LHV Group

Q1 2017 results
18 April 2017

LHV

Active first quarter

- Investor relations
  - Disclosure of financial plan
  - Publication of monthly reports

- Recognitions
  - Dive survey – bank with best service
  - Emor survey – bank with best service
  - Emor survey – 3rd position in reputation survey of IT employers
  - Meelis Paakspuu most influential CFO in 2017

- New and additional products/business fields
  - Servicing payment service providers
  - Car loan and home repair loan
  - Private banking offer
  - International loan agreement with EIF

- Pension funds' investments in Estonia
  - Financing the purchase of Auto24 and Kuldne Börs portals
  - Focus on Estonian investments

LHV Group

Good quarter, affected by the income tax on dividends

Financial results, EURt	9 quarters	Q1-17	Q4-16	Δ quarter
Net interest income		8,164	8,262	-98
Net fee and commission income		5,285	5,847	-562
Other income		373	-494	+867
Total revenue		**13,822**	**13,615**	**+207**
Total operating expenses		**7,695**	**7,827**	**-132**
Earnings before impairment		**6,127**	**5,788**	**+339**
Impairment losses on loans		94	-17	+110
Income tax		983	70	+913
Net profit		**5,050**	**5,735**	**-685**

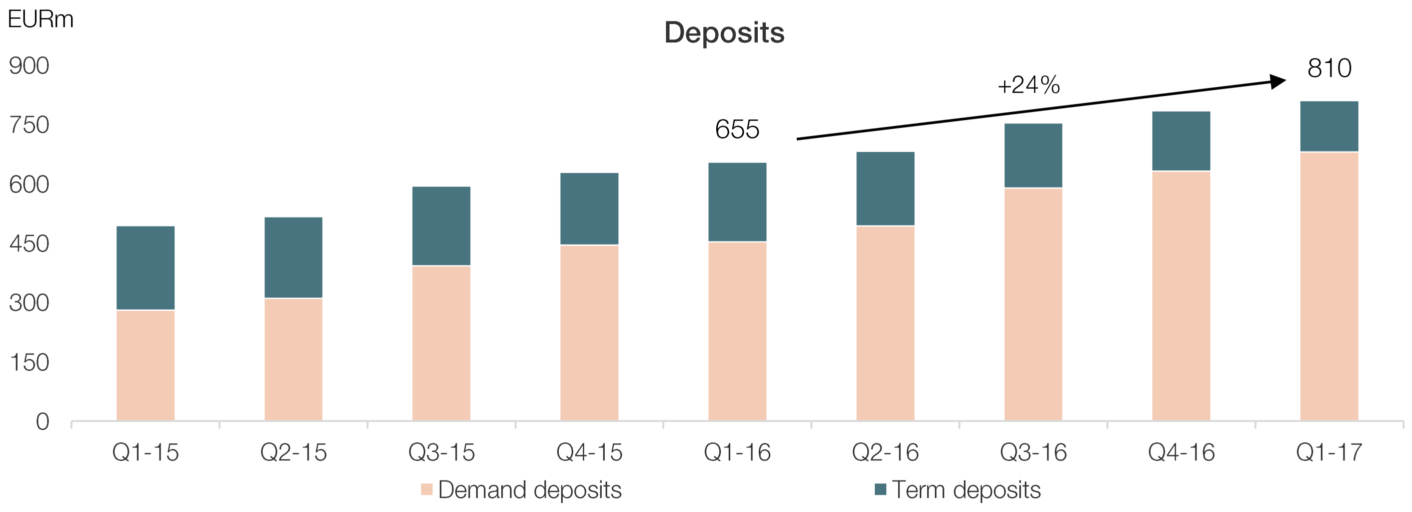
Business volumes, EURm	9 quarters	Q1-17	Q4-16	Δ quarter
Depostis from customers		798	777	+21
Loans (net)		546	538	+8
Assets under management		1,020	974	+46
Customers, thous.		393	398	-5

