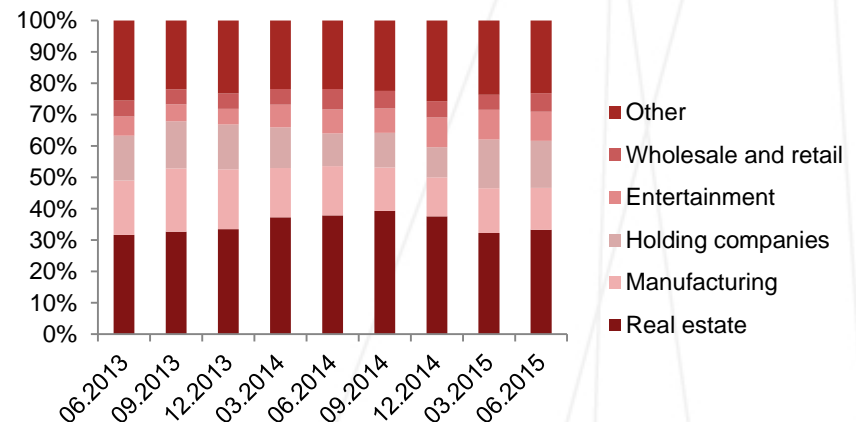
Corporate deposit volumes (EURm)



Volumes and interest income of corporate loans (EURm)

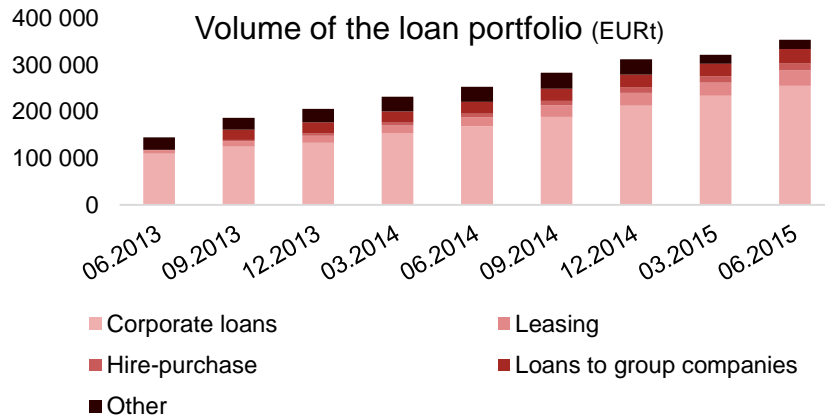


Corporate loan portfolio by fields of activity

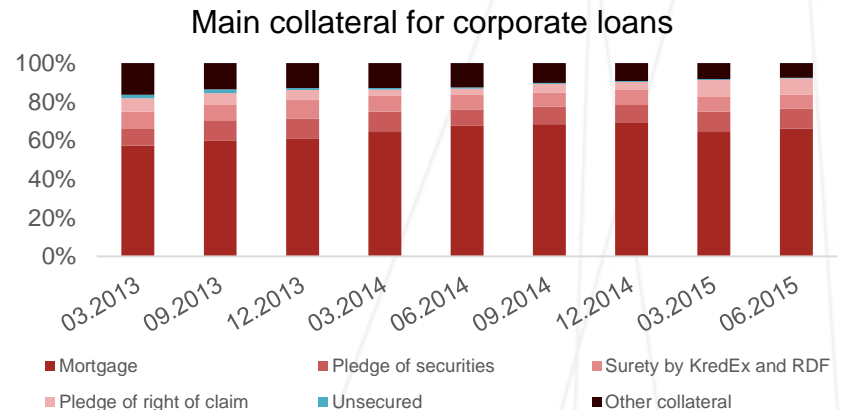
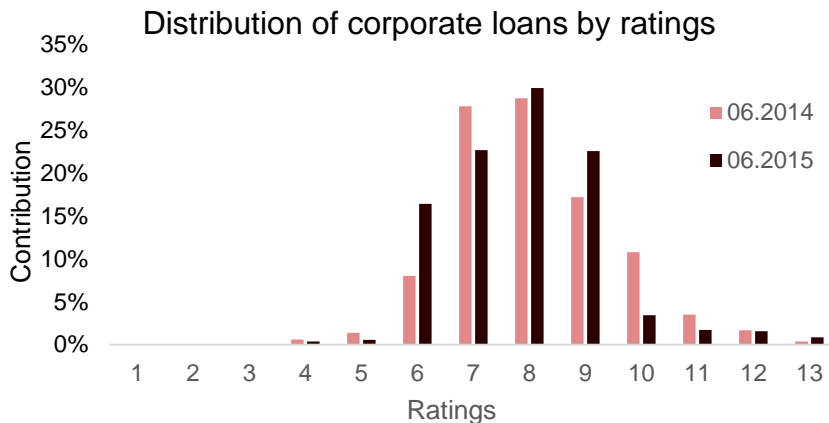


LHV Bank – Asset quality(I)

