

LHV Group

April 2019

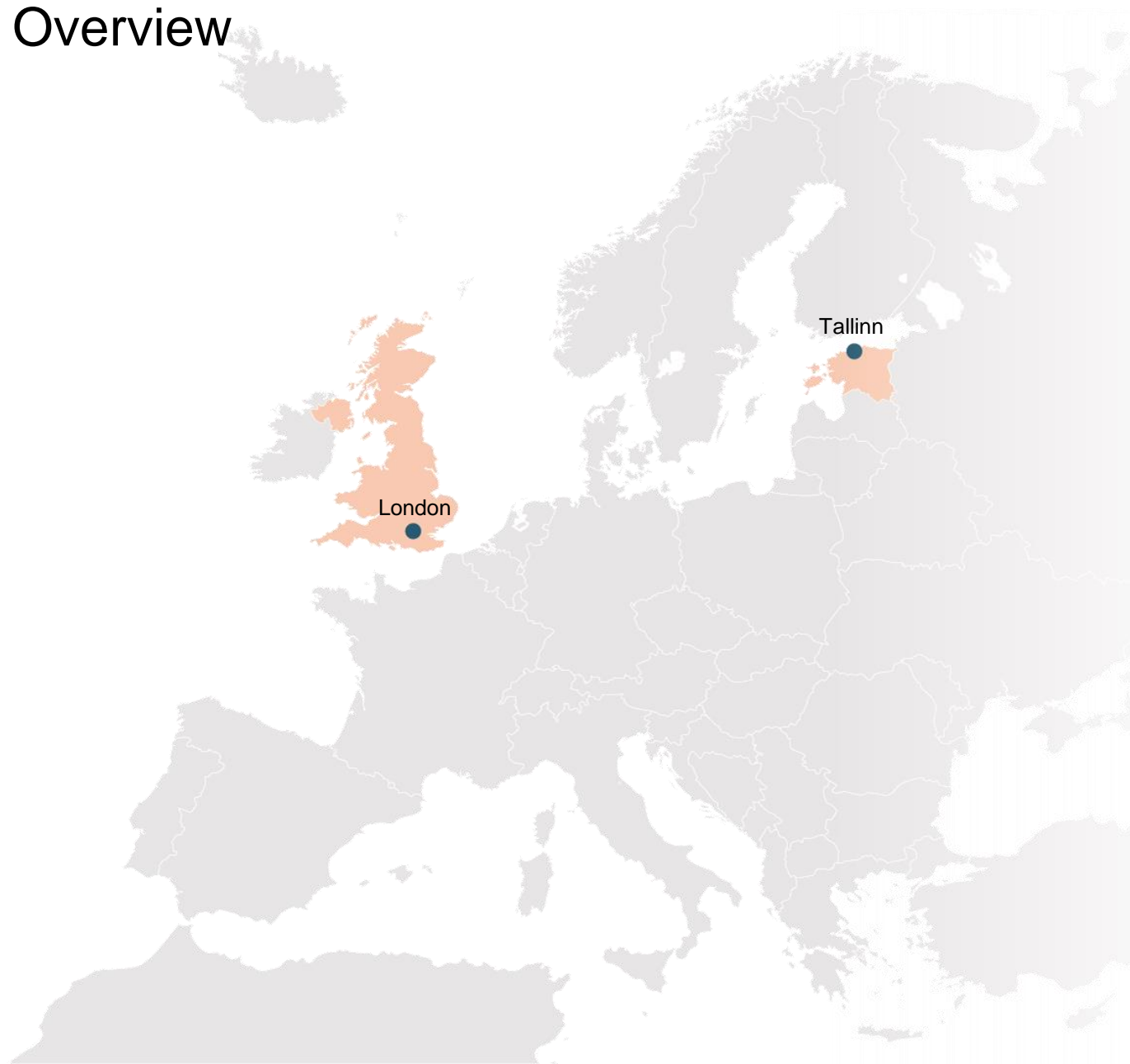
Topics covered

Overview

- Business environment
- LHV Group overview
- Investor information
- LHV Bank
- LHV Asset Management
- Financials: actuals and projections
- Risk, capital and asset quality
- Social responsibility

LHV home markets

Overview



ESTONIA

Member of EU, NATO and OECD

Estonia in different world indexes:

- #12 World Press Freedom Index
- #16 Ease of doing business
- #18 Corruption Perception Index
- #18 European Digital City Index @start-up
- #24 Global Innovation Index

GDP per capita (2018):

- 19 400 EUR

Country rating

- Fitch: AA-
- S&P: AA-
- Moody's: A1

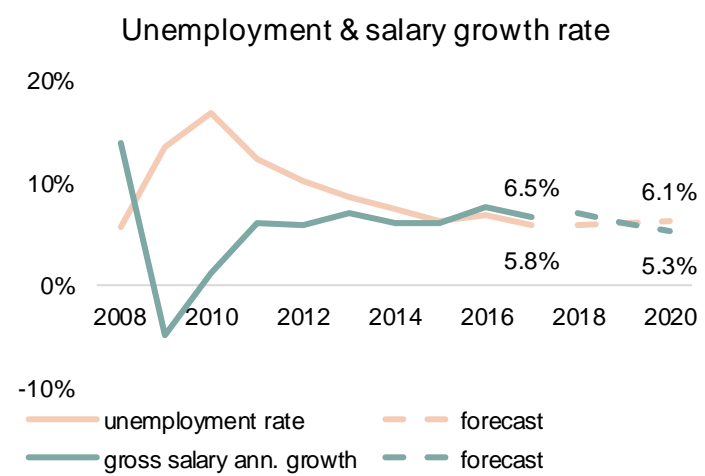
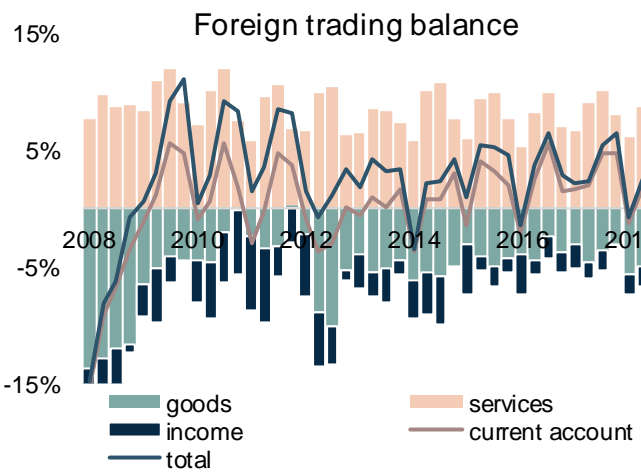
e-Estonia

- e-elections - online voting since 2005
- e-residency - country without barriers
- e-governance - most public services are e-services

Business environment

Business environment

Economic outlook is good



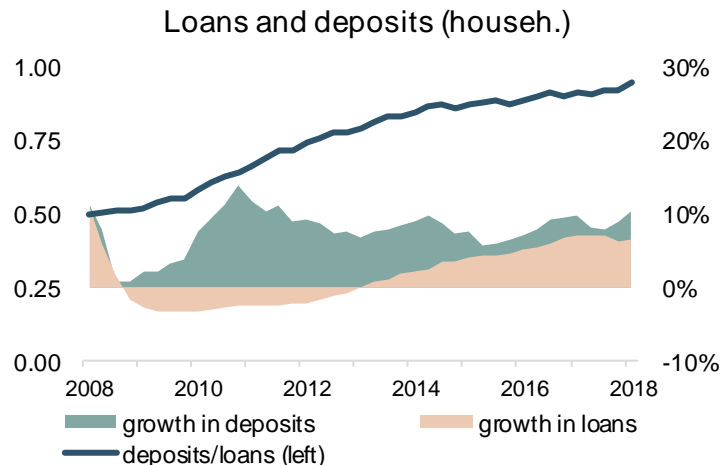
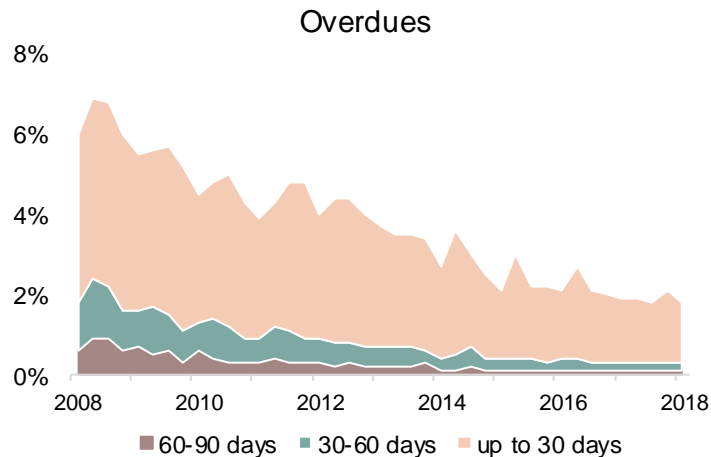
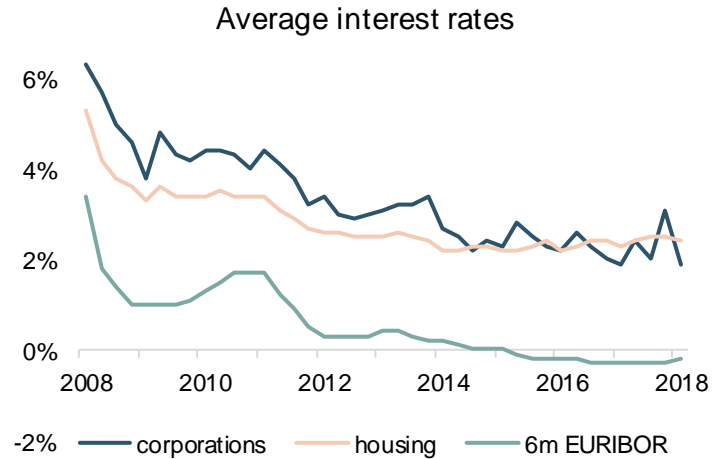
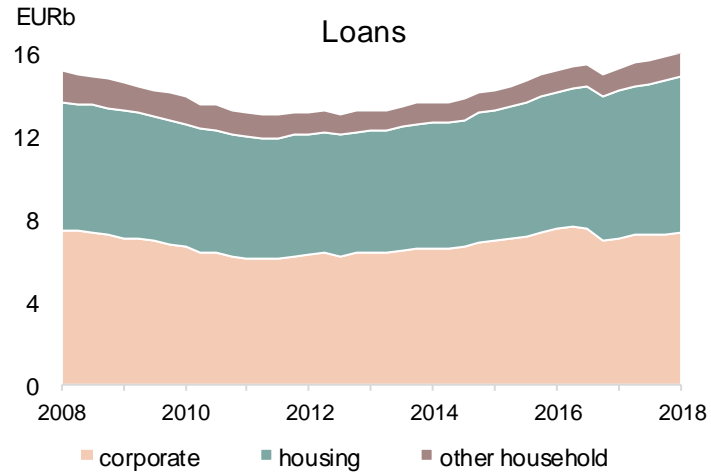
- Estonia has reached from below potential performance period to stable economic growth outlook. All economic sectors are growing
- Rather balanced budget and foreign trade and low level of public sector debt are maintaining low domestic risk. Main risks are related to external factors
- Productivity is starting to increase in despite of wage growth
- The economic growth outlook of all of the main trading partners has improved

* Forecast prepared by Ministry of Finance



Business environment

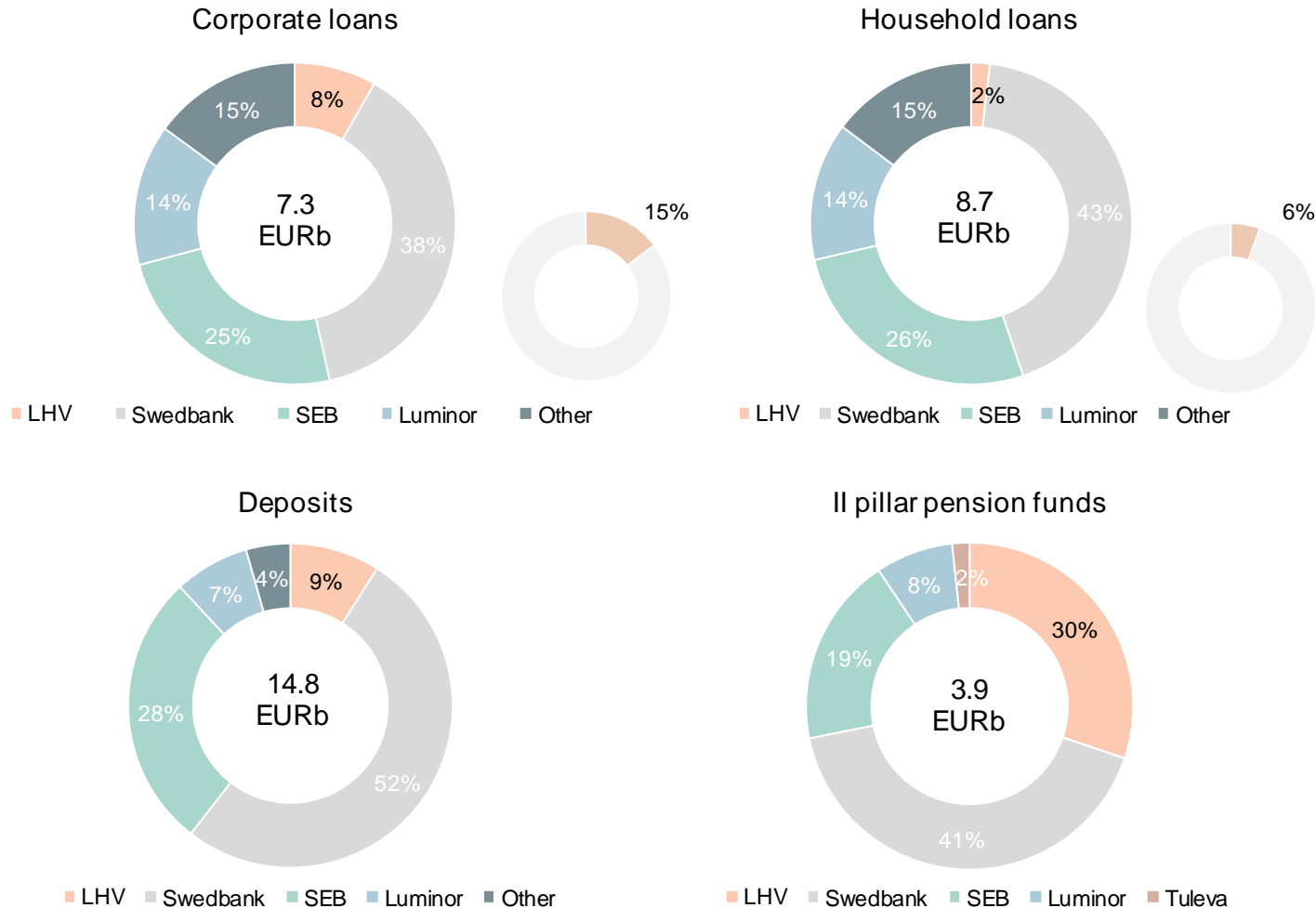
Estonia's financial sector indicators are strong