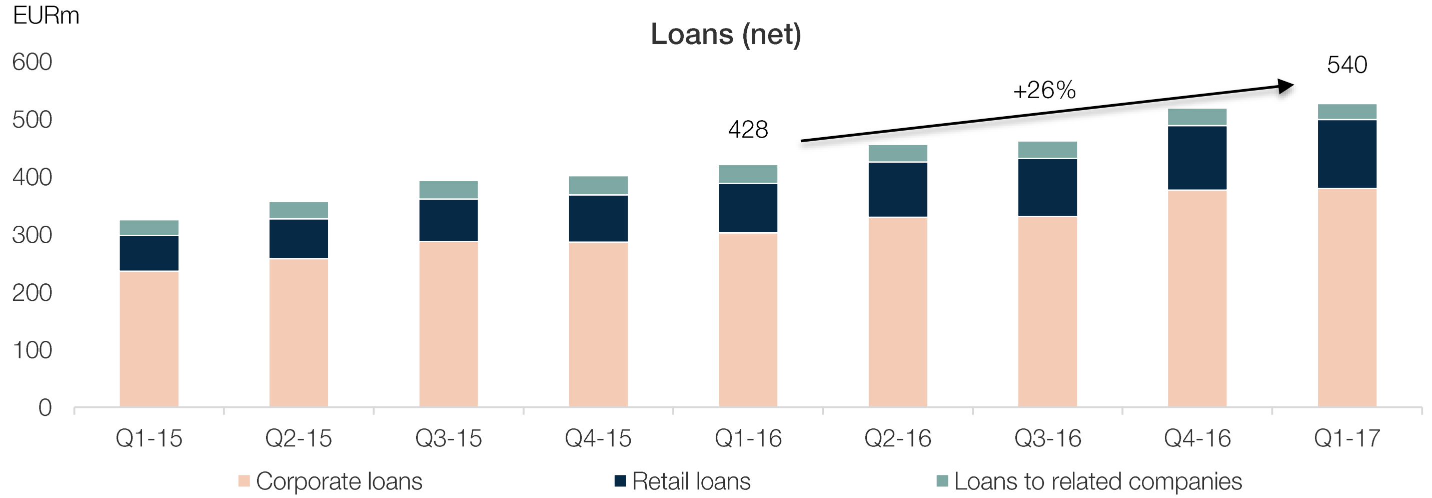
Key figures	9 quarters	Q1-17	Q4-16	Δ quarter
Cost / income ratio (C/I)		55.7%	57.5%	-1.8 pp
ROE (attr.to owners of the parent)		17.1%	19.6%	-2.5 pp

- A successful 1st quarter with a growing customer base, many new products, recognitions and strong results
- Customers' activity remains high
- Credit quality remains good
- Pension funds focused on Estonian investments
- The Group is paying dividends for the first time that result in an income tax expenditure of 951 EURt

LHV Banking

Strong growth of client base and deposits continued





- Bank client base continued to increase. In quarter client base increased over 6000 clients.
- The clients' activity of payments, card payments and card acquiring reached new records
- Deposits increased by 25 EURm. The growth came from demand deposits, time deposits decreased
- Loan portfolio grew by modest 8 EURm. Most of the growth came from mortgage and private loans. Amount of new corporate loans signed was significant, which will increase the loan portfolio in coming months

LHV Banking

Profitable start of the year

Financial results, EURt	9 quarters	Q1-17	Q4-16	Δ quarter
Net interest income		7,169	7,176	-7
Net fee and commission income		1,819	1,768	+51
Other income		261	-524	+785
Total revenue		**9,248**	**8,419**	**+829**
Total operating expenses		**4,902**	**4,564**	**+338**
Earnings before impairment		**4,346**	**3,855**	**+491**
Impairment losses on loans		70	675	-605
Net profit		**4,276**	**3,180**	**+1,095**

Business volumes, EURm	9 quarters	Q1-17	Q4-16	Δ quarter
Depostis from customers		811	785	+26
Loans (net)		540	532	+8
Customers, thous.		149	144	+4

Key figures	9 quarters	Q1-17	Q4-16	Δ quarter
Cost / income ratio (C/I)		53.0%	54.2%	-1.2 pp
ROE (attr.to owners of the parent)		19.2%	15.3%	+3.9 pp
Net interest margin (NIM)		3.1%	3.3%	-16 bp