Corporate loan-fuelled growth

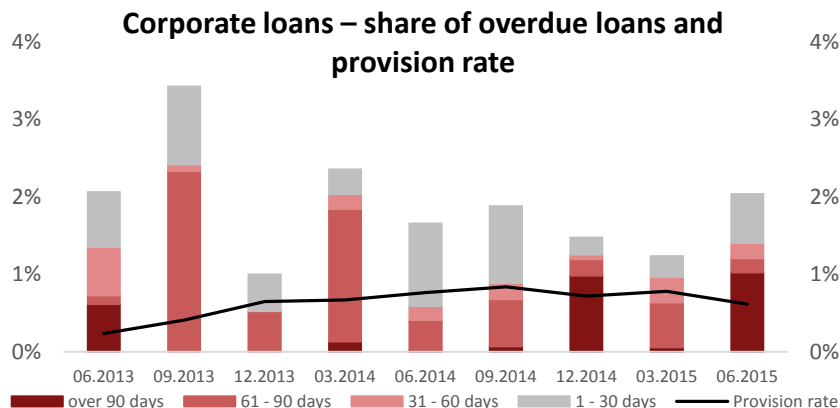


- The loan portfolio has continued its quick growth
- Corporate loans contribute over 70% of the total loan portfolio, followed by leasing (10%) and hire-purchase (4%). Loans to group companies include the loan granted to Mokilizingas
- The corporate loan portfolio has migrated to better rating categories during the year
- Real estate continues to be the main collateral for corporate loans

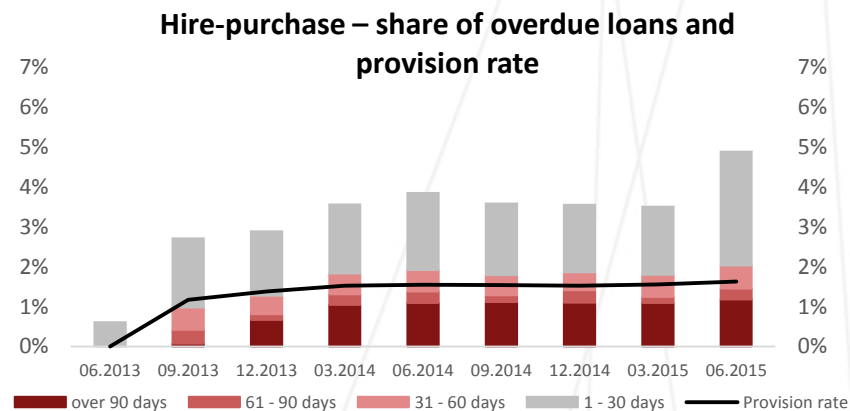
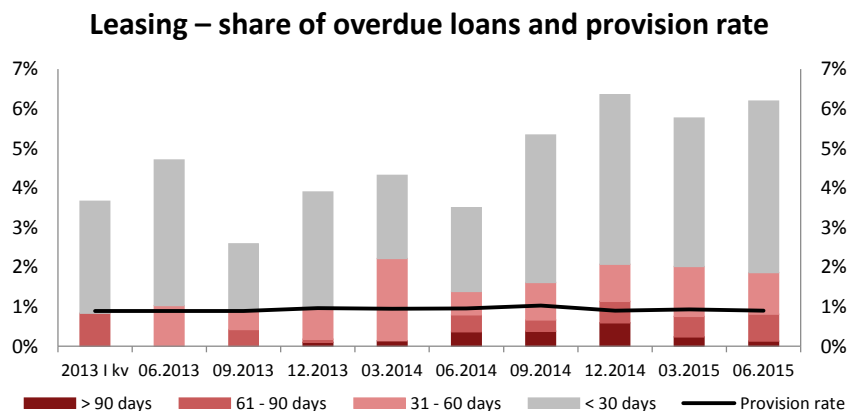


LHV Bank – Asset quality(II)

Modest share of overdue loans



- The rise in the share of loans overdue for more than 90 days in the corporate loan portfolio in June 2015 was mainly conditioned by the dissolution of a company involved in agriculture. Specific loan agreements have been secured by the Rural Development Foundation, real estate and commercial pledge
- The provision rate of both the leasing and the hire-purchase portfolio exceeds the share of the portfolio overdue for more than 90 days



LHV Bank

Objectives and prospects

The objective of LHV Bank is to grow business volumes, whilst maintaining the current risk profile

Our long-term ambition is to become a structurally important bank in Estonia, ranking among the top three banks with regard to customer numbers and business volumes, as well as efficiency and profitability per employee.

The key banking products and the basic offering have been established. We have reached a stage where we can define ourselves as a local full-service home bank in Estonia. We pay high attention to our customer relationships – user convenience and customer experience.

We will continue our active sales and marketing to win new customers. We will focus on developing our e-channels. We will constantly improve our mobile bank and internet bank.