- Stock of loans has recovered through previous peaks. All important loan types are increasing
- Financial health of the households is stronger. Deposits have consistently increased more than loans; deposit/loan ratio has improved and more than doubled during last 10 years
- Euribor is remaining at all-time lowest levels. Housing loans margin has started to increase, downward tendency among corporate loan margins is likely to stabilize
- Share of overdue loans in portfolio is low, bad debts are mostly covered with provisions

Business environment

Market share in Estonia as of 12/2018

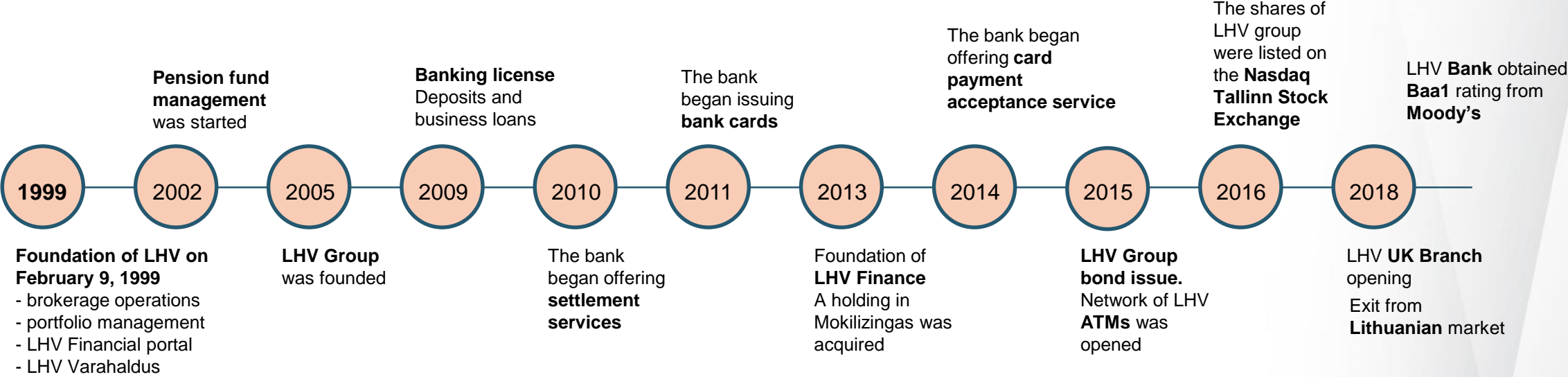


- Market share of deposits has increased rapidly, in the future we expect growth from Estonian companies and private persons. Payment intermediaries' deposits are more volatile
- Market share growth in Pillar II pension funds depends highly on the pension funds performance
- Regarding loans we expect increase that is continuously higher than the market average, however ensuring high quality of the credit portfolio
- Market share of household loans is low, however we have issued housing loans only 2.5 years

LHV Group – overview

LHV Group

Timeline overview



LHV Group

LHV Group today

Largest and fastest growing financial group and capital provider in Estonia

Fourth-largest bank in Estonia

Second-largest pension fund manager in Estonia

Ca 4 EURb of customer assets, incl.

- 1.5 EURb – customer deposits
- 1.2 EURb – assets under management
- 1.2 EURb – customer securities

LHV Group

Business philosophy

LHV is focused on active, entrepreneurial and independent customers

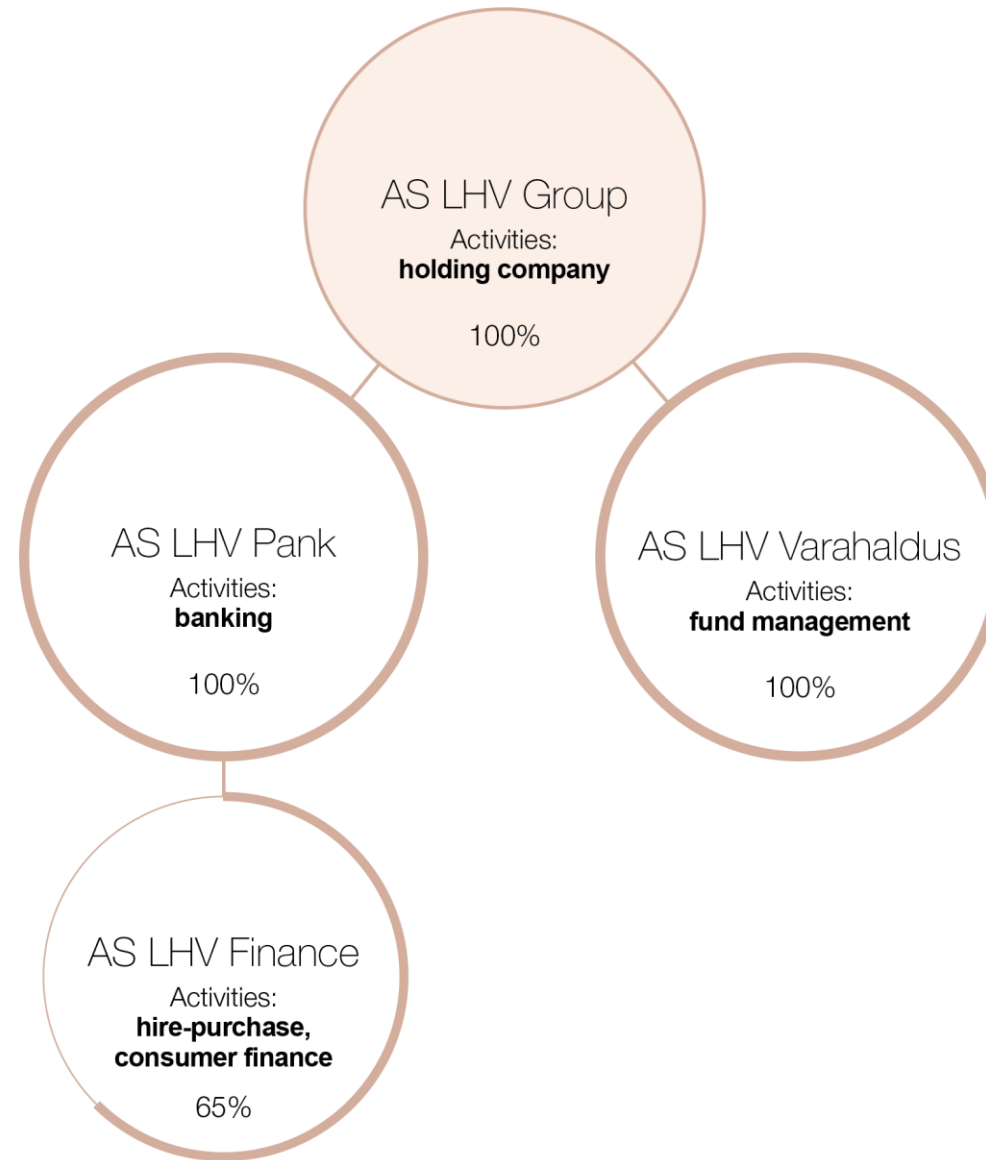
LHV's products and services are simple, transparent and relevant. LHV communicates with customers mainly via modern electronic communication channels and through means preferred by customers

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

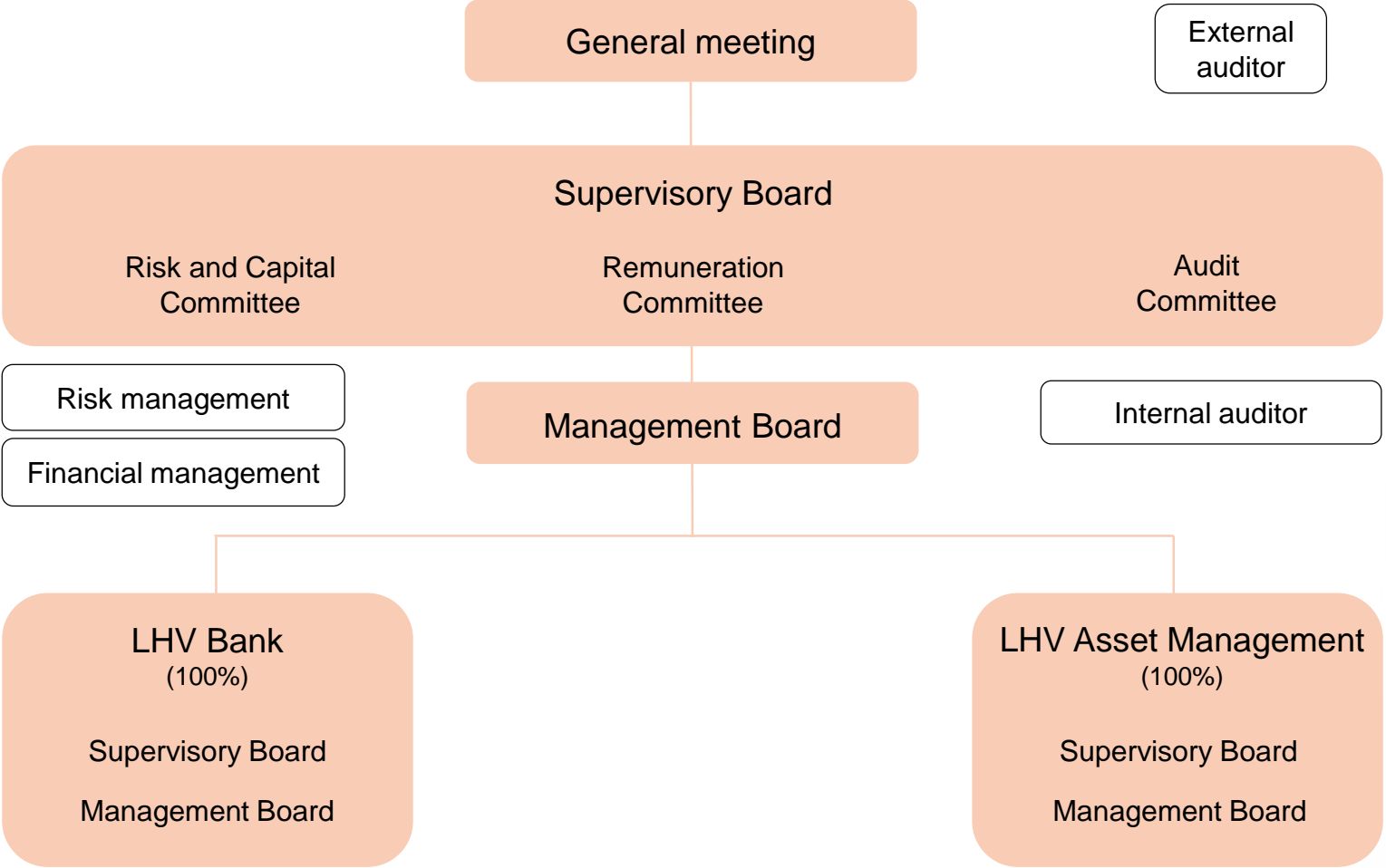
LHV is a publicly traded company. LHV welcomes all customers and partners as owners and investors, inviting them to participate in the effort of building a jointly held business

LHV Group Structure



LHV Group

Corporate governance



LHV Group

Supervisory board members



Rain Lõhmus is a founder of LHV and the chairman of the supervisory board of AS LHV Group. He is a member of the supervisory boards of AS LHV Pank and AS LHV Finance. In addition, he belongs to the supervisory boards of AS Arco Vara, AS Hortes and Thermory AS. He is the owner and member of the management board of AS Lõhmus Holding and the owner of OÜ Merona Systems. Additionally, he is the management board member and one of the owners of Zerospotnrg OÜ and Umblu Records OÜ. Rain Lõhmus graduated from the Tallinn University of Technology (TalTech) and the management program of Harvard Business School.



Andres Viisemann is the founder of LHV and the manager of LHV pension funds. He is a member of the supervisory boards of AS LHV Group, AS LHV Pank and AS LHV Varahaldus. He also belongs to the supervisory boards of AS Fertilitas and Rocca al Mare Kooli SA. He is also the owner and member of the management board of Viisemann Holdings OÜ. Andres Viisemann graduated from the University of Tartu and obtained a Master's degree at INSEAD in International Business Management.



Tiina Mõis is a member of the supervisory board of AS LHV Group and AS LHV Pank. She also belongs to the supervisory boards of AS Baltika and Rocca al Mare Kooli SA. She is the owner and management board member of AS Genteel. Tiina Mõis graduated from the Tallinn University of Technology (TalTech).



Heldur Meerits is the supervisory board member of AS LHV Group and AS LHV Pank. He is also a member of the supervisory boards of Kodumaja AS and AS Smart City Group and the foundations SA Põltsamaa Ühisgümnaasiumi Toetusfond, SA Dhama and SA Tähelaps. Heldur Meerits is also the owner and a member management board of the companies established for the management of personal economic interests, AS Amalfi and AS Altamira. Heldur Meerits graduated from the Faculty of Economics and Business Administration of the University of Tartu.



Raivo Hein is a member of the supervisory boards of AS LHV Group and AS LHV Pank. Also, he belongs to the supervisory board of AS Puumarket. He is the owner and a member of management board of OÜ Kakssada Kakskümmend Volti and a management board member of OÜ Saarte Sillad and several other companies established for the management of personal investments. Raivo Hein graduated from the Tallinn University of Technology (TalTech).



Tauno Tats is a supervisory board member of AS LHV Group. Also, he is a member of the supervisory boards of EfTEN Kinnisvarafond AS, AS Ecomet Invest and OÜ Eesti Killustik and a member of management board of Ammende Hotell OÜ. He is a management board member and one of the owners at Ambient Sound Investments OÜ as well as a management board member of companies established for the management of investments of the aforementioned companies. Tauno Tats graduated from the Tallinn University of Technology (TalTech).



Sten Tamkivi is a supervisory board member of AS LHV Group. He belongs to the supervisory boards of ASI Private Equity AS and Kistler-Ritso Eesti SA. In addition, he is the owner and management board member of Seikatsu OÜ and Osaluste Hellalt Hoidmise OÜ and a management board member of Topia OÜ. Sten Tamkivi graduated from the Stanford University Graduate School of Business.

