

LHV Group

Second quarter 2016 results
19 July 2016

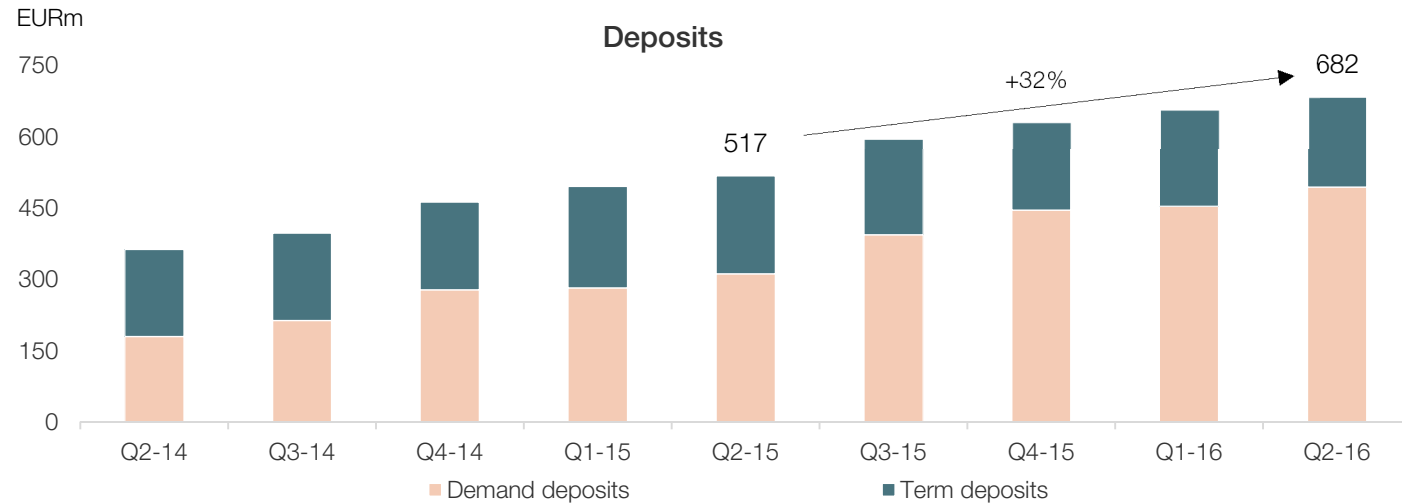


Productive second quarter

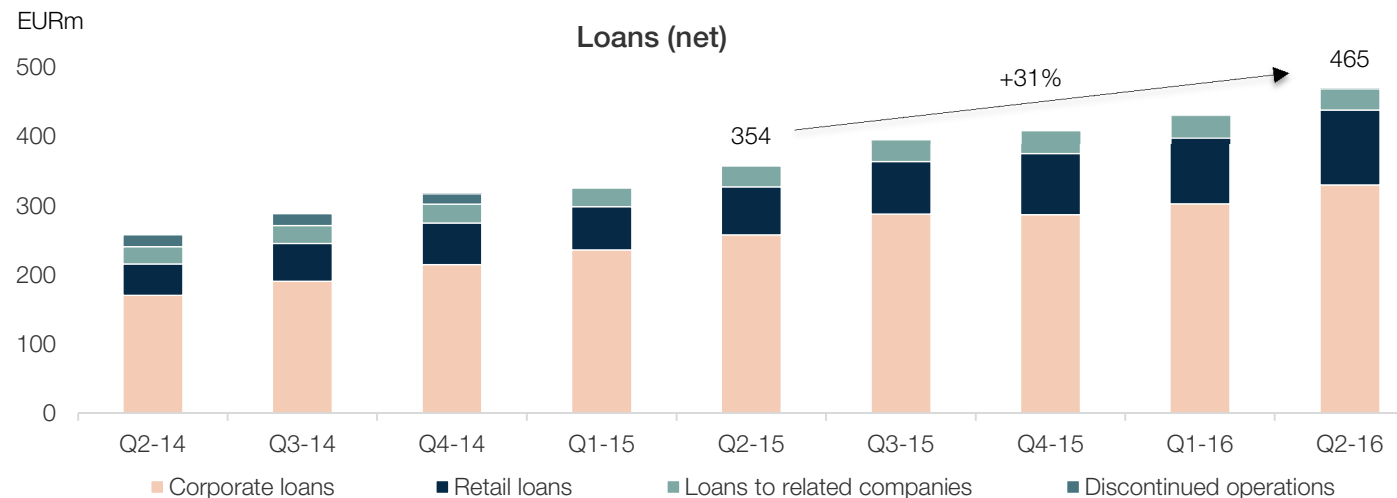
- Public offering and listing of shares on Nasdaq Tallinn Stock Exchange
- Asset Management acquired AS Danske Capital, assets under management within quarter by 294 EURm
- Increase in banking volumes. New product microloan launched to legal entities
- Sale of Visa Europe shares generated extraordinary income of 0.9 EURm
- Net profit 4.9 EURm, ROE 22%