Business areas

LHV ASSET MANAGEMENT

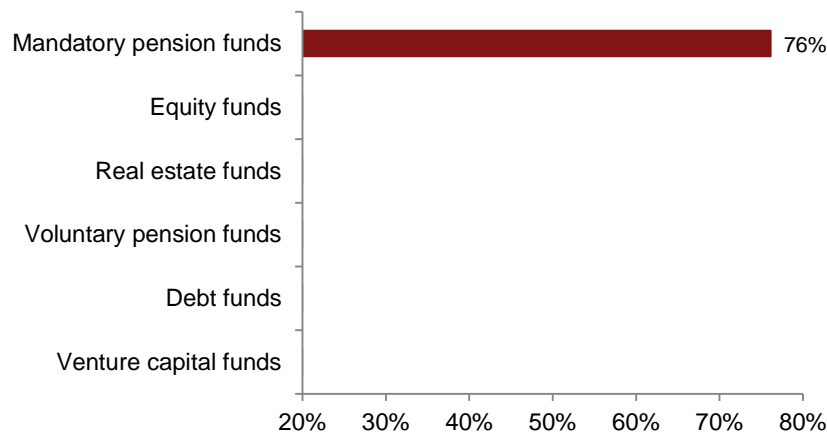


LHV Asset Management

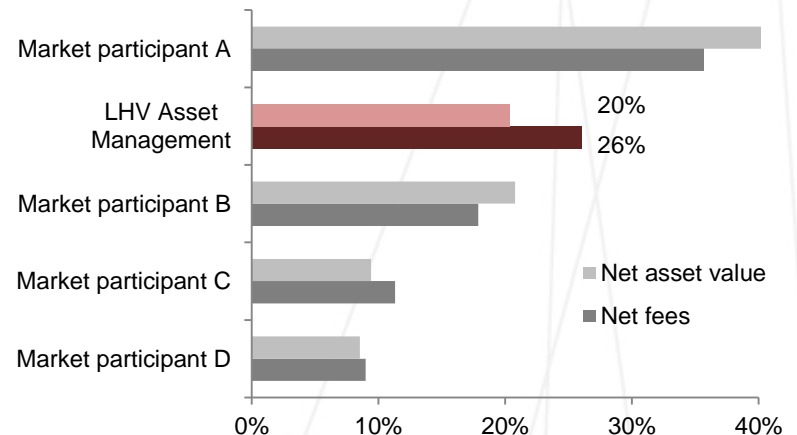
Market overview

- Mandatory pension funds make up ~76% of the investment funds market in Estonia
 - NAV of assets under management: EUR 2,45 billion
 - Number of subscribers to funded pension: 671 000
 - Net income from service fees: EUR ~27 million in 2015
- LHV Asset Management is primarily focused on the mandatory pension fund business
- **LHV Asset Management earns 26% of the pension market service fees**

Market value of funds, % of total market (December 2014)



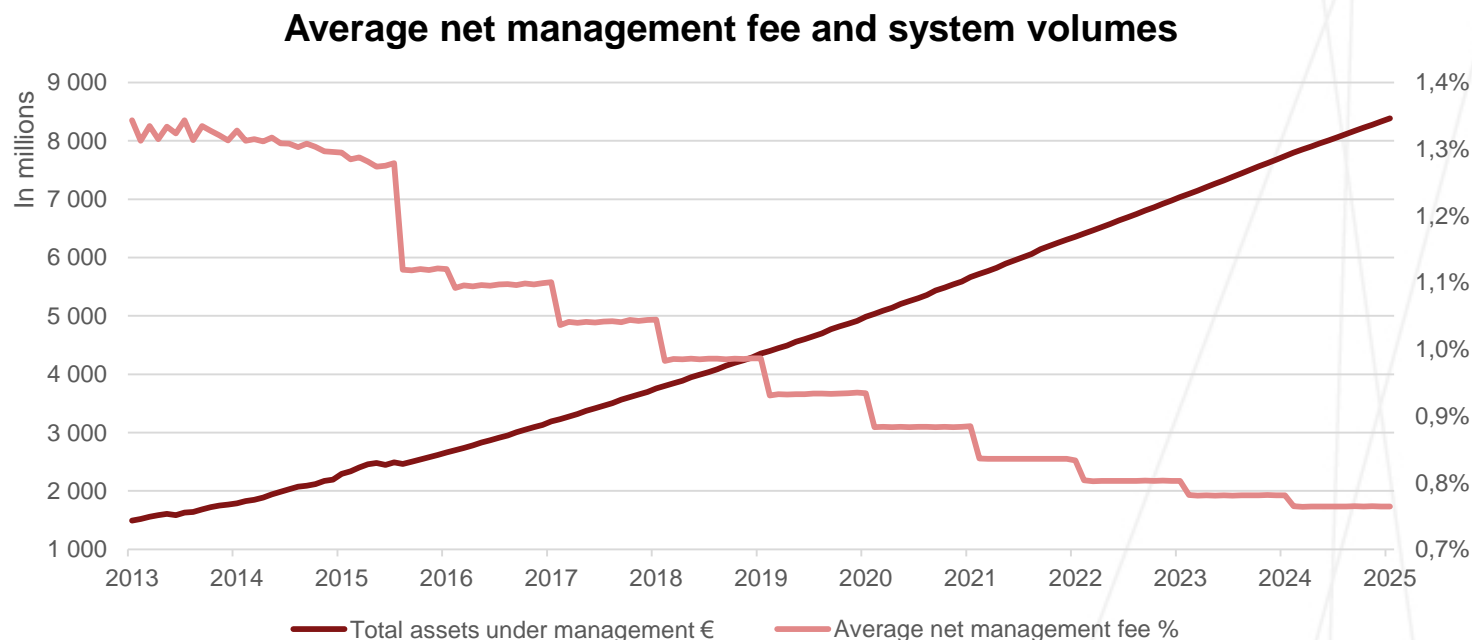
Market shares of mandatory pension funds (June 2015)