LHV Group

Management board



Madis Toomsalu is a member of the management board of AS LHV Group and the chairman of the supervisory boards of AS LHV Pank and AS LHV Varahaldus. He is also member of the management board of MTÜ FinanceEstonia. Madis Toomsalu has obtained a Bachelor's degree in business management from the Tallinn University of Technology (TalTech) in 2009 and a Master's degree in 2011 in public sector finance.

LHV Group Committees

Audit committee



Kristel Aarna works as CFO of AS TV Play Baltics since 2011. And before that was the chief controller of Swedbank Baltic Banking. Previously she has been the head of financial advisory services at KPMG Baltics AS and worked also at Eesti Pank and CVS Caremark Corporation. She is also the owner and member of the management board of IKA Konsult OÜ. Kristel Aarna has a Bachelor's degree from the Faculty of Economics of the University of Tartu and Master's degree in Business Administration from the Bentley University Graduate School of Business.



Urmas Peiker is a co-founder of and works as the head of business development in an Estonian start-up Funderbeam. From May 2013 until October 2014, he was the head of Compliance at AS LHV Pank. Previously, Urmas Peiker has worked as the head of Market Supervision Department of the Financial Supervision Authority, also in the European Bank for Reconstruction and Development and Morgan Stanley's. Urmas Peiker has a Bachelor's degree from the University of Tartu and Master's degree in Law from the Duke University in the USA.



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Remuneration committee



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LHV Group

Committees and Auditor

Risk and capital committee



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Auditor

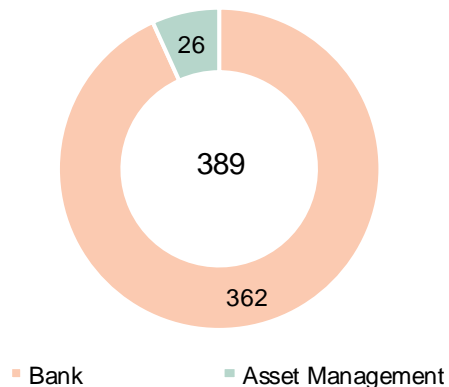


In November 2017 the Management Board in cooperation with the Audit Committee conducted a selection process to determine the external auditor for the company. LHV requested submissions from four of the largest internationally renowned audit firms and met with their representatives. As a result of the process AS PricewaterhouseCoopers was selected and nominated as the auditor at the annual general meeting of shareholders held on 11 April 2018. LHV concluded an agreement with AS PricewaterhouseCoopers for the financial years 2018 and 2019.

LHV Group

Employees and motivation

LHV employees 03/2019



Estonia's Most Desirable Employer 2019

(CV Keskus)*

1. Eesti Energia
2. Swedbank
3. Telia Eesti
4. Transferwise Ltd Estonia branch
5. Skype Technologies
6. Cleveron AS
7. Playtech Estonia
8. Pipedrive
9. **LHV Pank**
10. Taxify

- Share options are issued annually in the amount of up to maximum 2% of the total number of LHV shares
- The term of share options is 3 years from the moment the options were granted. This vesting period before issuance of shares gives the opportunity to evaluate the results in the long run. In addition there applies 1 year of holding period for higher management
- In July 2018, share capital increased by 249,139 EUR in connection with realisation of the staff options programme

Share options

EUR	No of options (thous.)	Strike price	Option expense (thous.)	Number of employees
For 2015	238	3.00	726	48
For 2016	365	4.65	1,573	69
For 2017	300	5.33	1,458	72
For 2018	511	4.90	2,209	86
Total	1,413			

Investor information

Investor information

Share information

Overview:

Name of security	Ordinary share of LHV Group
Security short name	LHV1T
Regulated market	Nasdaq Main list of Baltic shares, Nasdaq Tallinn Stock Exchange
ISIN	EE3100073644
Nominal value	1 euro
Number of securities	26,016,485

TOP 5 shareholders:

Name of shareholder	Number of shares (m)	Participation (%)
Rain Lõhmus & related companies	6.5	24.9
Andres Viisemann related companies	2.5	9.8
Ambient Sound Investments OÜ	1.6	6.1
Krenno OÜ	1.2	4.7
Tiina Mõis related companies	1.0	3.8

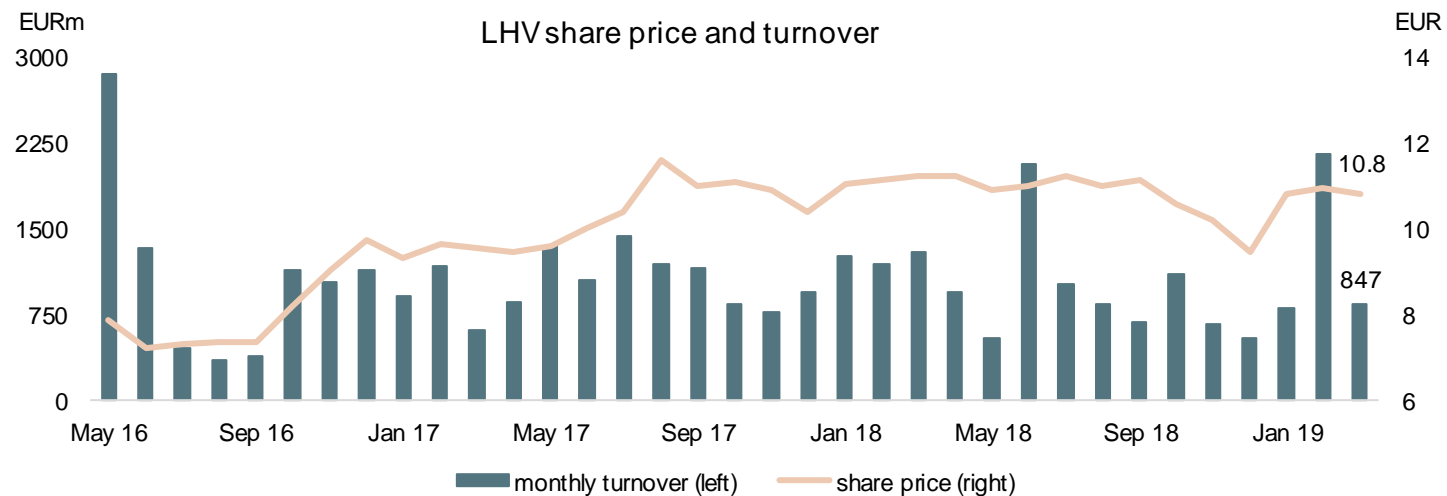


As at 31 March 2019, AS LHV Group has 5,926 shareholders:

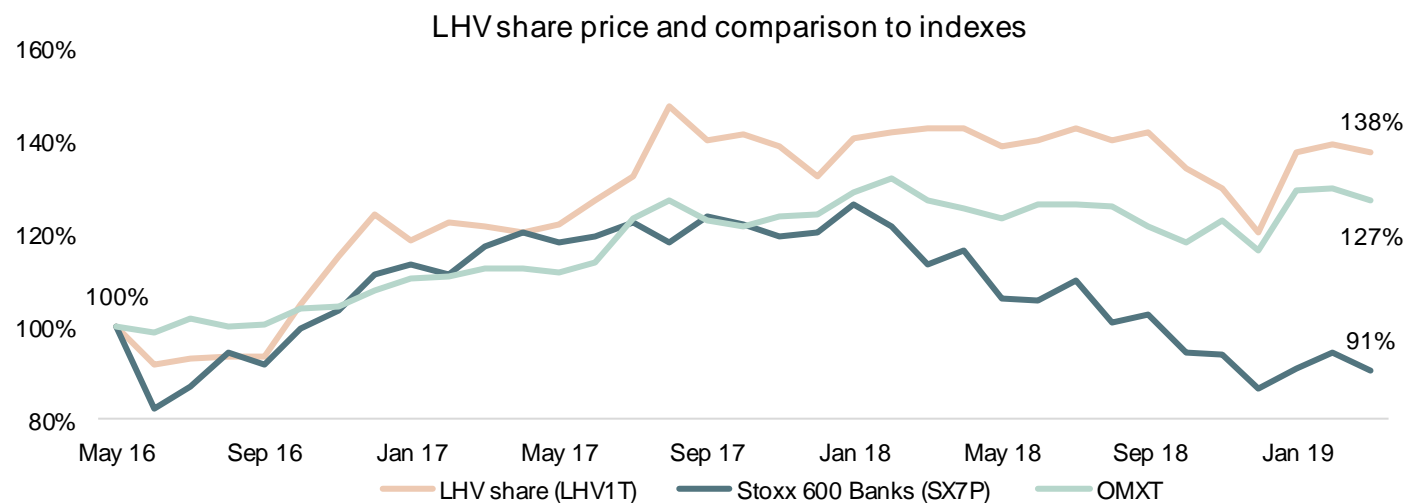
- 50.4% of shares were held by members of the Supervisory Board and Management Board, and related parties
- 49.6% of shares were held by Estonian entrepreneurs and investors, and related parties

Investor information

Share information



- Closing share price 10.8 EUR in the end of March 2019
- Market capitalization based on closing price of end of March 2019 is 281 EURm
- 52 week range: 9.2 – 11.4 EUR
- 3m 2019: 356 thousand shares traded with 1,560 trades



Investor information

Existing listed subordinated bonds

LHV Group 7.25% subordinated bond

ISIN	EE3300110550
Ticker	LHVB072524A
Total number of securities	318
Nominal value (EUR)	50,000
Issue value (EUR)	15,900,000
Listing date	05.10.2015
Maturity date	20.06.2024
Coupon rate (annual)	7.25%
Coupon frequency	quarterly

LHV Group 6.50% subordinated bond

ISIN	EE3300110741
Ticker	LHVB065025A
Total number of securities	15,000
Nominal value (EUR)	1,000
Issue value (EUR)	15,000,000
Listing date	02.11.2015
Maturity date	29.10.2025
Coupon rate (annual)	6.5%
Coupon frequency	quarterly

LHV Group 6.00% subordinated bond

ISIN	EE3300111558
Ticker	LHVB060028A
Total number of securities	20,000
Nominal value (EUR)	1,000
Issue value (EUR)	20,000,000
Listing date	03.12.2018
Maturity date	28.11.2028
Coupon rate (annual)	6.0%
Coupon frequency	quarterly

LHV Bank

LHV Bank

Operating principles and objectives

LHV Bank focuses on active entrepreneurial customers

LHV concentrates on active and independent customers with an entrepreneurial mind-set. For private consumers LHV offers high quality universal banking services. For corporate customers LHV offers flexible and suitable financing and managing of everyday financial operations

Simple – transparent - appropriate

The products and services provided by LHV are simple, transparent and appropriate. Customer interaction is mainly conducted using modern electronic communication channels. Costs avoided will reach the customers of LHV through affordable cost of everyday service

Our long-term vision is to serve as a part of a modern European banking infrastructure

Beyond Estonian borders, we have positioned ourselves as the next-generation fintech bank, which is able to integrate and serve as the connection point between traditional banking and the next-generation financial services. We are moving towards open banking and API, which will establish the basis for efficient cooperation with various payment service providers across Europe

In July 2018, Euromoney declared LHV the best bank in Estonia



LHV Bank

Management



Erki Kilu has been the CEO of LHV Bank since 2008, the bank got its licence in 2009. Erki has worked previously in Seesam Life Insurance for almost 10 years on several positions, ending up as the CEO of the company. Erki has graduated from Estonian Business School and completed his BA in International Business Administration. Erki has completed the MBA programme in University of Tartu in Business Administration. Erki Kilu also serves as the Chairman of the Board of the Estonian Banking Association



Meelis Paakspuu has worked as the CFO of LHV since 2015. Previously he has worked as the CFO of DNB Bank and Head of Swedbank CEE Treasury units. Meelis has studied in University of Tartu and London Business School.



Indrek Nuume is a member of Management Board of LHV Bank, Head of Private and Business Banking since 2009. Indrek has long term corporate banking experience and has worked in previously in Danske Bank. Indrek holds MBA from University of Tartu.



Andres Kitter is a member of Management Board of LHV Bank and is also leading financial intermediaries business line. Worked in finance and banking since 2000, worked in SEB Leasing and managed Skype Payment operations team. Andres holds Masters degree from University of Tartu.



Kadri Kiisel has worked in LHV Bank since 2011 starting as the manager of LHV Bank's Tallinn branch, since 2017 she has been the head of branches and since 2018 a member of AS LHV Finance Management Board. Kadri acquired a MBA degree in finance from University of Tartu.



Jüri Heero has worked in LHV since 2000, he started as an IT specialist and worked his way up to become a member of the board and IT manager. Jüri has graduated from the University of Tartu where he studied economics.



Martti Singi has worked in LHV as the CRO since 2012. He has a long banking experience starting with Hoiupank in 1996, after which he has worked in SEB and Swedbank on various positions related to risk control and finance. Martti has graduated from Estonian Business School, he completed his MBA in Banking and Finance.