LHV Banking

Loan portfolio increased 37 EURm QoQ



- Record number of new accounts were opened and number of new clients reached 7,700
- Deposits increased by 27 EURm. Growth came from demand deposits, time deposits remained on same level
- Loan portfolio increased by 37 EURm. Largest increase came from loans to corporates with 27 EURm. Financing Mokilizingas dropped by 3 EURm
- New product Microloan was launched for financing legal entities



Strong results in banking, Net profit 3,490 EURt and ROE above 20%

Financial results, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Net interest income		6,106	5,675	+431
Net fee and commission income		1,126	1,352	-225
Other income		1,273	295	+977
Total revenue		8,504	7,322	+1,183
Total operating expenses		4,386	4,353	+32
Earnings before impairment		4,119	2,969	+1,150
Impairment losses on loans		628	97	+531
Net profit		3,490	2,871	+619

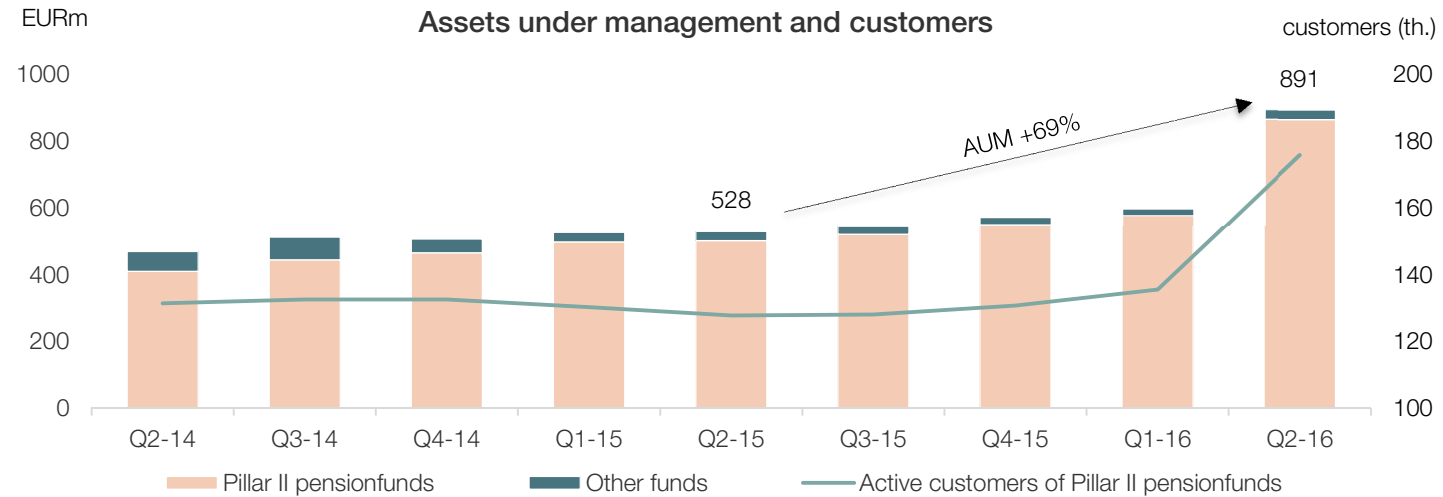
Business volumes, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Deposits from customers		682,916	655,537	+27,379
Loans (net)		465,224	427,751	+37,473
Customers		127,282	119,456	+7,826