- Profits amounted to 4.3 EURm, from which 3.8 EURm belongs to shareholders of parent company
- New private banking offering was launched. New portfolio management reporting system was implemented
- Bank’s subsidiary LHV Finance came to market with car- and home improvement loan products
- First international funding contract with European Investment Fund was signed
- Lithuanian cross-border office was closed down, generating ca 150 EURt one-time expenses

LHV Banking
New business line was established

- In addition to retail-, private, and corporate banking there was decision made to establish new business line, which concentrates on servicing payment intermediates
- The offering contains mostly euro payments, but also currency Exchange, liquidity management and financing
- EU directive valid from next year will provide solid ground for the growth of payment intermediates business area
- Significant share of payment intermediates is active both in euro-zone and in United Kingdom, requesting also GBP payments
- The decision was made to start activities regarding setting up branch in London and finding people for that, after which bank will open account in Bank of England and join GPB clearing system

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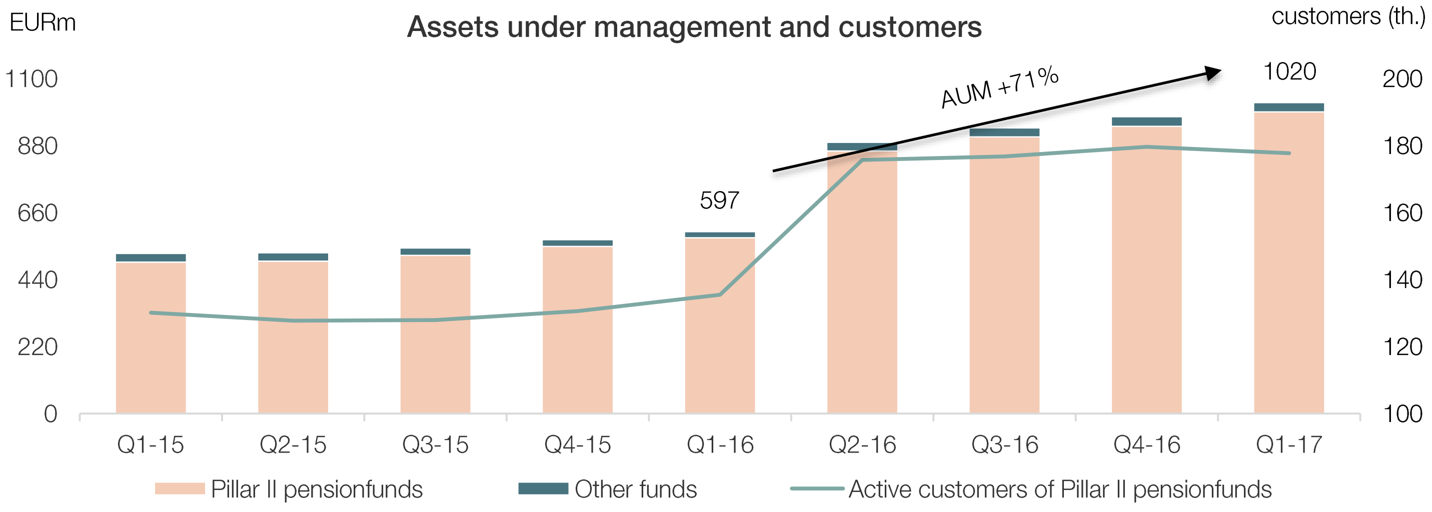
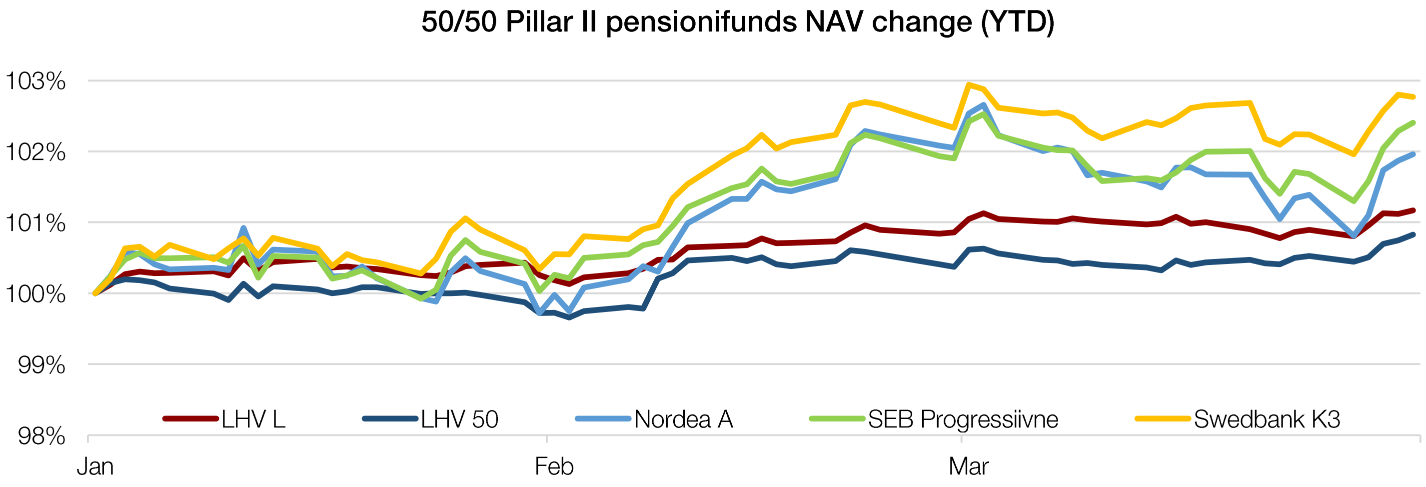
LHV Asset Management
Assets under management exceeded 1 billion EUR