LHV Bank

Credit rating Baa1

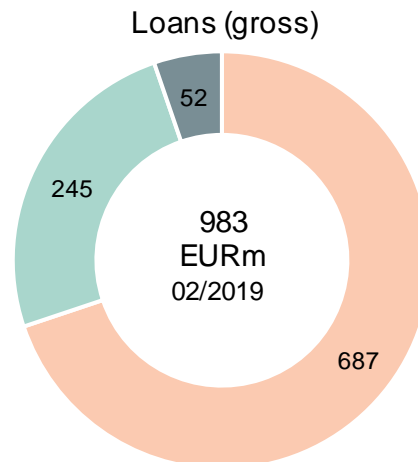
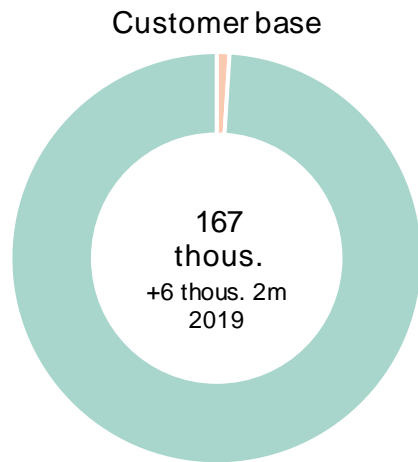
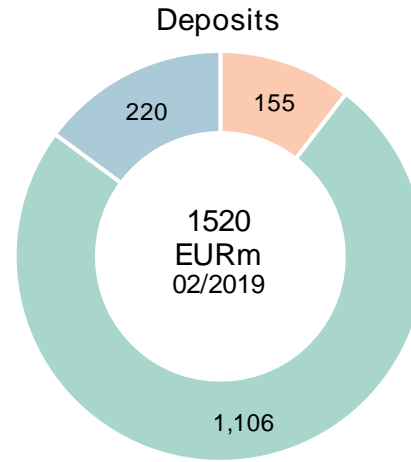
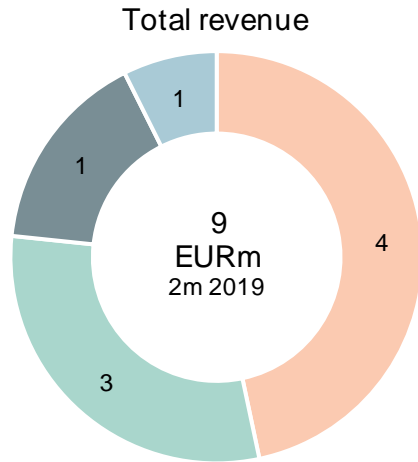
- In December 2018, Moody's Investors Service assigned AS LHV Bank an **investment-grade** credit rating with a **stable outlook**
- This is the first time LHV has obtained an investment-grade rating from an **international rating agency**

Ratings assigned to AS LHV Bank by Moody's Investors Service:

- Long- and short-term counterparty risk assessment of A3(cr)/Prime-2(cr)
- Long- and short-term counterparty risk rating of A3/Prime-2
- Foreign- and local currency long-term bank deposit rating Baa1
- Foreign- and local currency short-term bank deposit rating Prime-2
- Baseline credit assessment (BCA) baa3
- Adjusted baseline credit assessment baa3
- The long-term deposit rating carries a stable outlook

LHV Bank

Business volumes

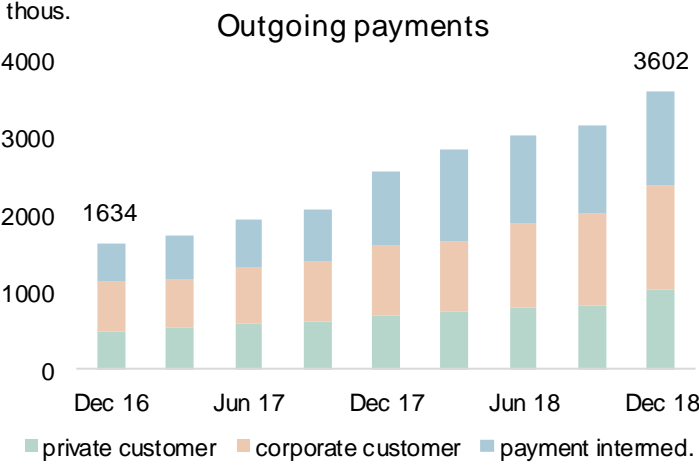
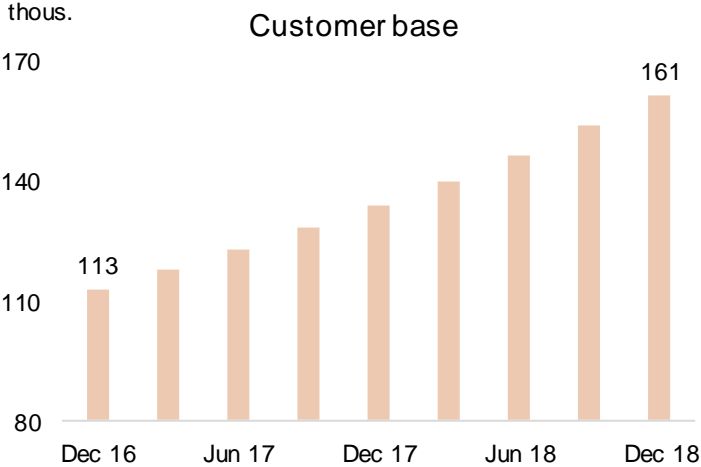


■ Corporate banking
 ■ Retail banking
 ■ Consumer Finance
 ■ Payment intermediators

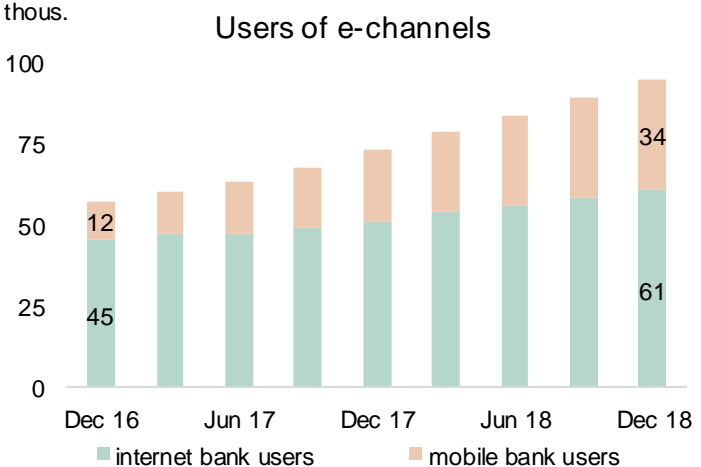
- Bank is deposit funded mainly through retail bank. Payment intermediators' deposits are not used for financing loan portfolio
- Housing loan was added to portfolio 2.5 years ago
- Corporate banking has been mainly based on lending
- Revenues have solid distribution between different business lines

LHV Bank

Business volumes

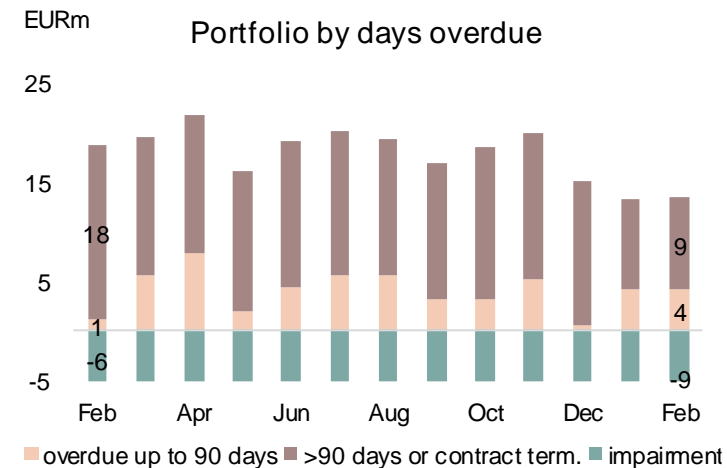
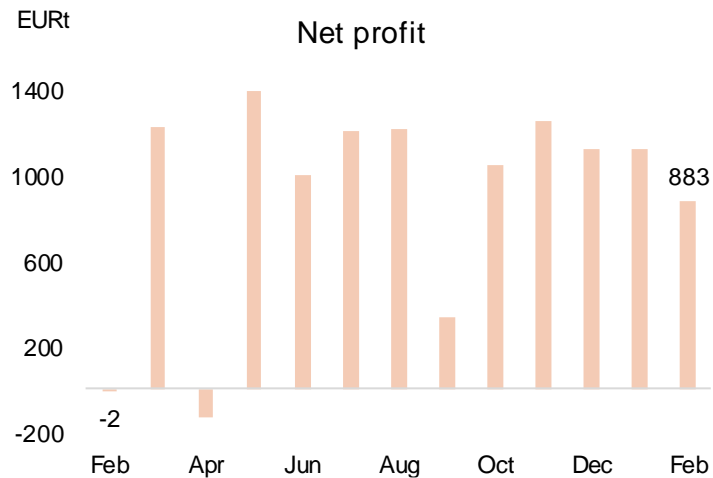
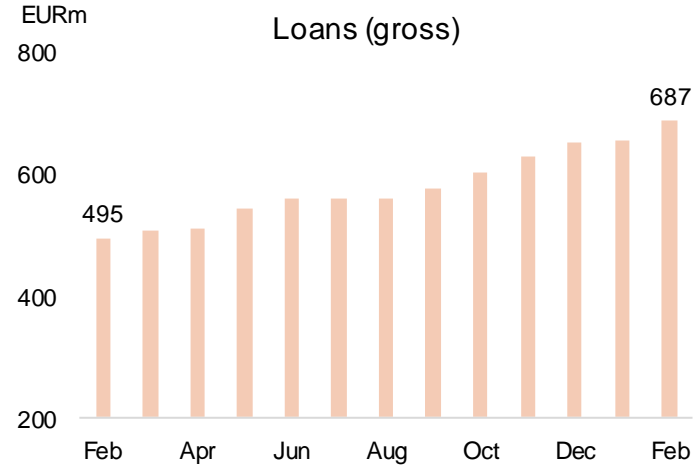
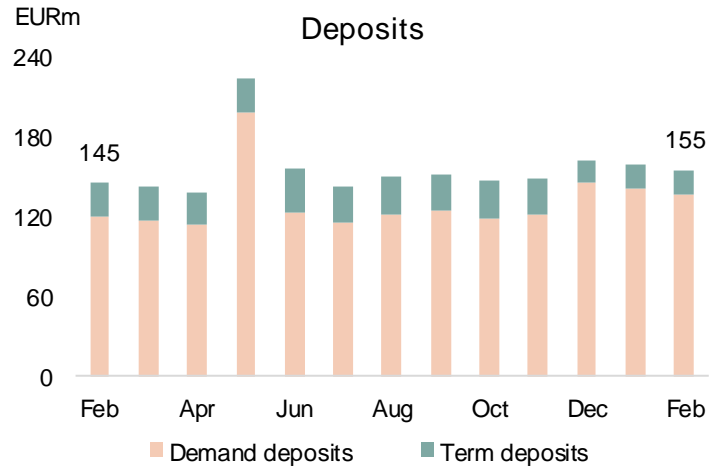


- Since 2015, bank's business has been growing with solid speed
- Customer base doubled in three years, same with share of active customers
- Payment volumes are tripled in same time period



LHV Bank

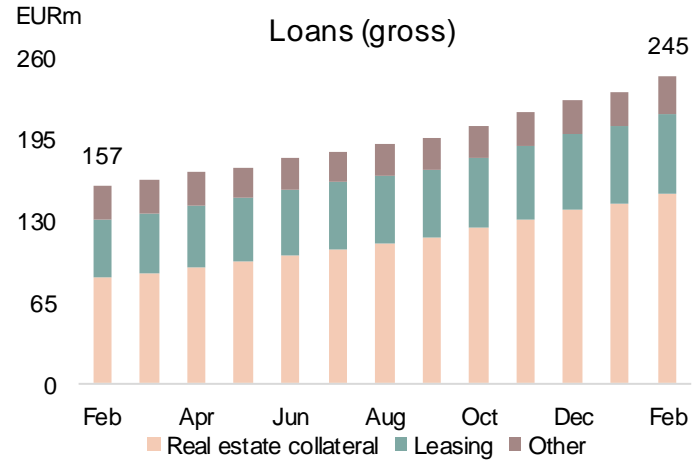
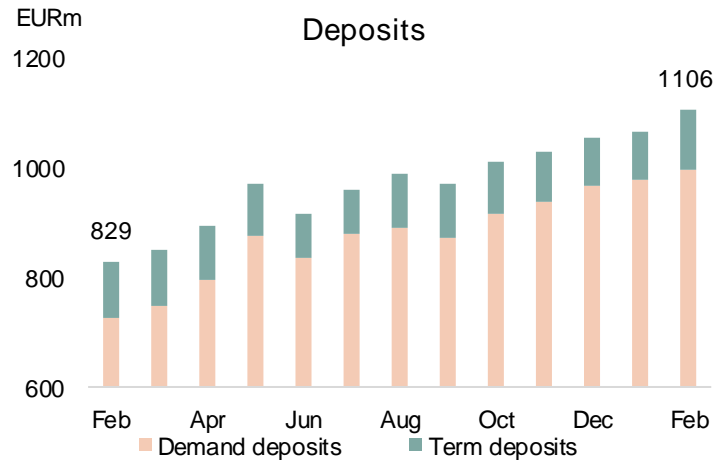
Corporate banking



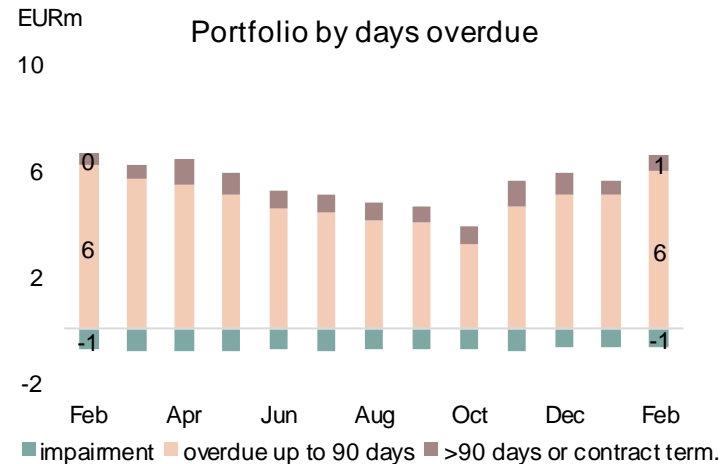
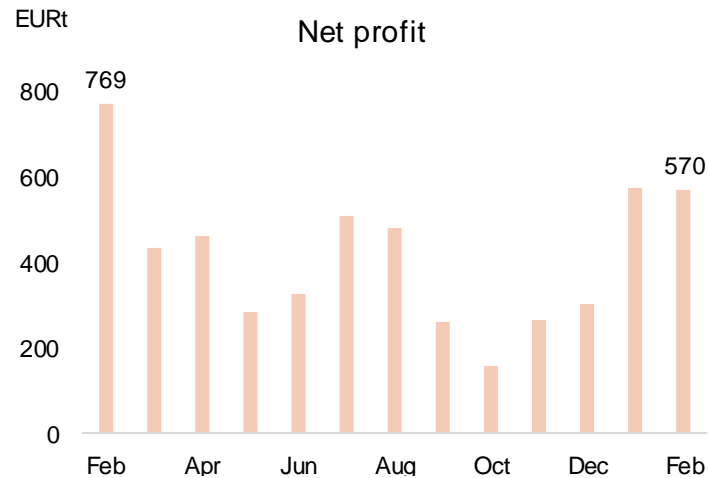
- Corporate banking loans have been growing 39% yty. The portfolio diversification has steadily been growing
- Corporate deposits are growing, but volatility remains high due to some larger transactions
- Profitability fluctuations are due to irregular incomes from institutional banking or credit impairments