Key figures	9 quarters	Q2-16	Q1-16	Δ quarter
Cost / income ratio (C/I)		51.6%	59.5%	- 8 pp
ROE (attr.to owners of the parent)		20.2%	16.7%	+ 4 pp
Net interest margin (NIM)		3.1%	3.1%	+ 7 bp

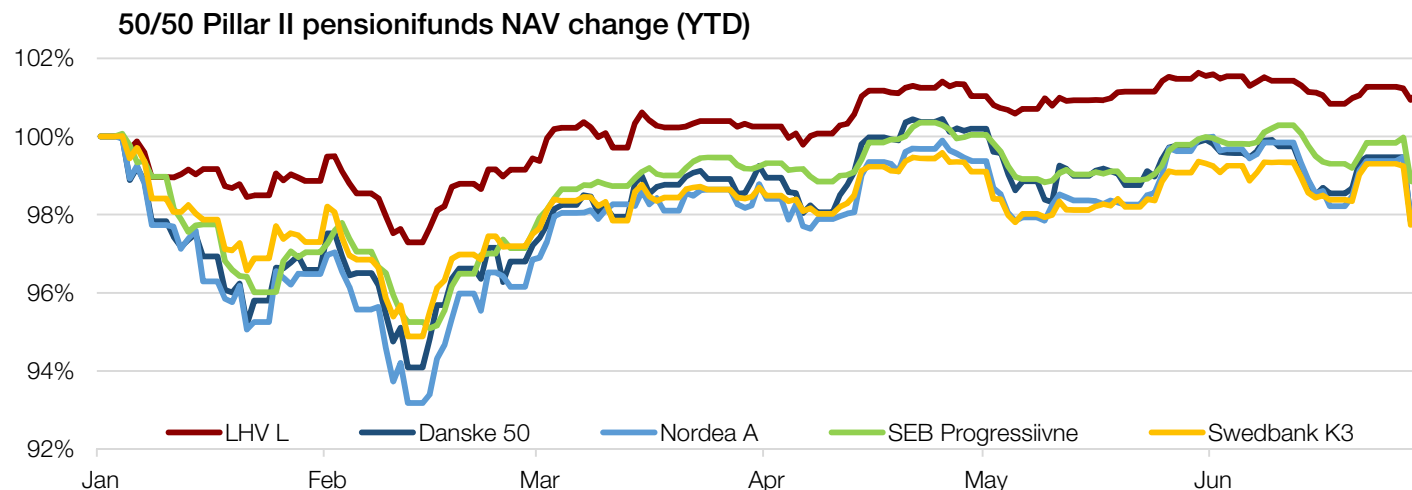
- Increase in loan portfolio supports net interest income growth. Margins have remained stable. Negative EURIBOR increases cost of keeping liquidity portfolio
- Net fee income has dropped due to limits set to payment card fees
- Bank earned extraordinary profit in amount of 890 EURt from sale of Visa Europe shares
- Impairment of loans increased due to change in small credits provision rate and making of one-time additional provision in amount of 300 EURt. Credit quality remains strong

LHV Asset Management

Asset under management increased by 294 EURm














- Asset management completed purchase of AS Danske Capital. The final purchase price was 10,952,087 euros
- The number of Pension II Pillar funds clients increased to 175,000
- Asset under management increased 294 EURm, from which Danske Funds were 250 EURm and 44 EURm was generated by increase of Asset Management earlier businesses
- Asset management funds are conservatively positioned towards equity markets, which has given good position in current year results comparisons