LHV Asset Management

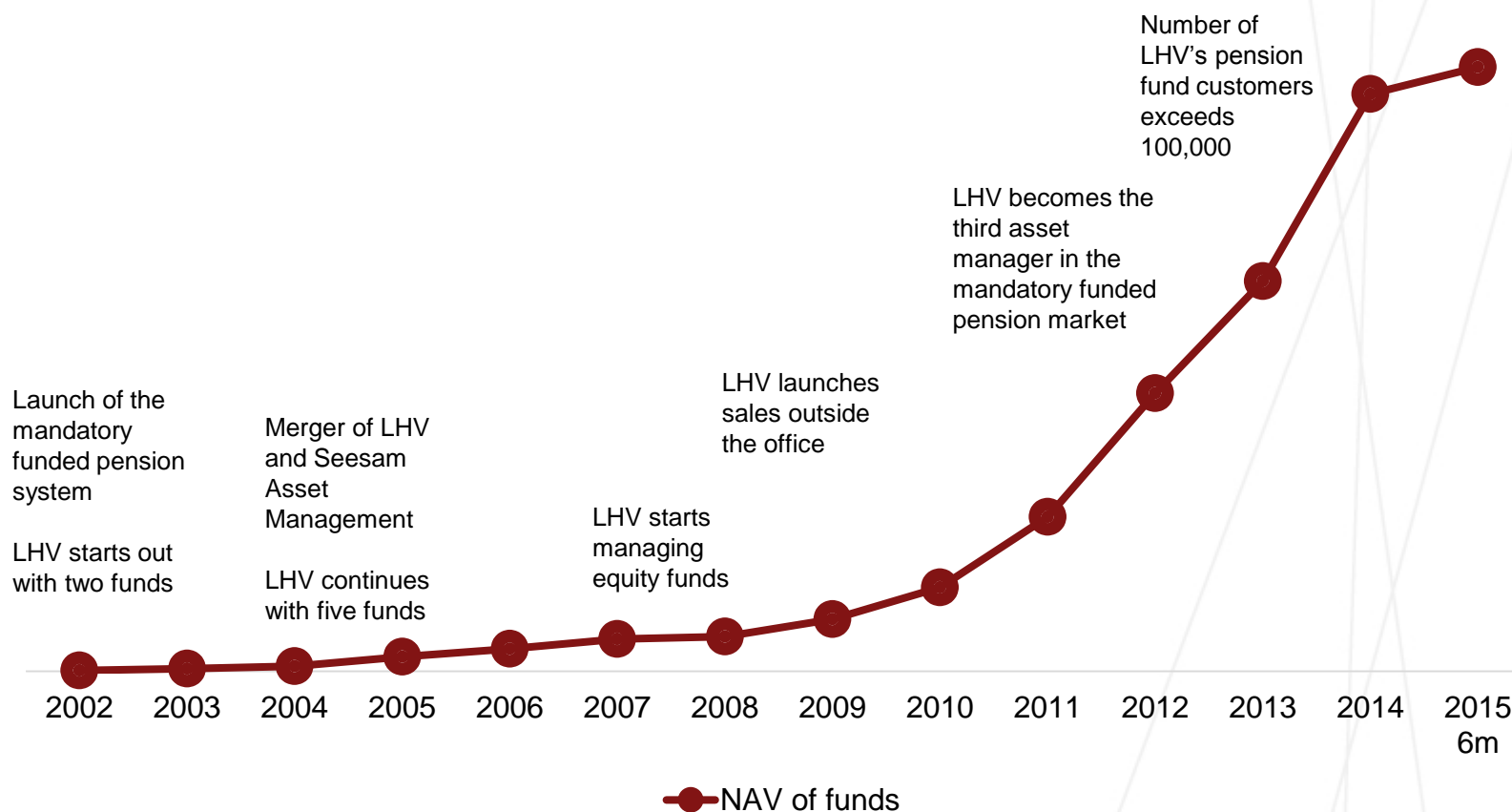
Second-pillar pension market forecast

- Mandatory pension funds are in the stage of organic growth, with the number of subscribers reaching the payout stage in the next few years being small
- The fee for the management of the mandatory pension fund is regressive, bottoming at 0,5% upon increase in volume. Expenses directly related to volume amount to approximately 0,2%