LHV Bank

Retail banking

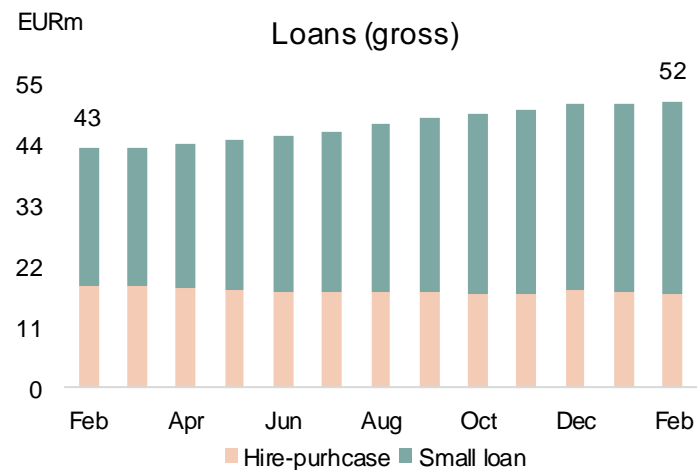
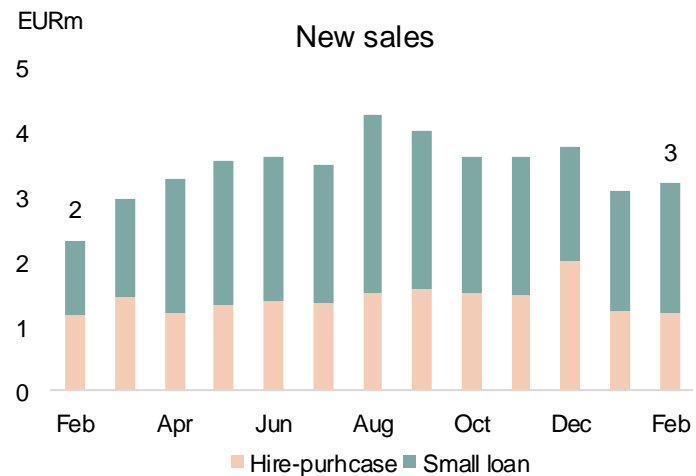


- Both deposits and loans are increasing along with number of customers
- Share of active customers is growing
- Largest growing loan portfolio is home loans
- There was one large default in 2017, but bank managed to avoid losses

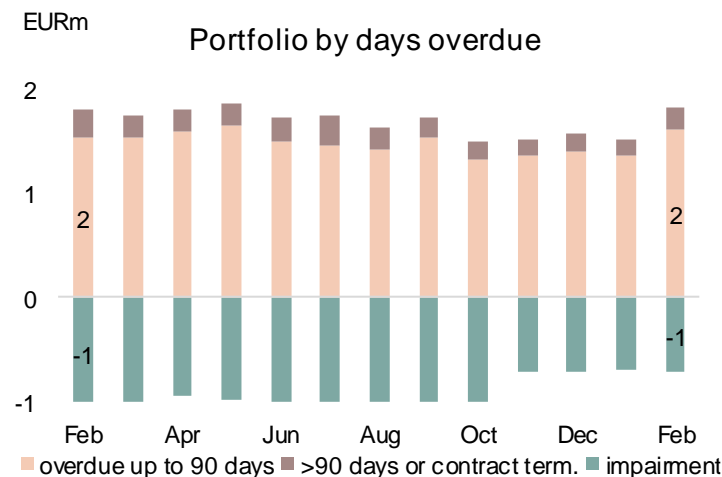
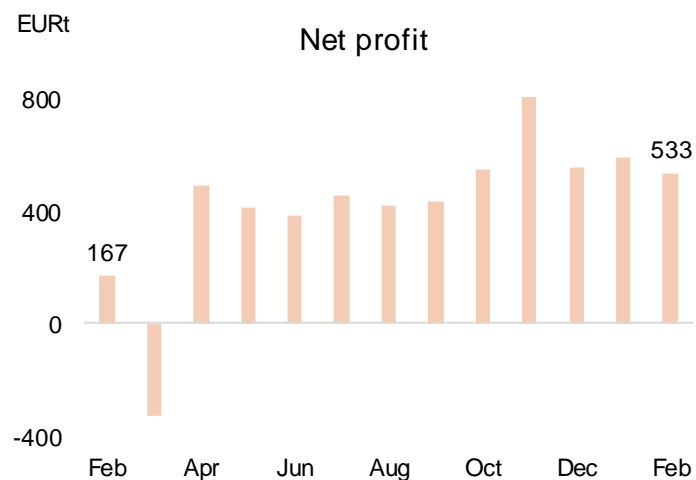


LHV Bank

Consumer finance

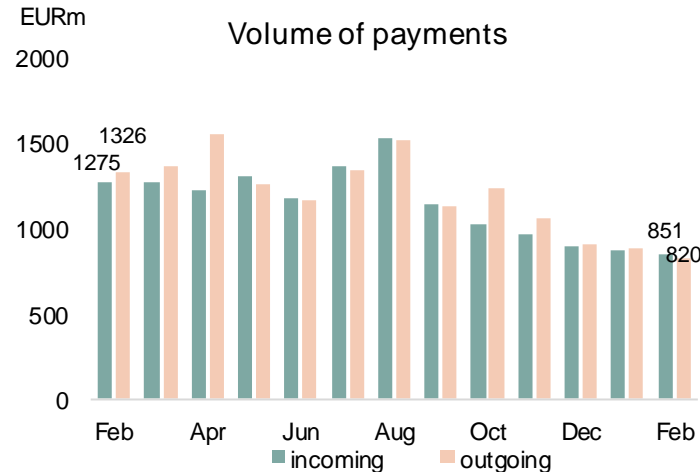
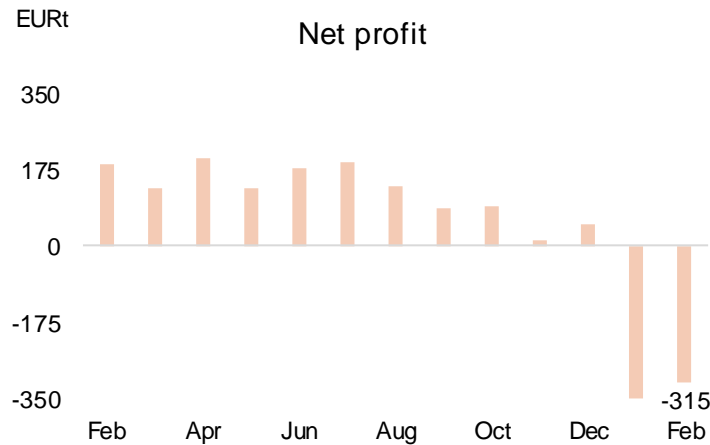
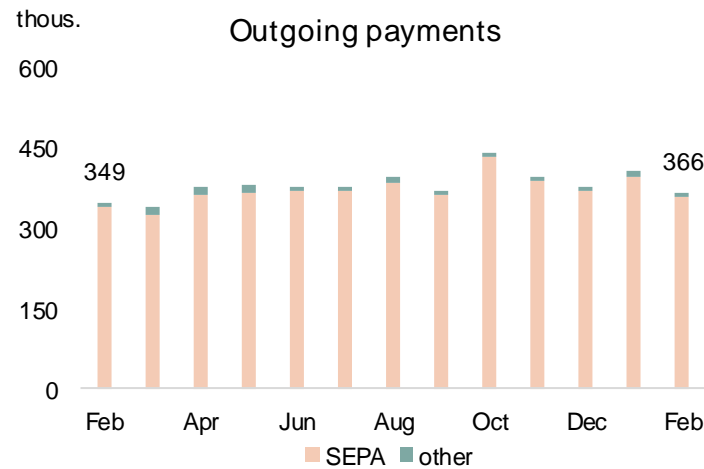
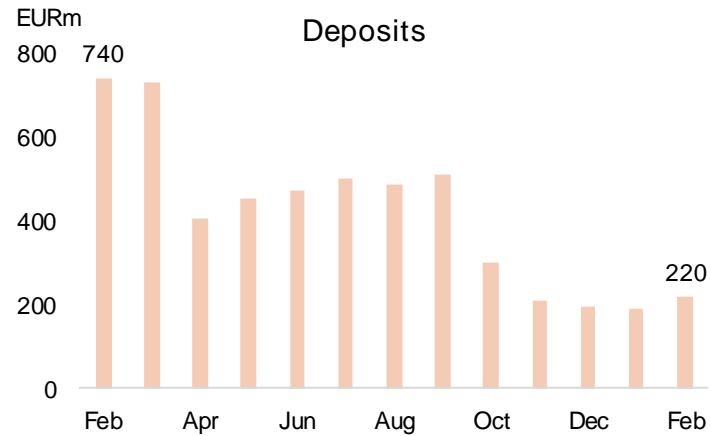


- Consumer Finance is gathered into company called LHV Finance
- Portfolio is increasing mainly due to small loans product
- Portfolio credit quality is solid
- In March LHV Finance paid dividends first time that generated also corporate income tax expense



LHV Bank

Payment intermediaries



- Business line was separated from retail bank starting from 2018
- Deposits are very volatile and affected by couple of large customers activities. These deposits are priced and are always covered with 100% of liquidity
- Payment volumes are constantly over 1 million incoming and outgoing payments each month

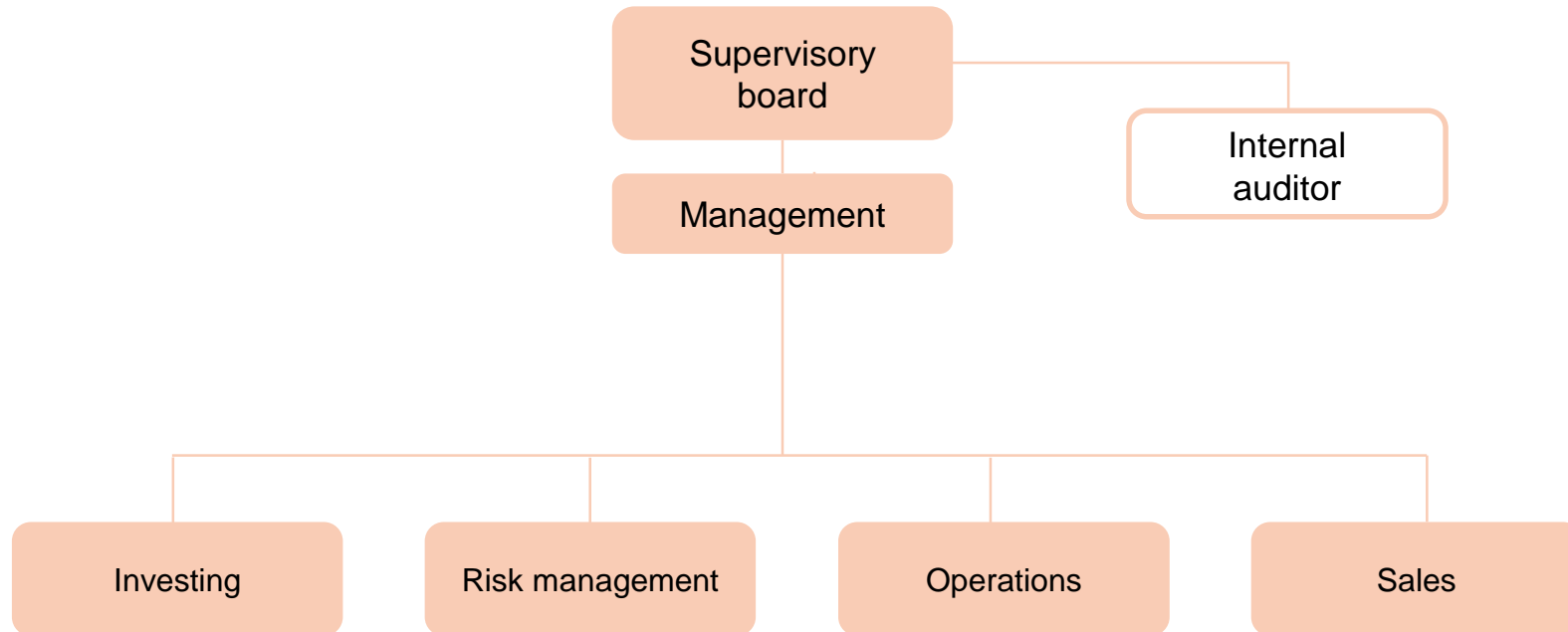
LHV Asset Management

LHV Asset Management

Market leader of long and short-term returns

- AS LHV Varahaldus is a fund management company managing investment funds
- LHV Varahaldus manages mandatory pension funds (II pillar) and voluntary pension funds (III pillar), in addition it offers investment advisory services to SEF-LHV Persian Gulf Fund
- LHV Varahaldus is the second largest fund management company in Estonia based on the volume of managed funds.
- As of February 2019, LHV Varahaldus has 196 thousand pension fund customers

LHV Asset Management Structure



LHV Asset Management Management



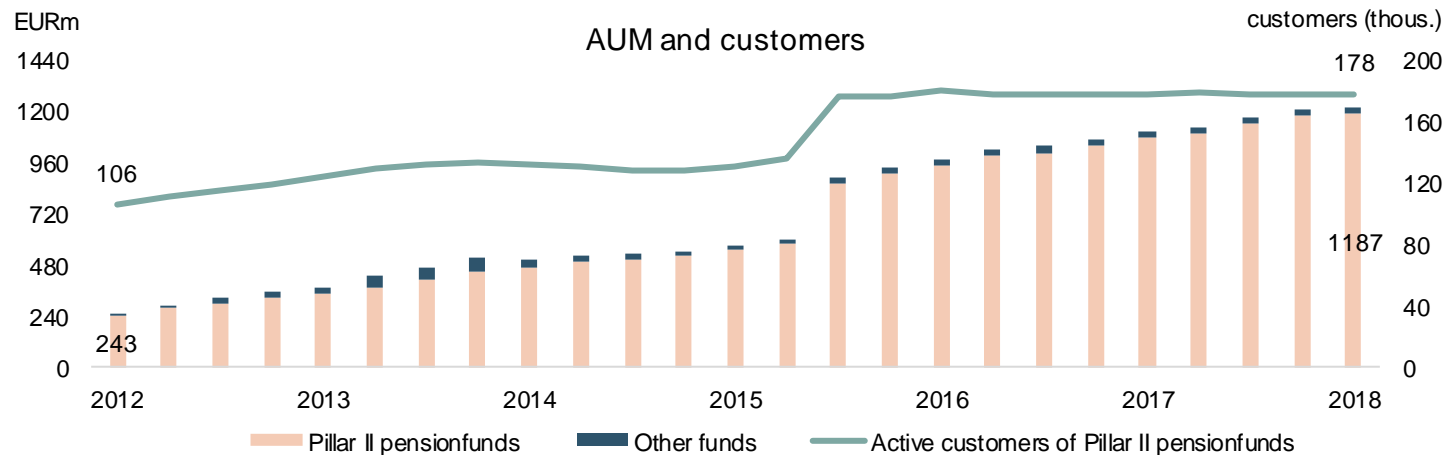
Mihkel Oja is the Chairman of the Management Board of LHV Varahaldus since 2007. Before assuming his current position he worked in AS LHV Financial Advisory Services. In 2004, he graduated from the Stockholm School of Economics in Riga, the Faculty of Economics and Business Management, having specialised in finance. In 2015, Mihkel Oja graduated from Edinburgh Business School (with distinction), having acquired the MBA degree. Mihkel Oja is also a member of the Management Board of the Estonian Fund Managers Association.