LHV Asset Management

Large volumes and larger profit

Financial results, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Total revenue		3,077	2,154	+923
Selling expenses		296	741	-445
Other operating expenses		1,182	816	+366
Total operating expenses		1,478	1,558	-80
EBIT		1,598	596	+1,003
Net financial income		25	-1	+26
Net profit		1,623	595	+1,028

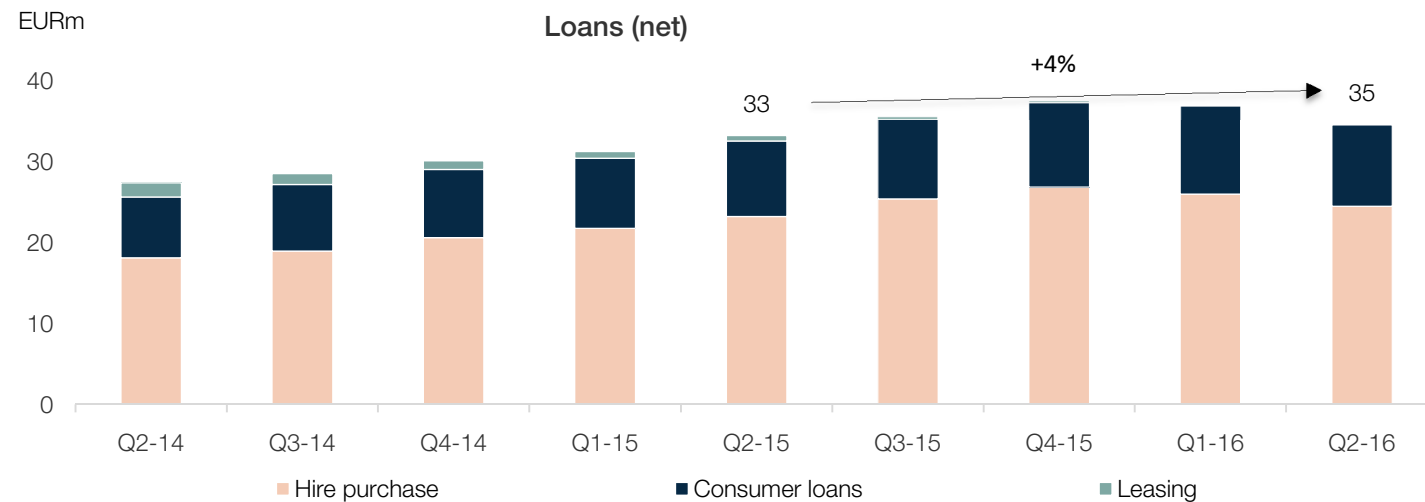
Business volumes, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Pillar II pensionfunds		861,905	576,482	+285,423
Pillar III pensionfunds		13,240	7,733	+5,507
Eurofunds		15,407	12,727	+2,680
Active customers of PII funds		175,622	135,407	+40,215

Key figures	9 quarters	Q2-16	Q1-16	Δ quarter
Cost / income ratio (C/I)		48.0%	72.3%	- 24 pp
ROE		34.5%	17.5%	+ 17 pp

- Danske Capital results increased II quarter incomes by 703 EURt and expenses 376 EURt
- Increase in costs came from reorganizing the Danske Capital organizational structure and technical systems to match Asset Management setup
- Off-site pension li pillar sales was slower. There was no deadline month for changing the pension funds inside this quarter
- Profit was 1,623 EURt and ROE 34.5%

Mokilizingas

Changes in regulations affects new sale


















- Lithuanian Central bank tightened the evaluation of client's creditworthiness. These changes have negatively affected hire purchase and small loans new sales in whole market
- Slow second quarter followed the traditionally low first quarter. It is not probable that Mokilizingas manages to fulfill the initially planned business volumes in changed environment