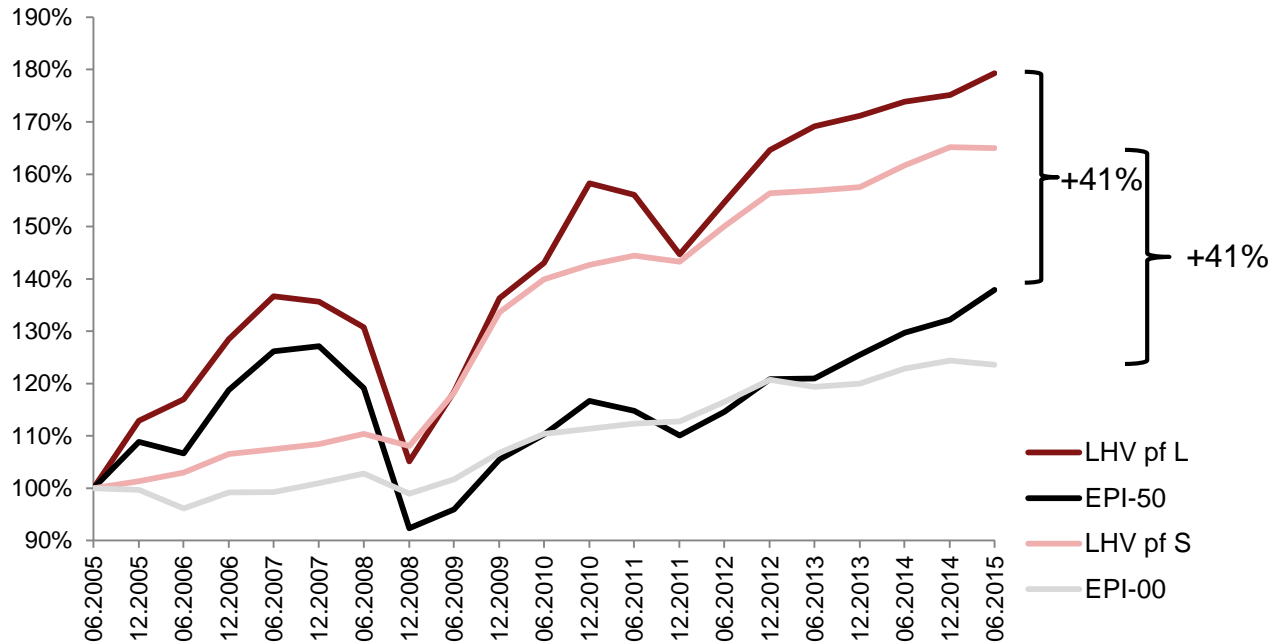
LHV Asset Management

Track record – a good foundation for rapid growth



LHV Asset Management

Long-term yield – beating all indices

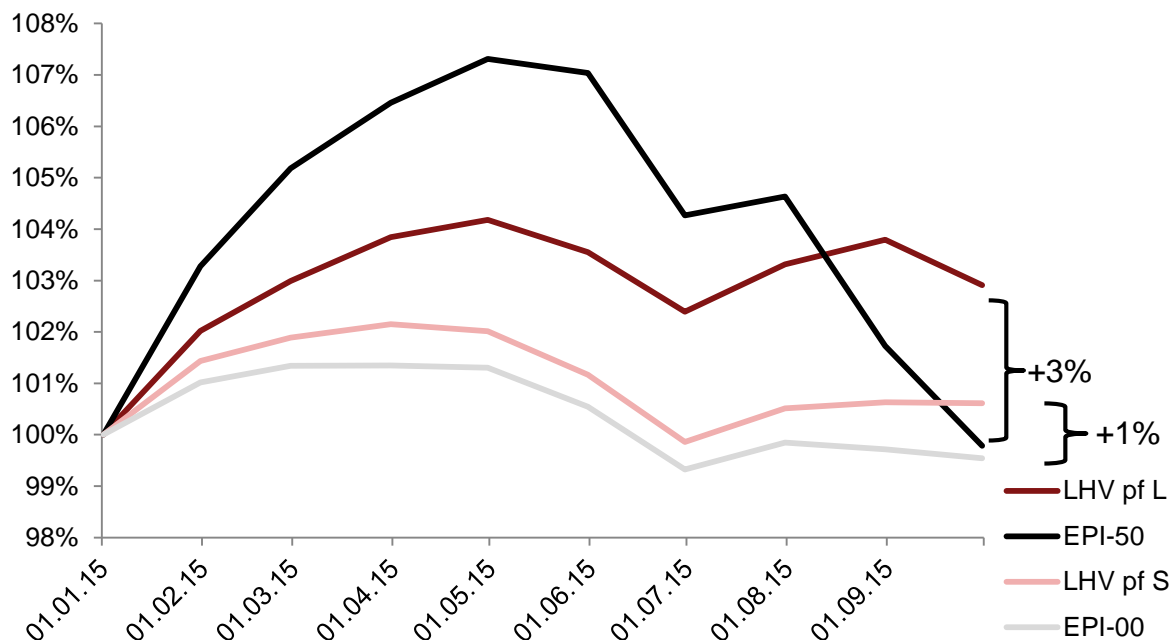


- LHV Pension Fund L (progressive strategy) is 41% above the Estonian pension funds index EPI-50
- LHV Pension Fund S (conservative strategy) is 48% above the Estonian pension funds index EPI-00

Historical rates of return of the fund do not constitute a promise or an indication of the future performance of the fund. The average rates of return of LHV Pension Fund L for the previous two, three and five calendar years are respectively 3,15%, 6,69% and 5,52%. The average rates of return of LHV Pension Fund S for the previous two, three and five calendar years are respectively 2,81%, 4,92% and 4,38%.

LHV Asset Management

Short-term yield – beating indices



- LHV Pension Fund L (progressive strategy) is 3% (YTD) above the Estonian pension funds index EPI-50
- LHV Pension Fund S (conservative strategy) is 1% (YTD) above the Estonian pension funds index EPI-00

Historical rates of return of the fund do not constitute a promise or an indication of the future performance of the fund. The average rates of return of LHV Pension Fund L for the previous two, three and five calendar years are respectively 3,15%, 6,69% and 5,52%. The average rates of return of LHV Pension Fund S for the previous two, three and five calendar years are respectively 2,81%, 4,92% and 4,38%.

LHV Asset Management

Economic results and business volumes

EURt	2010	2011	2012	2013	2014	
Net fee and commission income	1 433	2 377	3 804	5 810	8 456	
Other income	0	26	26	0	0	
Total income	1 433	2 403	3 831	5 810	8 456	56%
Marketing expenses	1 974	2 879	2 448	2 091	2 463	
Other expenses	844	1 200	1 591	2 162	2 551	
Total expenses	2 817	4 079	4 039	4 253	5 013	
Operating profit	-1 385	-1 676	-208	1 558	3 443	
Other financial income	241	-341	333	183	180	
Profit	-1 144	-2 017	124	1 741	3 622	