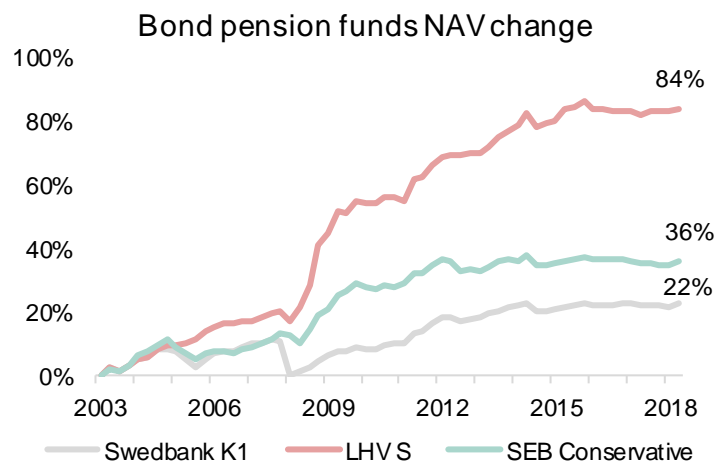
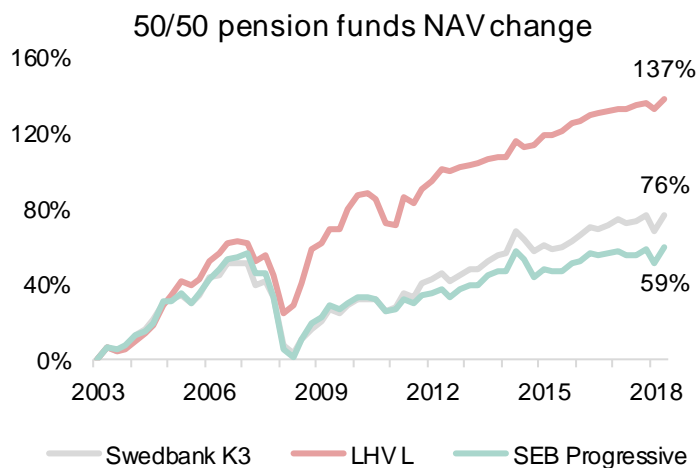
Joel Kukemelk is a Member of the Management Board of LHV Asset Management, Fund Manager of LHV Pension Fund Index, LHV Pension Fund Index Plus and LHV Persian Gulf Fund. In 2010, he acquired cum laude Master's degree from the University of Tartu in Economics. Since 2016 Joel Kukemelk is a CFA® (Chartered Financial Analyst) charterholder. Joel has been working in LHV Group since 2006. Before starting working in LHV Asset Management (2010) he held positions of equity market analyst and portfolio manager in LHV Bank. Since January 2016 Joel Kukemelk is also a member of the Supervisory Board of the Guarantee Fund.

LHV Asset Management

AUM and NAV change



- LHV is market leader in terms of most long and short-term yields
- LHV pension funds are market leaders in terms of long-term returns
- LHV funds invest the most locally and into alternatives
- LHV merged with Danske Capital (Estonia) in 2016
- AUM has increased by 13% YoY. Funded pension system is relatively young in Estonia and experiencing a moderate growth rate



5 year financial results

LHV Group

Multiple times volume growth in past 5 years

Financial results, EURt	2014	2015	2016	2017	2018	
Total income, incl.	33,600	41,265	50,558	58,523	70,024	20%
Net interest income	20,343	23,232	29,976	35,502	39,770	
Net fee and commission income	12,772	14,665	19,186	22,180	26,002	
Other income	484	3,368	1,396	841	4,252	
Total operating expenses	21,738	24,241	28,914	31,945	33,807	12%
Operating profit	11,862	17,024	21,644	26,578	36,217	
Impairment losses on loans	2,644	1,367	1,480	3,154	5,269	
Earnings before taxes	9,218	15,656	20,164	23,424	30,947	
Income tax expense	-449	869	270	1,248	3,758	
Net profit, incl.	9,667	14,787	19,894	22,176	27,190	30%
attr. to the owners of the parent	9,203	13,705	17,816	19,601	25,237	
Business volumes, EURm	2014	2015	2016	2017	2018	
Deposits	458	617	777	1,537	1,422	
Loans (net)	316	410	538	732	919	
Assets under management	504	570	974	1,103	1,214	
Key figures	2014	2015	2016	2017	2018	
Cost / income ratio (C/I)	64.7%	58.7%	57.2%	54.6%	48.3%	
pre-tax ROE*	20.3%	22.9%	20.8%	18.6%	20.9%	
ROE*	21.4%	21.8%	20.7%	17.6%	18.4%	
CT1 capital adequacy	17.6%	16.0%	15.1%	14.0%	13.6%	
Total capital adequacy	22.8%	23.4%	20.7%	18.3%	19.4%	

- Both loans and deposits have grown over 3x in the past five years
- Purchasing of Danske Capital in 2016 allowed Asset management to grow AUM three times over 5 years
- In 2018, record growth in deposits and loans (financial intermediaries deposits decreased). Record volumes in pension funds and private banking. Customer activity at all time high
- 5y average increase in revenues 20% and in expenses 12%
- ROE of last two financial years has been 18.4% and 17.6%

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

Financial results 2018

LHV Group – comparison with financial plan

Higher business volumes and incomes

Financial results, EURt	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total income, incl.		16,595	70,024	58,523	67,675	+2,349
Net interest income		10,289	39,770	35,502	39,533	+237
Net fee and commission income		6,094	26,002	22,180	25,206	+796
Other income		212	4,252	841	5,951	-1,699
Total operating expenses		8,783	33,807	31,945	33,342	+465
Earnings before impairment		7,811	36,217	26,578	34,333	+1,884
Impairment losses on loans		543	5,269	3,154	4,611	+658
Earnings before taxes		7,269	30,947	23,424	29,722	+1,225
Income tax expense		544	3,758	1,248	3,638	+120
Net profit, incl.		6,725	27,190	22,176	26,084	+1,106
attr. to the owners of the parent		6,049	25,237	19,601	24,348	+889
Business volumes, EURm	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Deposits		1,422	1,422	1,537	1,334	+88
Loans (net)		919	919	732	835	+84
Assets under management		1,214	1,214	1,103	1,269	-55
Key figures	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		52.9%	48.3%	54.6%	49.3%	- 1.0 pp
pre-tax ROE*		17.5%	20.9%	18.6%	20.3%	+ 0.6 pp
ROE*		16.1%	18.4%	17.6%	17.9%	+ 0.6 pp

- All important business volumes – loans, deposits, funds – are growing
- The revenue base is solid and deviations are on positive side. Cost base is in line with plans
- Pension funds focus on finding investments outside of the stock market
- Credit impairments exceeded financial plan, mainly due to growing loan portfolio and one problematic customer

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

LHV Bank – comparison with financial plan

Net profit ahead of updated financial plan by +1.0 EURm

Financial results, EURt	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total income, incl.		13,399	51,543	39,521	49,019	+2,524
Net interest income		10,580	39,021	31,134	38,530	+491
Net fee and commission income		2,465	11,103	7,696	10,402	+701
Other income		353	1,418	690	87	+1,331
Total operating expenses		7,040	25,742	20,415	25,005	+737
Earnings before impairment		6,359	25,801	19,105	24,014	+1,786
Impairment losses on loans		543	4,880	3,585	4,187	+693
Earnings before taxes		5,816	20,921	15,521	19,828	+1,093
Income tax expense		544	2,514	0	2,439	+75
Net profit, incl.		5,272	18,407	15,521	17,388	+1,019
attr. to the owners of the parent		4,596	16,642	13,909	15,820	+823
Business volumes, EURm	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Deposits		1,448	1,448	1,551	1,346	+102
Loans (net)		919	919	719	835	+84
Customers, thous.		192	192	165		
Key figures	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		52.5%	49.9%	51.7%	51.0%	- 1.1 pp
pre-tax ROE*		17.4%	17.3%	16.0%	16.6%	+ 0.8 pp
ROE*		15.5%	15.3%	16.0%	14.6%	+ 0.7 pp
T1		13.6%	13.6%	13.3%	13.9%	- 0.3 pp
CAD		17.1%	17.1%	16.2%	16.3%	+ 0.8 pp

- Net profit exceeded financial plan updated in May by 1.0 EURm mainly due to higher revenues: bigger loan portfolio, higher fee and service income and higher than planned balance of payment intermediaries' deposits
- Provisions are related mostly with one problematic customer. The rest of the portfolio is performing well
- From April, advance income tax applied on the bank, which is expensed directly
- In 2018, LHV Bank achieved first time C/I ratio below 50%

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

LHV Asset Management – comparison with financial plan

Developments according to plan

Financial results, EURt	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total income, incl.		3,460	13,750	13,421	14,109	-359
Net fee income		3,629	13,942	13,293	14,087	-145
Net interest income		-42	-168	-166	-167	-0
Other financial income		-127	-25	294	189	-214
Total expenses		1,529	5,823	6,664	5,983	-159
Earnings before taxes		1,931	7,926	6,758	8,126	-200
Income tax expense		0	1,100	951	1,100	+0
Net profit		1,931	6,826	5,807	7,026	-200

Business volumes	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Assets under management (EURm)		1,214	1,214	1,103	1,269	-55
Pension funds customers (thous)		201	201	202		

Key figures	9 quarters	Q4-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		42.1%	41.8%	50.1%	42.5%	- 0.7 pp
pre-tax ROE		28.0%	35.1%	36.0%	31.0%	+ 4.1 pp
ROE		28.0%	30.3%	31.0%	31.0%	- 0.8 pp
Market share by no of customers		30.2%	30.2%	29.5%		
Market share by volume		25.2%	25.2%	25.6%		

- Operating income increased together with fund volumes. Expenses have been lower and Cost / income ratio improved
- Lower than planned AUM is affecting service fee income
- Profits have improved due to lower costs. New legislation changes will affect the operating environment

LHV Group
2018 in brief

27.2 EURm
Net profit

21%
pre-tax ROE

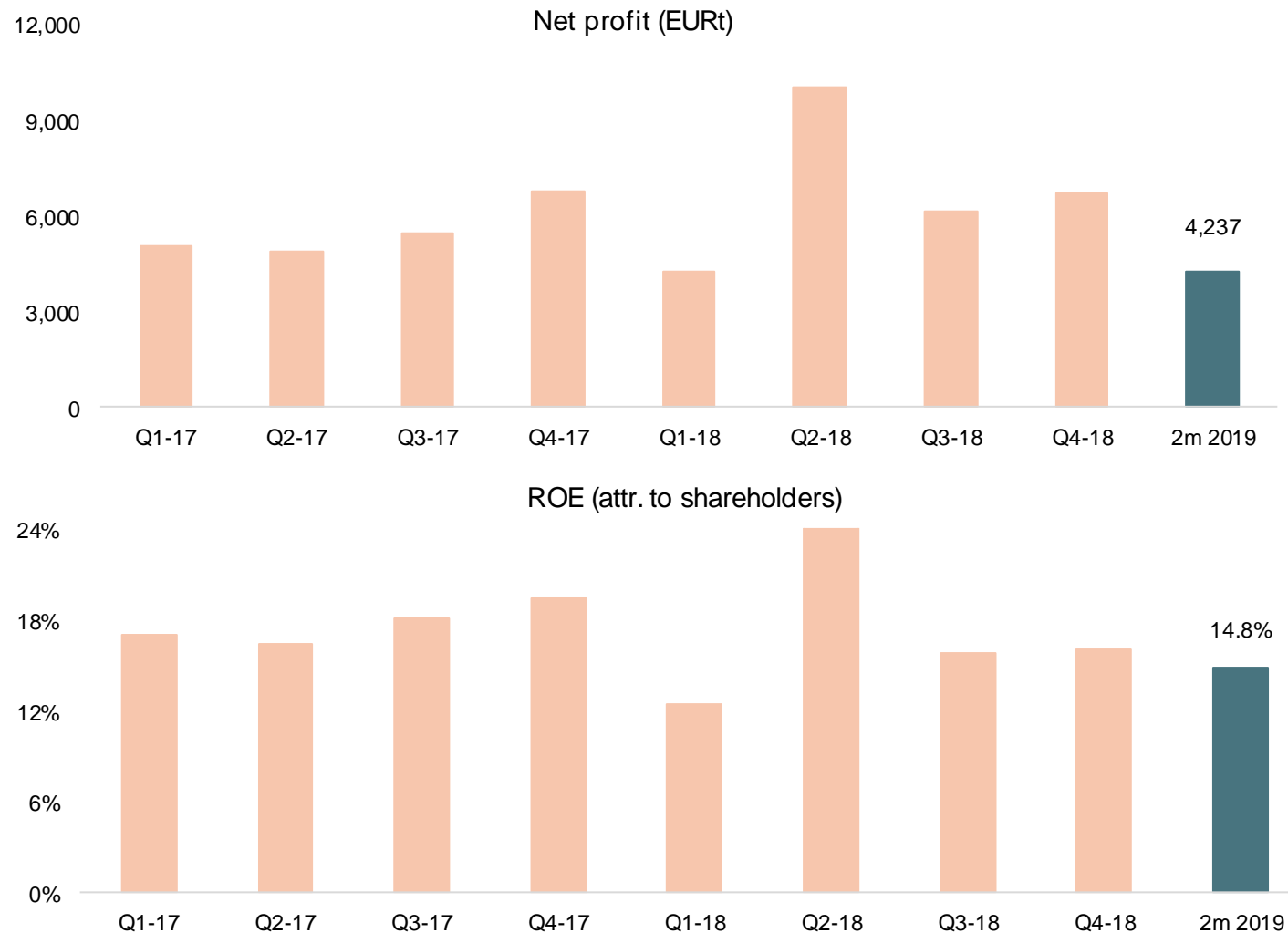
Best bank in Estonia
Recognition by Euromoney

112 EURm
AUM increase

Financial results 2m 2019

LHV Group

Year started with solid results and growth in business volumes



- Good start of the year, results and business volumes better than expected
- Customer base and activity increasing in good pace
- Good growth potential of the loan portfolio, no new customers under specific surveillance
- Solid ROE
- Net profit (attr. to shareholders) of 2 months 2019 was 3.8 EURm, outperforming financial plan by 0.1 EURm
- Financial plan is valid