Smaller new sales have reduced the profit

Financial results, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Net interest income		1,361	1,385	-24
Net fee and commission income		108	148	-40
Total revenue		1,469	1,532	-64
Total operating expenses		973	959	+15
Earnings before impairment		496	574	-78
Impairment losses on loans		114	157	-44
Income tax		68	77	-9
Net profit		314	339	-26
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Business volumes, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Hire purchase new sales		8,069	8,233	-164
Consumer loans new sales		1,562	2,594	-1,032
Loans (net)		34,653	37,173	-2,520
Customers		95,698	97,105	-1,407
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Key figures	9 quarters	Q2-16	Q1-16	Δ quarter
Cost / income ratio (C/I)		66.3%	62.5%	+ 4 pp
ROE		23.0%	26.5%	- 3 pp
Net interest margin (NIM)		13.7%	13.5%	+ 17 bp

- Smaller business volumes have put pressure on incomes – QoQ decrease 64 EURt
- Lithuanian overall economic situation is positive. Credit quality remains strong.
- Second quarter profit was 314 EURt and ROE 23%

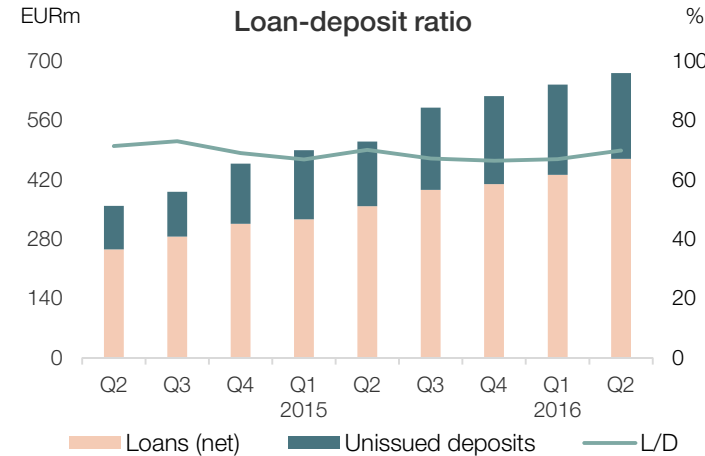
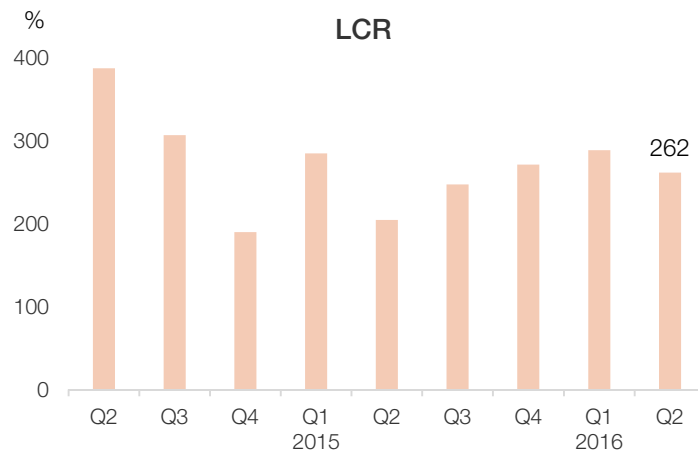
Strong quarter, increase in volumes and extraordinary profit shift profit to 4,900 EURt

Financial results, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Net interest income		7,230	6,788	+441
Net fee and commission income		4,311	3,653	+658
Other income		1,273	185	+1,089
Total revenue		12,814	10,626	+2,188
Total operating expenses		7,103	6,827	+276
Earnings before impairment		5,711	3,799	+1,912
Impairment losses on loans		742	255	+487
Income tax		68	77	-9
Net profit		4,900	3,466	+1,434
Business volumes, EURt	9 quarters	Q2-16	Q1-16	Δ quarter
Deposits from customers		672,004	644,907	+27,097
Loans (net)		469,300	431,831	+37,469
Assets under management		890,552	596,943	+293,609
Customers		381,827	333,702	+48,125
Key figures	9 quarters	Q2-16	Q1-16	Δ quarter
Cost / income ratio (C/I)		55.4%	64.3%	- 9 pp
ROE (attr.to owners of the parent)		22.0%	16.8%	+ 5 pp