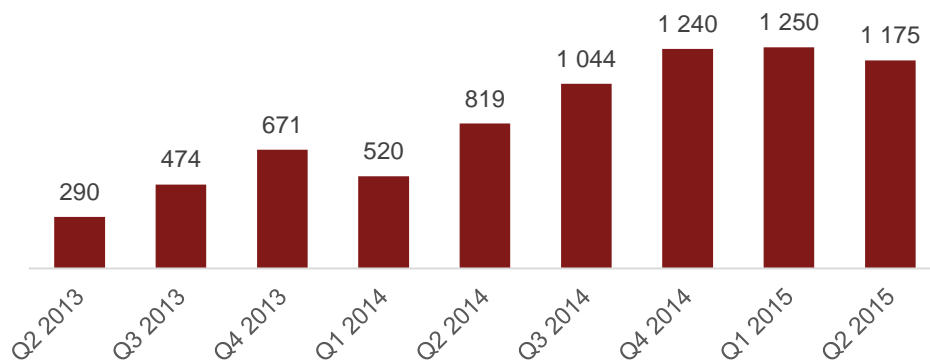
EURt	2010	2011	2012	2013	2014	
Net asset value of funds	83 006	144 024	252 888	376 480	504 316	57%
Equity	2 403	2 379	3 453	5 194	8 852	

- Growth in net fee income has been in correlation with the growth in the NAV of assets under management
- Marketing expenses constitute an investment in business growth. Marketing expenses are expected to maintain their previous level
- Since 2013, Asset Management is able to finance further growth from profit. The capital will be repaid to the Group, starting from 2015

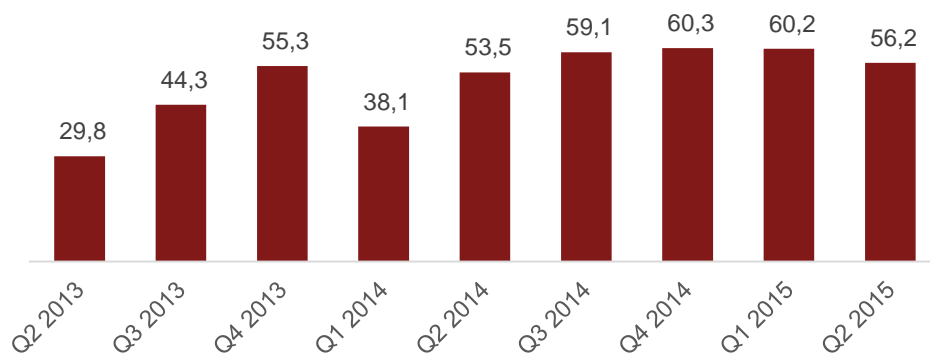
LHV Asset Management

Nine quarters – good predictability

Net profit for the quarter (EURt)



Return on equity (%)



- Growth in net fee income is in direct correlation with the growth in the NAV of assets under management
- 10% drop of collected fees from August 2015 due to regulatory changes
- Marketing expenses are expected to maintain their previous level
- In 2015, Asset Management will repay Tier 1 capital to the Group in the total amount of EURm 4,45

LHV Asset Management

Objectives and prospects

LHV Asset Management pursues the objective of offering the highest long-term yield to fund investors

The mandatory funded pension market is in a stage of strong organic growth. The volume of mandatory pension funds grew by 20% in 2013 and 24% in 2014.

In 2014 - 2017, the state's contribution will be 50% higher for more than a half of LHV's 2nd-pillar customers

LHV's growth is supported by better long-term fund performance, compared to competitors

In addition to mandatory pension funds, LHV manages a voluntary pension fund and two equity funds, including the Luxembourg-based SEF-LHV Persian Gulf Fund

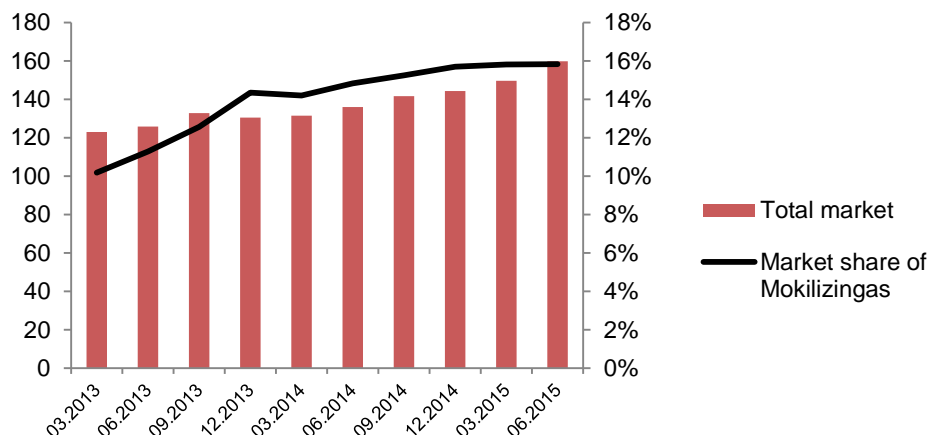
Business areas

MOKILIZINGAS

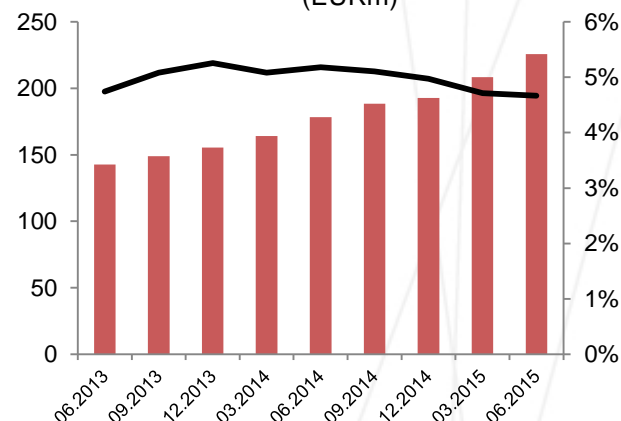
LHV

Overview of the Lithuanian consumer financing market

Hire-purchase market volume* (EURm)