- Actively managed pension funds focus is on Estonian non-listed investments
- Equity market risks are still lower in LHV funds compared to others. Futher increase in equity prices could open LHV to other business risk
- The number of Pension II Pillar funds reduced by 2,000. Asset Under management increased by 46 EURm

LHV Asset Management

First dividend caused corporate income tax

Financial results, EURt	9 quarters	Q1-17	Q4-16	Δ quarter
Total revenue		**3,298**	**3,887**	**-589**
Selling expenses		580	741	-161
Other operating expenses		1,147	1,411	-265
Total operating expenses		**1,726**	**2,152**	**-426**
EBIT		**1,572**	**1,735**	**-163**
Net financial income		104	27	+77
Income tax		951	0	+951
Net profit		**724**	**1,762**	**-1,038**

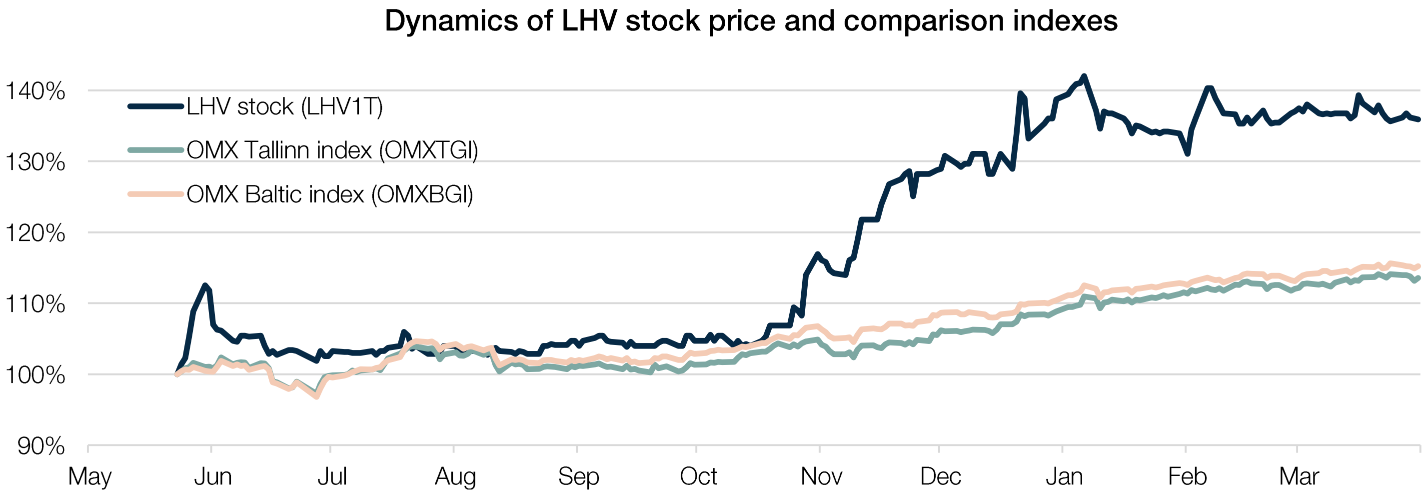
Business volumes, EURm	9 quarters	Q1-17	Q4-16	Δ quarter
Pillar II pensionfunds		990	943	+47
Pillar III pensionfunds		15	15	+1
Eurofunds		16	17	-1
Active customers of PII funds, thous.		178	180	-2