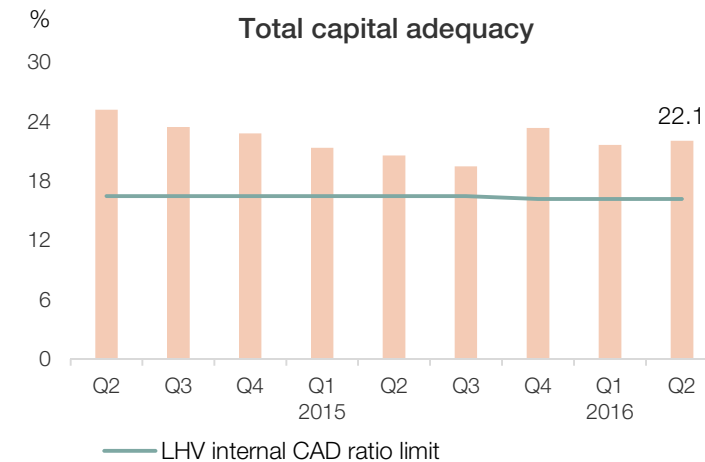
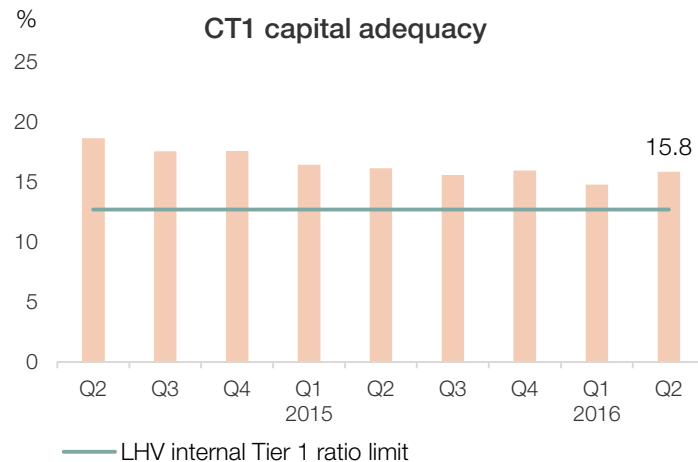
- Bank is main driver in Group's profit with good interest income and stable credit quality
- After purchase of Danske Capital, the Asset management's volumes and profit increased sharply
- With extraordinary income in Bank, the Group's profit was 4,900 EURt and LHV shareholder's ROE was 22%
- First half of 2016 was successful. Forecasts for nearest months are good. Strong growth in volumes with stable credit quality forecast the continuation of high ROE