Consumer loan market volume** (EURm)



EURm							
HP new sales*	Avg for 2013	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
Total market	32	30	33	37	39	33	40
Mokilizingas	6	6	8	8	9	8	9
Market share	19%	19%	24%	22%	24%	25%	23%

EURm							
CL new sales**	Avg for 2013	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
Total market	50	50	58	57	55	62	71
Mokilizingas	2	1	2	2	2	2	3
Market share	3%	3%	4%	4%	4%	3%	4%

* Includes car leasing for private persons. Without car leasing, ML's market share is approximately 2 times greater and new sales approximately 1,5 to 2 times higher

** Does not include credit institutions

Sources: Lithuanian Banking Union, Central Bank of Lithuania, estimates of MokiLizingas

Mokilizingas

Economic results and business volumes

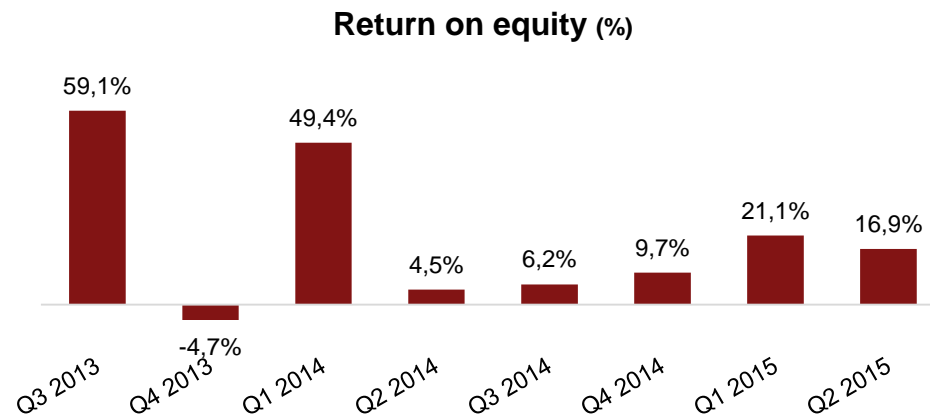
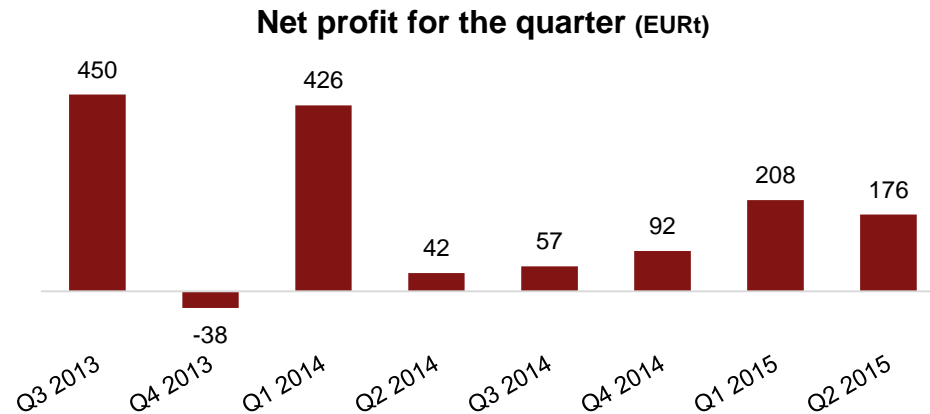
EURt	2013	2014
Net interest income	2 743	3 857
Net fee and commission income	1 677	760
Other income	-6	-2
Total income	4 414	4 615
Total expenses	2 554	3 173
Operating profit	1 860	1 442
Loan provisions	129	674
Income tax	224	151
Profit	1 507	617

EURt	2013	2014
Loans	26 280	30 126

- LHV consolidates MokiLizingas since July 2013
- Mokilizingas has managed selected credit portfolios of Snoras Bankas (which has terminated its operations), and charged fees for the service. In 2013, the collected fees were significant. By 2015, the related income is no longer significant
- Mokilizingas has reversed the previous decline in the portfolio

Mokilizingas

Eight quarters – foundations for profitable growth



- At the end of 2013 and the beginning of 2014, the previous portfolio was restructured. The volatility of results is mainly conditioned by changes in the credit impairment principles
- The portfolio has grown steadily since the spring of 2014, with investments made and expenses incurred on the expansion of the new portfolio
- Mokilizingas is operating in a highly competitive market

Mokilizingas

Business expansion

Purchased in the summer of 2013, Snoro Lizingas has been successfully restructured. The strong new brand (Mokilizingas) has made the company the second largest market player on the Lithuanian consumer financing market.

There are scores of market players on the Lithuanian market, with a highly competitive pricing environment. Mokilizingas strives to stand out, with its transparent and reliable pricing policies and excellent customer service.

In the second half of 2015, Mokilizingas (supported by LHV Bank) is planning to launch its own credit card. This should allow to cut sales expenses and boost sales to creditworthy customers.