Financial projection 2019-2023

LHV Group – long-term forecast

Capital enhancing quality growth in all business segments

Financial results, EURt	2019	2020	2021	2022	2023	
Total income, incl.	73,238	90,239	109,379	127,515	153,348	20%
Net interest income	48,024	61,063	77,012	91,437	112,367	
Net fee and commission income	24,953	28,781	32,042	35,774	40,667	
Total expenses	36,507	41,361	46,500	50,964	55,558	11%
Operating profit	36,731	48,878	62,879	76,550	97,791	
Impairment losses on loans	4,287	6,478	8,073	9,531	11,067	
Earnings before taxes	32,444	42,400	54,807	67,020	86,724	
Income tax expense	5,102	5,988	8,514	9,728	12,720	
Net profit, incl.	27,342	36,412	46,293	57,292	74,004	28%
attr. to shareholders	25,338	34,170	43,834	54,672	71,301	
Business volumes, EURm	2019	2020	2021	2022	2023	
Deposits	1,863	2,195	2,561	2,951	3,313	
Loans (net)	1,181	1,448	1,786	2,094	2,409	
Assets under management	1,407	1,663	1,946	2,261	2,609	
Key figures	2019	2020	2021	2022	2023	
Cost / income ratio (C/I)	49.8%	45.8%	42.5%	40.0%	36.2%	
pre-tax ROE*	18.3%	20.8%	22.8%	23.5%	25.4%	
ROE*	15.4%	17.8%	19.3%	20.1%	21.7%	
CT1 capital adequacy	13.7%	14.0%	14.5%	15.3%	16.5%	
Total capital adequacy	19.0%	18.9%	19.1%	19.3%	20.0%	

- Assumptions: stable economic environment, growth in business volumes, euribor increase, success fee from Asset Management starting from 2020, impact of banking tax and persisting dividend policy
- Growth in all important business volumes during 5 years: deposits by 1900 EURm, loans by 1500 EURm, funds by 1400 EURm. Both loan and deposit volumes are expected to double in 3 years
- Increase in revenues is expected to be significantly faster than growth in expenses. Expenses impacted by increase in tax expense. Conservative forecast regarding loan impairments
- Raise of capital by bond issues in 2020 and 2021
- Moving towards 20% ROE* (based on profit attr. to the owners of the parent)

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

LHV Group 5 year targets

LHV Bank

Best bank in customer service

1400 EURm

Increase in fund volumes

1900 / 1500 EURm

Growth in deposits and loans

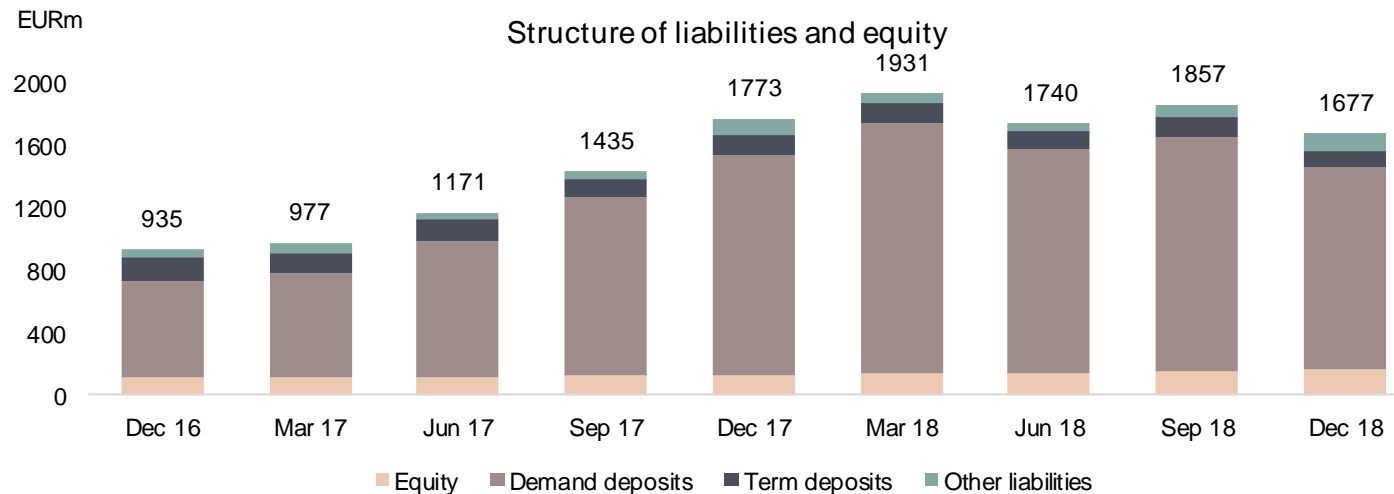
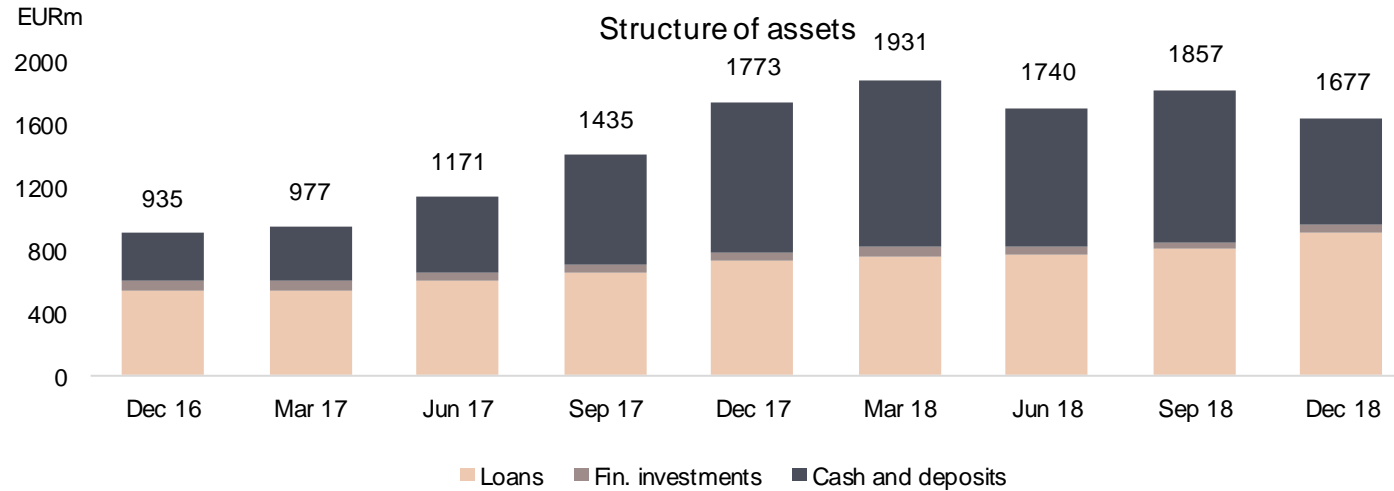
LHV Asset Management

Enhancing current best long-term return

Risk & capital

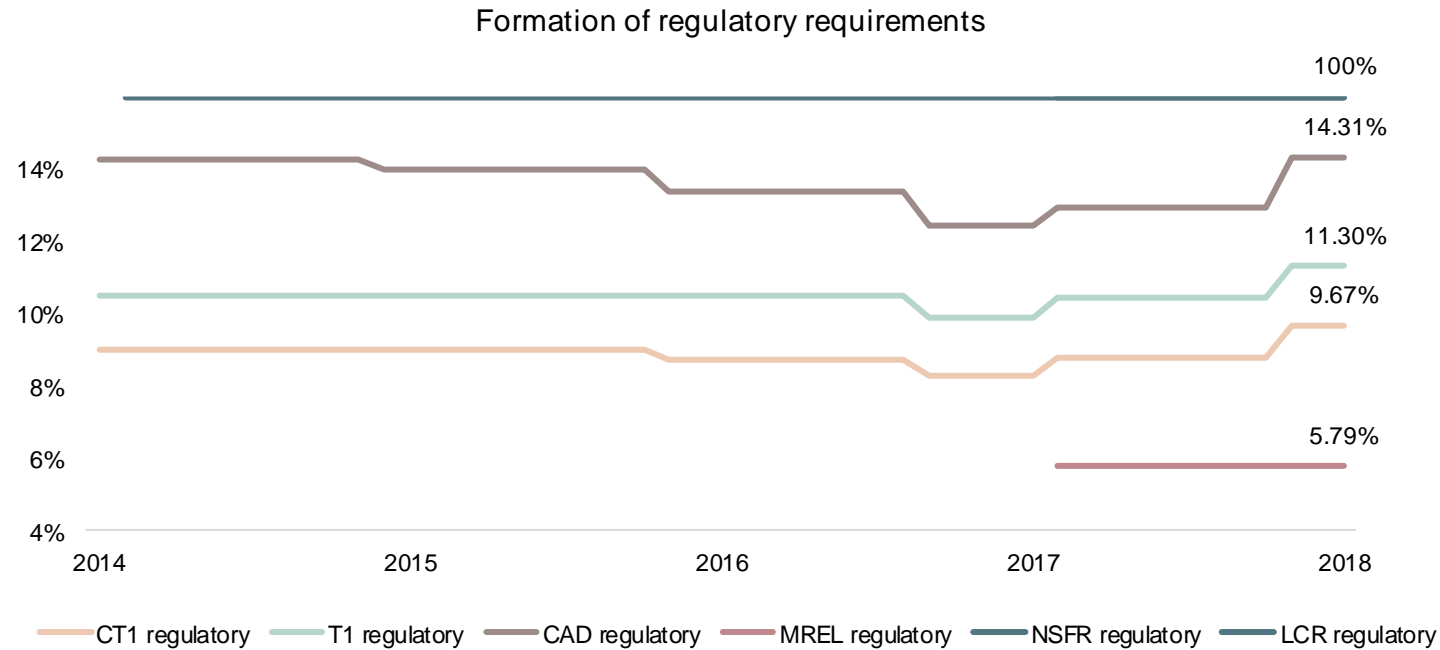
LHV Group

Balance sheet structure



- LHV runs knowingly very simple balance sheet – liabilities almost in full amount customer deposits and assets loans or liquidity
- 95% of balance sheet is euro based
- Liquidity portfolio consist 95% of deposits with ECB and some smaller amount of liquid bonds

LHV Group Regulative requirements



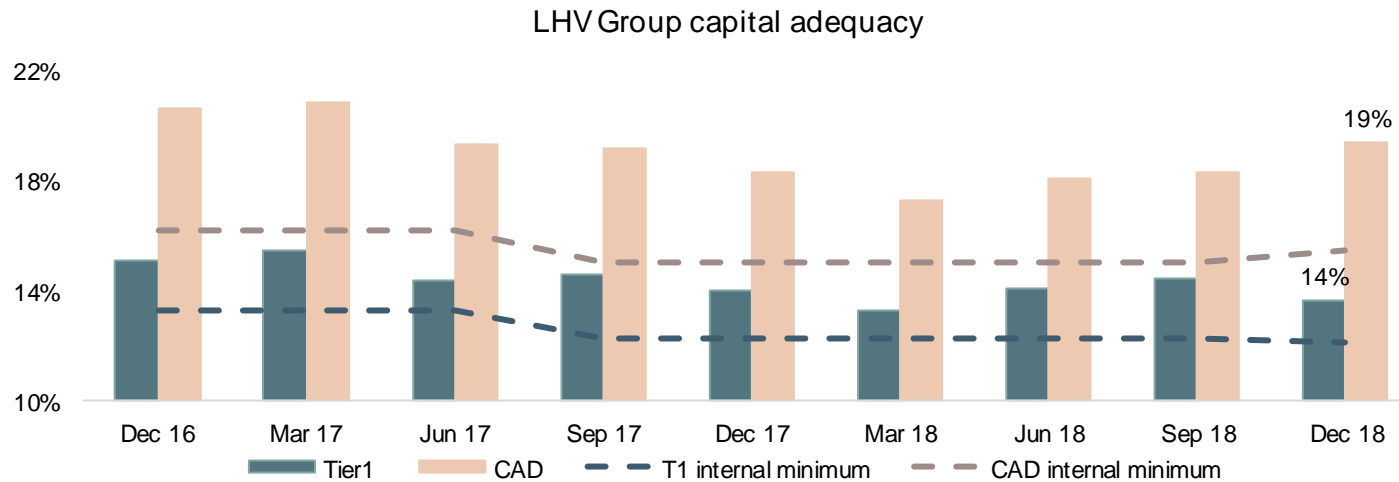
- Regulatory environment is getting more strict by adding additional or increasing capital related buffers
- Latest additions were increases in Pillar II and O-SII buffers
- All EU level regulations regarding capital are taken over without transition time

LHV Group

Risk tolerance: capital

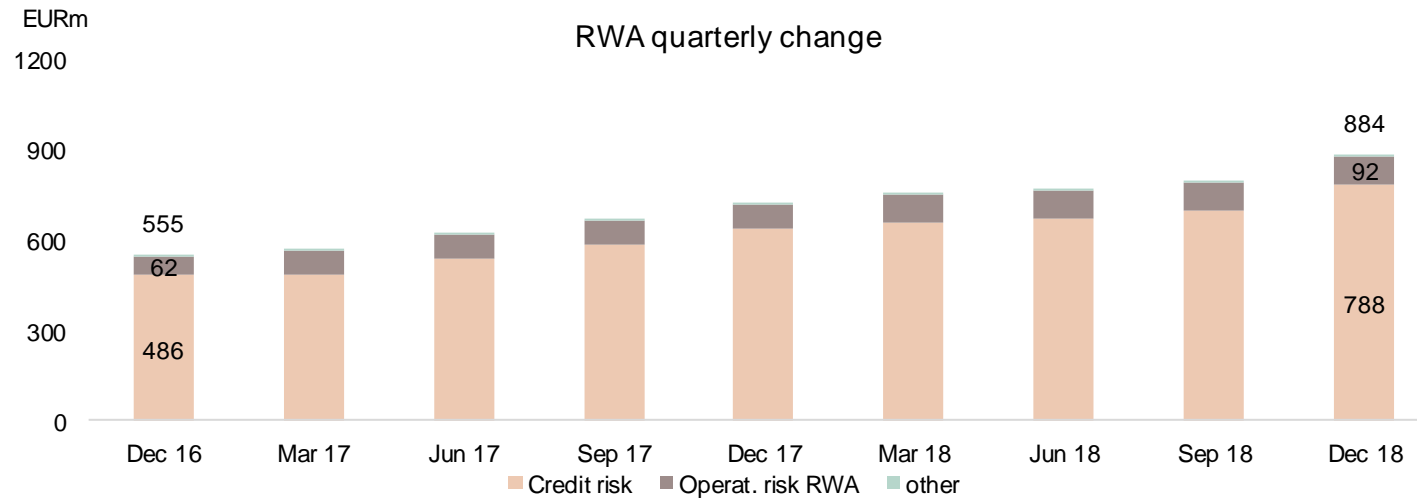
Category	Measures	Risk tolerance		Actual 31.12.2018		Main risk management tools
		Group	Bank	Group	Bank	
Capital	Capital adequacy (CAD)	min 15.50%	min 15.50%	19.41%	16.57%	Limits
	Capital adequacy (Tier 1)	min 12.10%	min 12.10%	13.65%	12.95%	
	Capital adequacy (CET 1)	min 10.40%	min 10.40%	13.65%	12.95%	
	Leverage ratio	min 3.5%	min 3.5%	7.31%	6.56%	
	MREL	min 6.08%	NA	11.43%	9.58%	