Annexes

Loan to deposit ratio 70%, IPO increased capital adequacy

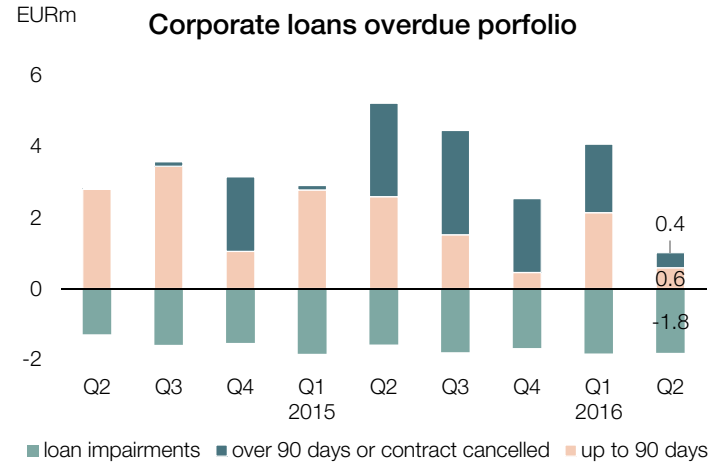
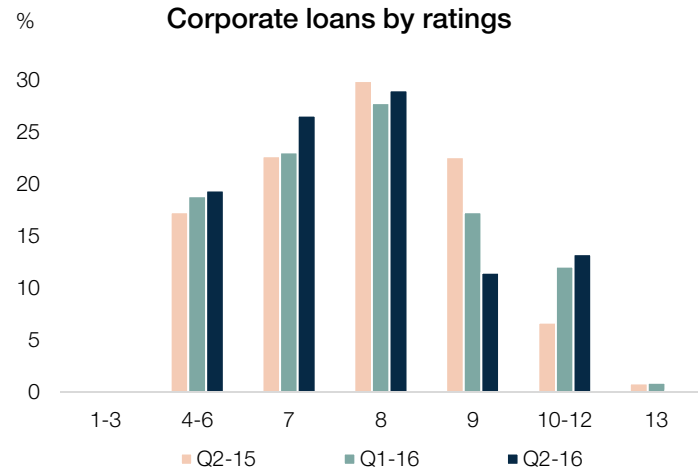


- Group's liquidity and capitalization are strong. Liquidity Coverage Ratio was end of quarter 262%, two and half times higher than the requirement
- Public offering increased own funds by 13.9 EURm. Together with first half year high profitability the Group's capital position is very strong

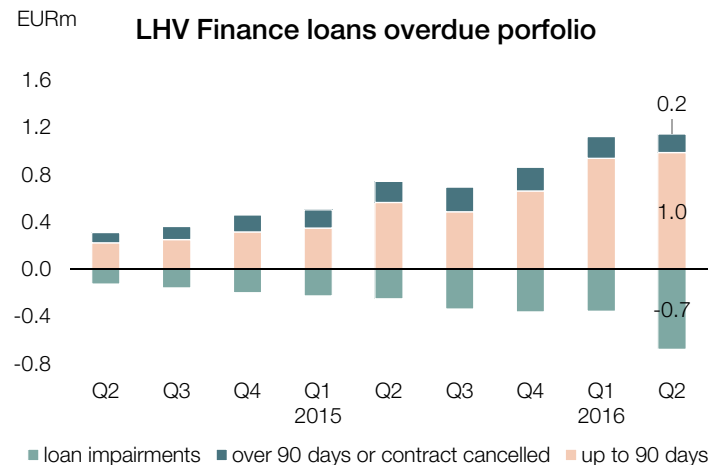
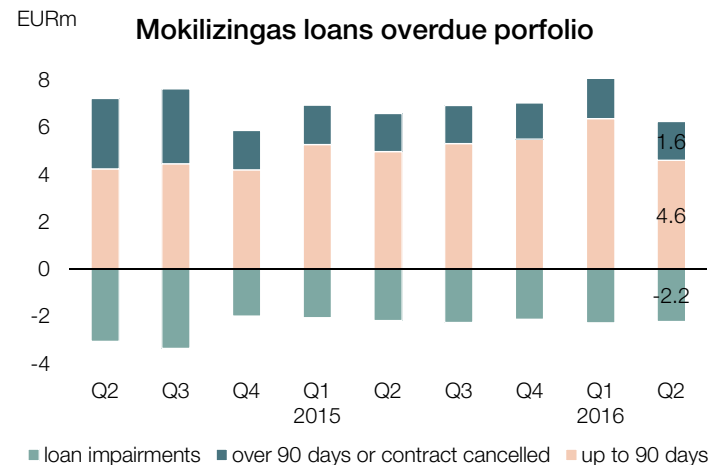


LHV Group

Asset quality remains on solid



- Corporate banking loan portfolio quality remains strong. The share of overdue below 90-day dropped to 0.18% and over 90-days overdue dropped to 0.13% from portfolio
- In beginning of May the small loan credit offering to riskier counterparts was reduced significantly and based on that the current impairment level for small loans can be considered sufficient



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