Key figures	9 quarters	Q1-17	Q4-16	Δ quarter
Cost / income ratio (C/I)		52.3%	55.4%	-3.0 pp
ROE		14.9%	35.1%	-20.2 pp

- Q1 profit was 724 EURt, which includes corporate income tax in amount of 951 EURt affected by dividend payment
- In February management fees for Pillar II pension funds decrease by 19% in average as expected
- In 10th of January became new investment fund law valid lowering capital requirements and allowing returning the capital to LHV Group
- In May we'll merge PII pension funds that have similar strategy. Custody bank will change

LHV Group

Stock information



- In Q1 LHV stock price remained mostly close to 9,6 EUR
- 1540 trades were made with the stock during Q1 on the market with a turnover of 2.7 EURm which gave the stock an average price of EUR 9.59
- Earnings per share held by LHV's shareholders (EPS) for Q1 amounted to EUR 0,18
- As of 31 March 2017 LHV had 5,126 shareholders and 52% of the stock was held by members of the supervisory board or the management and persons associated with them
- Market capitalization based on closing price of 31 March 2017 is 242 EURm

Comparison with financial plan

LHV Group

March affected by the income tax on dividends

Financial results, EURt	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD FP
Total revenue, incl.		**4,769**	**13,822**	**10,626**	**13,786**	**+36**
Net interest income		2,838	8,164	6,788	8,592	-428
Net fee and commission income		1,754	5,285	3,653	5,059	+226
Total operating expenses		**2,938**	**7,695**	**6,827**	**8,121**	**-426**
Earnings before impairment		**1,831**	**6,127**	**3,799**	**5,665**	**+462**
Impairment losses on loans		48	94	255	967	-873
Income tax		945	983	77	1,312	-329
Net profit		**838**	**5,050**	**3,466**	**3,386**	**+1,664**
attr. to owners of the parent		650	4,469	3,020	3,013	+1,456

Business volumes, EURm	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Depostis from customers		798	798	645	797	+2
Loans (net)		546	546	432	555	-10
Assets under management		1,020	1,020	597	1,025	-5

Key figures	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Cost / income ratio (C/I)		61.6%	55.7%	64.3%	58.9%	- 3.2 pp
ROE (attr. to owners of the parent)		7.2%	17.1%	16.8%	11.6%	+ 5.5 pp
Net interest margin (NIM)		3.6%	3.5%	3.6%	3.7%	- 0.2 pp
ROA		1.0%	2.2%	1.8%	1.5%	+ 0.7 pp

- Bank and Asset Management results for March are as expected. Asset Management paid dividends to parent company, which resulted in negative net profit
- Revenue base at a good level
- Expenses are regular
- By the end of March cost/income 55.7% and ROE 17.1%, ahead of financial plan
- We revealed a plan to establish a branch in the United Kingdom to service payment service providers
- Financial plan remains valid