FUNDING AND CAPITAL

LHV

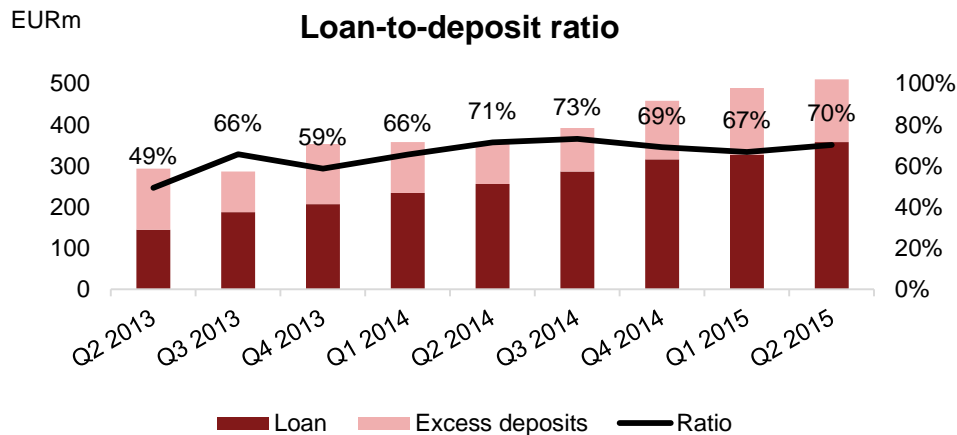
LHV Group

Simple and conservative financing

Simplified balance sheet – June 2015



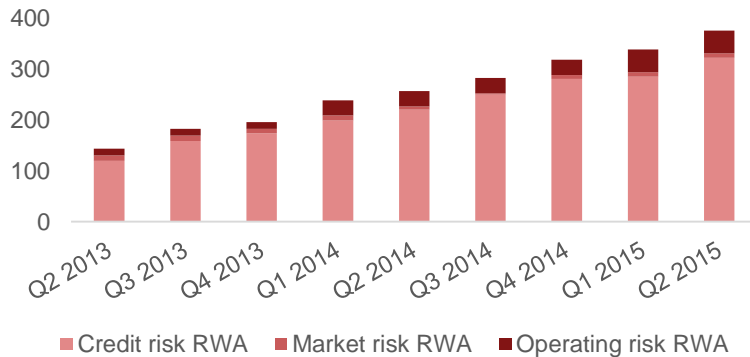
- The Group finances its activities from customer deposits, subordinated debt and equity
- The Group maintains a high liquidity buffer. As at June 2015, the buffer amounted to EURm 268
- The loan-to-deposit ratio does not exceed 75%. The future lending growth is financed through customer deposits and capital in advance



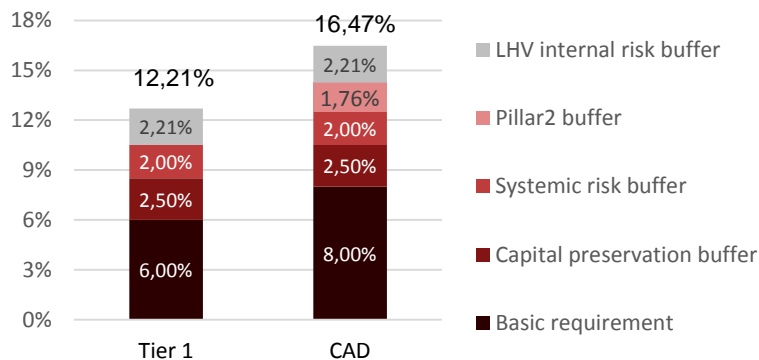
LHV Group

Capital adequacy

Risk weighted assets (EURm)

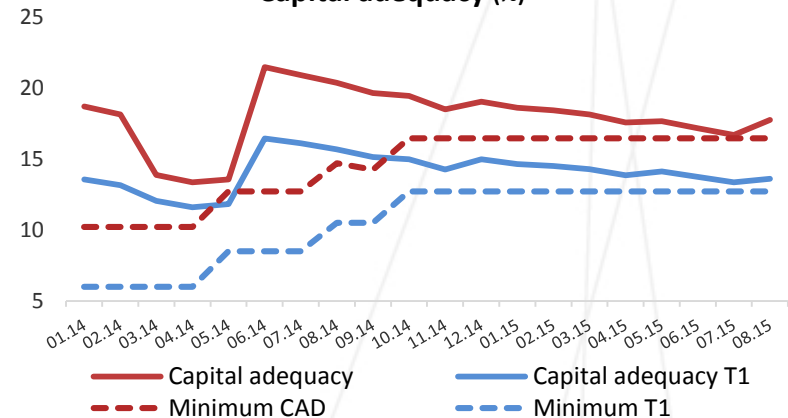


Capital targets



- Credit risk RWA make up the majority of the RWA or capital requirement
- LHV Group's minimum level of Tier1 own funds is 12,21% and minimum level of total capital 16,47%
- The capital requirements applied to the consolidation group are somewhat less strict than the requirements applied to subsidiaries

Capital adequacy (%)



LHV Group

Shareholders – as at 30 June 2015

Number of shares	Participation	Name of shareholder
3 357 920	14,4%	AS Lõhmus Holdings
2 978 367	12,8%	Rain Lõhmus
1 637 897	7,0%	Andres Viisemann
1 418 000	6,1%	Ambient Sounds Investments OÜ
1 210 215	5,2%	OÜ Krenno
995 000	4,3%	AS Genteel
931 978	4,0%	AS Amalfi
696 297	3,0%	OÜ Kristobal
653 165	2,8%	SIA Krugmans
576 667	2,5%	Bonaares OÜ

including	Participation
Supervisory Board and Management Board	57,2%
staff members	3,4%

Erkki Raasuke
Managing Director – LHV Group
erkki.raasuke@lhv.ee M +372 502 4377

Erki Kilu
CEO – LHV Bank
erki.kilu@lhv.ee M +372 515 7232

Meelis Paakspuu
CFO – LHV Group
meelis.paakspuu@lhv.ee M +372 509 8336