LHV Banking

Results as expected

Financial results, EURt	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Total revenue, incl.		**3,292**	**9,248**	**7,322**	**9,137**	**+111**
Net interest income		2,508	7,169	5,675	7,518	-349
Net fee and commission income		634	1,819	1,352	1,574	+245
Total operating expenses		**1,794**	**4,902**	**4,353**	**5,039**	**-137**
Earnings before impairment		**1,497**	**4,346**	**2,969**	**4,098**	**+248**
Impairment losses on loans		48	70	97	710	-640
Net profit		**1,449**	**4,276**	**2,871**	**3,388**	**+888**

Business volumes, EURm	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Depostis from customers		811	811	656	809	+1
Loans (net)		540	540	428	549	-9

Key figures	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Cost / income ratio (C/I)		54.5%	53.0%	59.5%	55.1%	- 2.1 pp
CT1 capital adequacy		14.5%	14.5%	13.8%	13.7%	+ 0.8 pp
Total capital adequacy		18.3%	18.3%	17.4%	17.4%	+ 0.9 pp
Net interest margin (NIM)		3.2%	3.1%	3.0%	3.3%	- 0.2 pp

- Deposit growth in line with plan, loans growth slower than planned but does not require adjustments
- Interest income is slightly lower due to lower loan volumes, net fees ahead of planned levels
- Ca 150 EURt one-off expenses due to closing Lithuanian brokerage unit
- Credit quality remained good, due to that lower than planned loan impairments
- Net profit 0,9 EURm higher than planned and covers the expenses related with opening new business line (payment intermediater services)

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LHV Asset Management

Income tax expense lower than planned

Financial results, EURt	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Total revenue		**1,083**	**3,402**	2,153	**3,360**	+42
Total expenses		**744**	**1,726**	1,558	**1,866**	-139
Earnings before taxes		**339**	**1,675**	595	**1,494**	+181
Income tax		951	951	0	1,275	-324
Net profit		**-612**	**724**	595	**219**	+505

Business volumes	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Assets under management, EURm		1,020	1,020	597	1,025	-5
Active customers of PII funds, thous.		178	178	135	180	-2

Key figures	13 months	Mar-17	YTD17	YTD16	FP YTD	Δ YTD
Cost / income ratio (C/I)		70.1%	52.3%	72.3%	56.3%	- 4.0 pp
Funds average return		0.3%	1.0%	0.4%	0.8%	+ 0.2 pp

- The dividend payment and income tax associated with it is lower than planned
- March costs are higher due to seasonality but are in line with financial plan
- Business volumes slightly behind plan

Annexes

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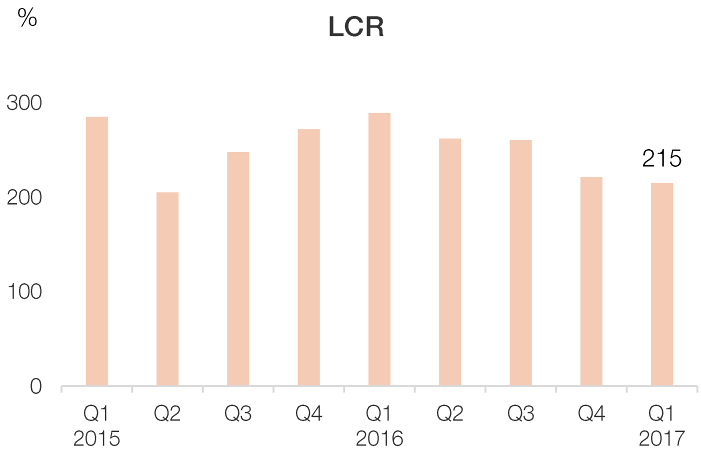
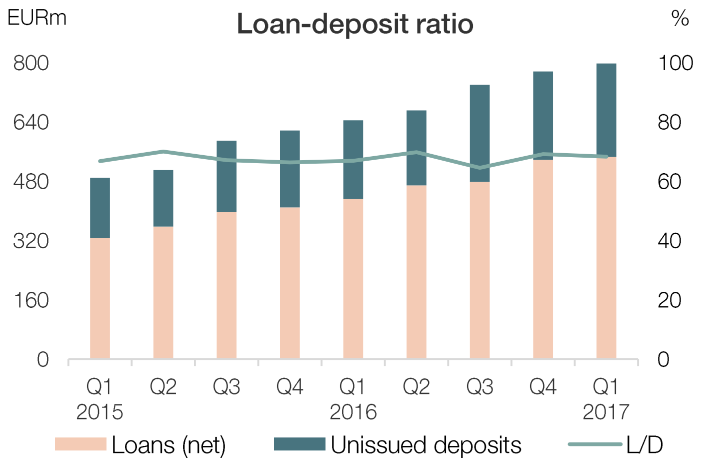
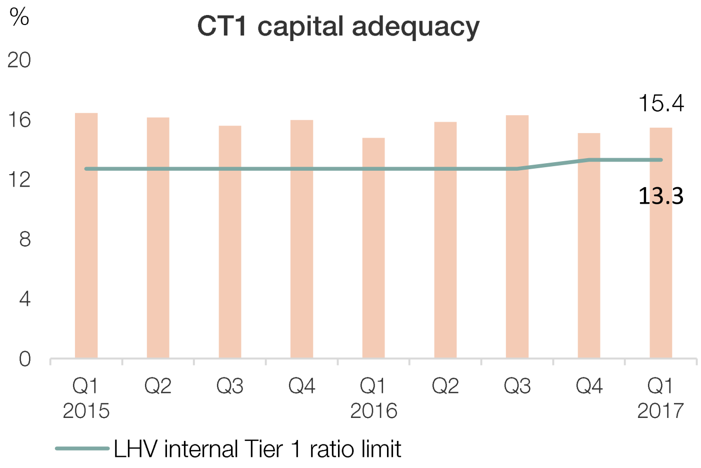
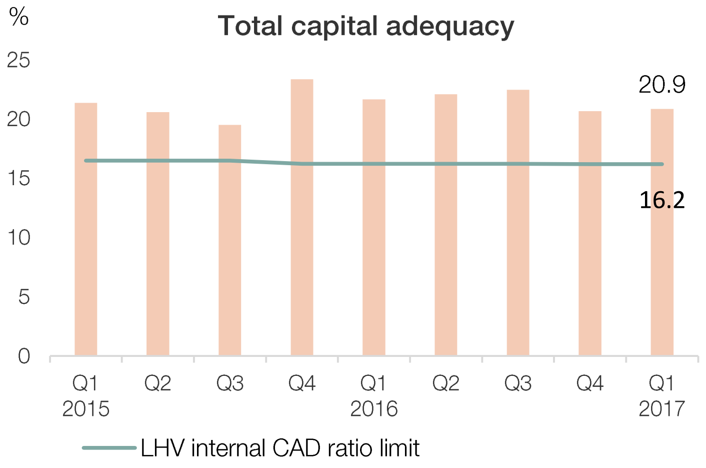
Loan to deposit ratio 68%, capital adequacy strong



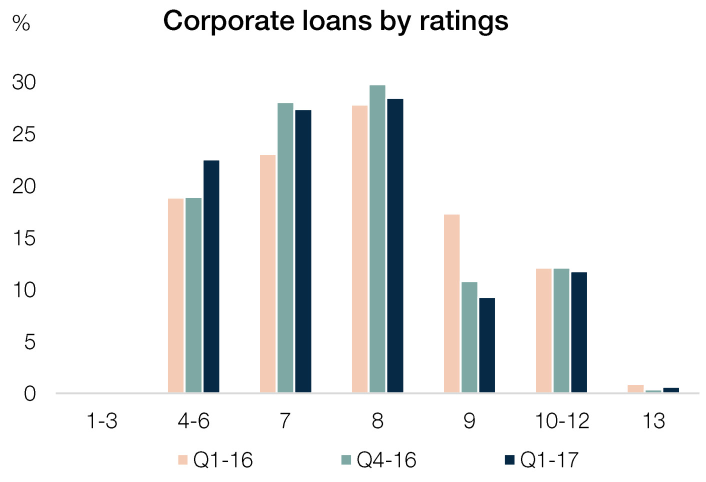


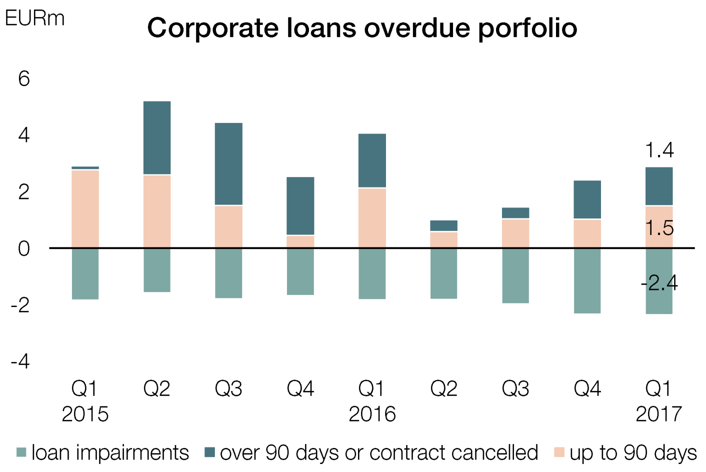


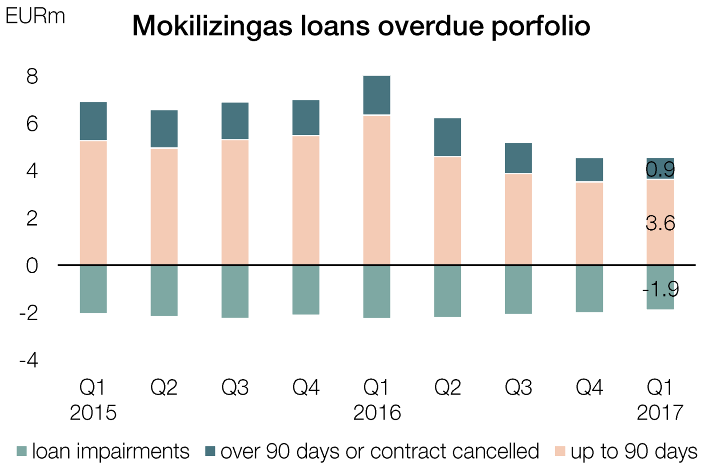


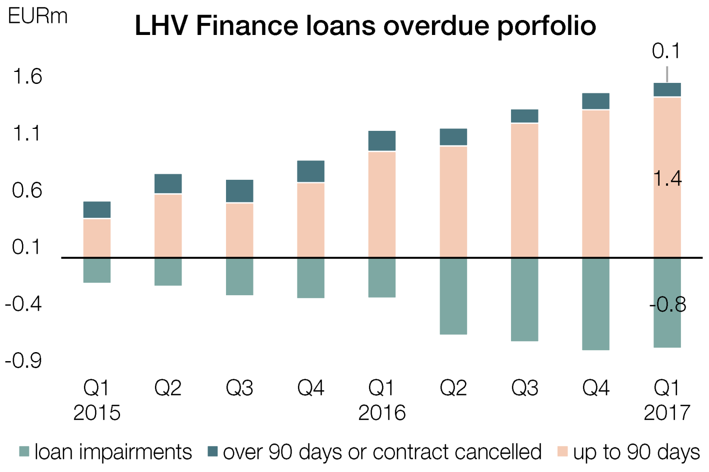
- LCR remains strong and exceeds significantly regulatory 100% requirement
- Loans/deposits ratio remains stable
- Strong capital adequacy ratio, significantly above regulatory and internal targets

LHV Group
Asset quality remains at a good level









- Corporate banking loans quality remains strong, ratings are stable. Credit impairments cover non-performing portfolio fully
- In case of other Bank portfolios, the proportion of overdues remain low
- Decrease in Mokilizingas overdue portfolio came mainly from improved overdues management and sale of portfolio with longer term overdues
- LHV Finance overdue portfolio increase is expected due to slower portfolio growth

LHV

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