- LHV has set all internal capital adequacy and leverage targets on the same level for Group, Bank consolidated and Bank solo
- MREL is measured only on Group level
- All targets are reported on monthly bases and followed in simplified models on daily bases



LHV Group

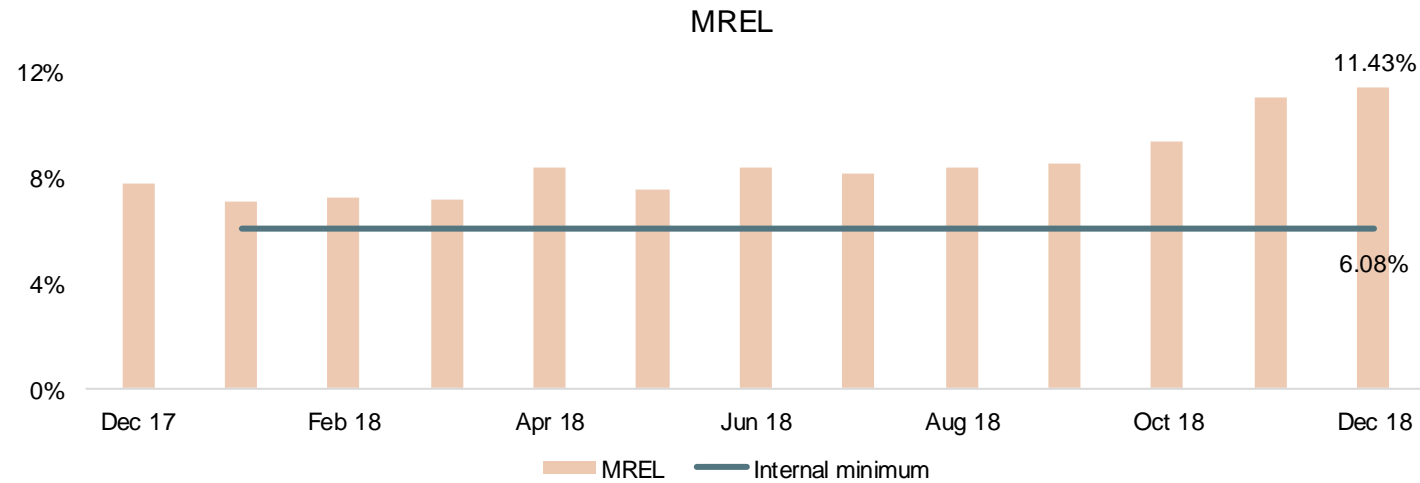
Risk weighted assets



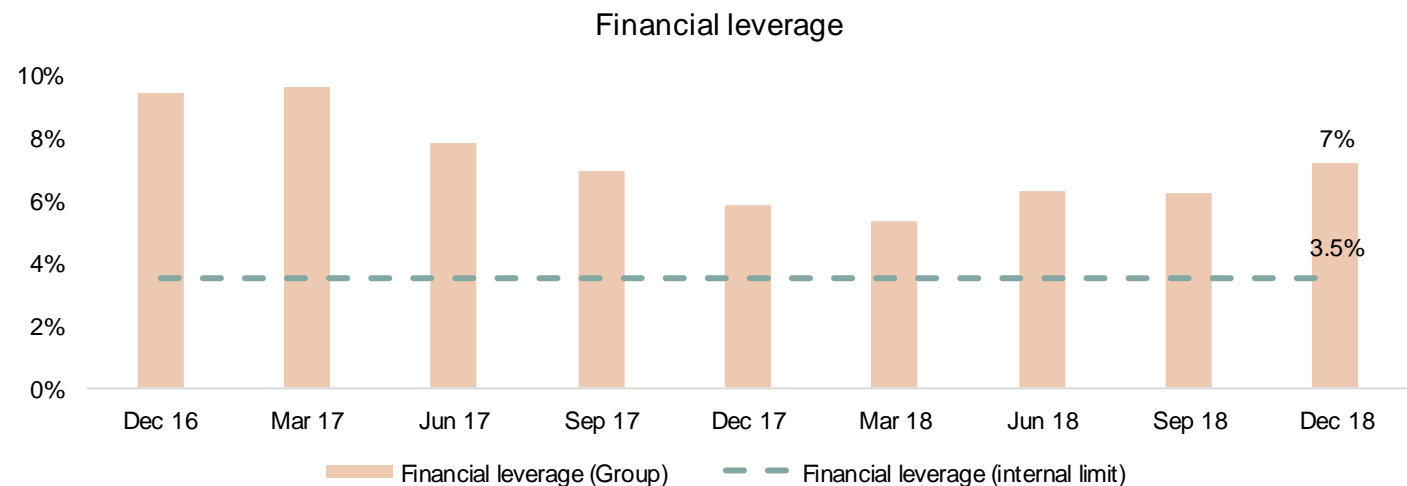
- RWA is calculated based on standard approach as this is most conservative
- 95% of RWA consists of credit risk and this has increased in correlation to portfolio growth
- Bank exposures to market risk is very limited

LHV Group

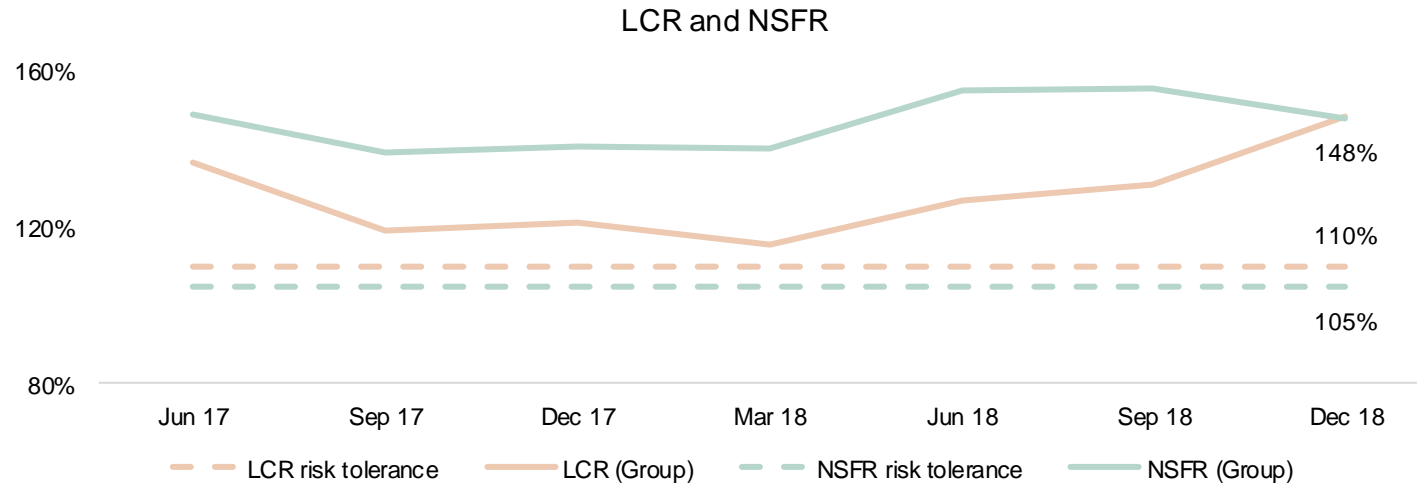
MREL and leverage ratio



- MREL is new ratio set by FSA from 1st of January 2018. This is hardest ratio to manage as there doesn't exist eligible liabilities in Estonian banking market. LHV has initiated discussions to set up suitable credit lines
- Financial leverage is not limiting LHV in current business model



LHV Group Liquidity



- LHV is running very conservative approach in liquidity. Almost whole funding is retail deposit based and very limited amounts of interbank funding
- Excluding financial intermediates deposits which are covered 100% with liquidity bank prefers to keep LCR ratio above 180%

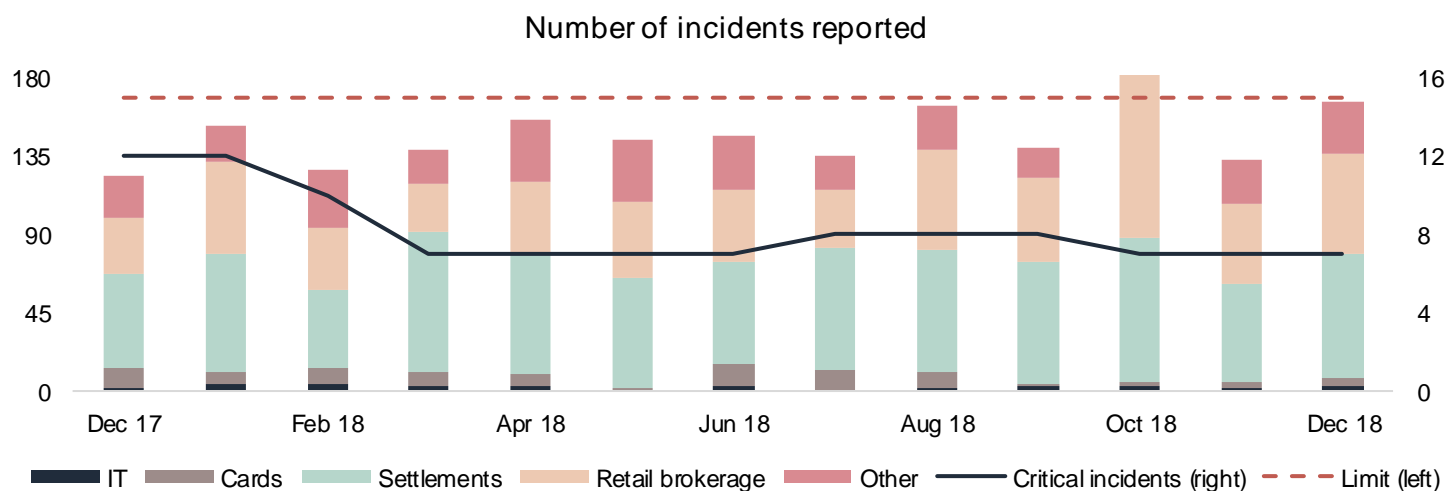
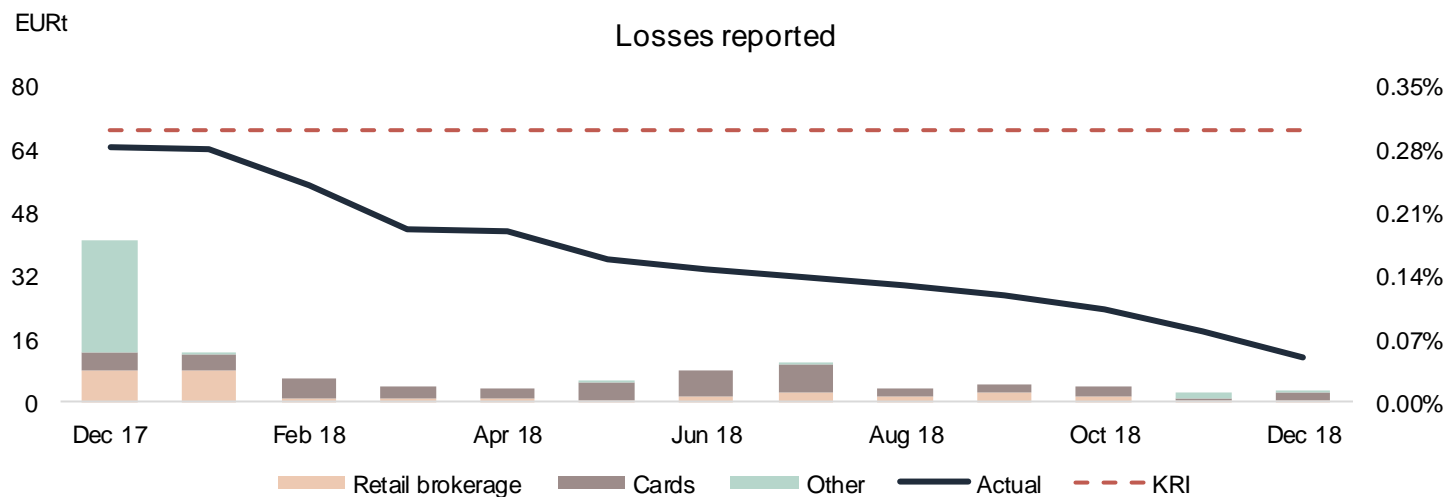
LHV Group

Anti Money Laundering (AML)

- Estonia is second in Basel AML index 2018 after Finland
- LHV has been taking zero tolerance regarding money laundering and is investing heavily into ALM processes and software
- In KYC process we visit and control riskier customer's internal processes, which is followed similar controls on regular bases
- All customer's suspicious activities need to be clarified and could be a reason for immediate termination of customer relationship
- LHV is reviewing regularly the whole customer base and terminates customer relationship with all off-shore customers (unless there is a clear reason for off-shore structure)

LHV Group

Operational risk



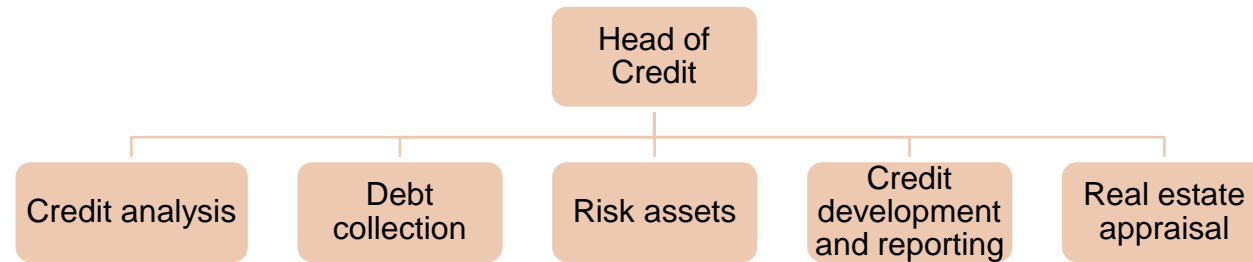
- Most of operational risk incidents / losses are related to cards of retail brokering mistakes
- After implementing 3D secure in December 2017 cards losses have dropped 3-4 times. Skimming is still the issue
- Other losses are mostly related with human errors in retail brokering mistakes, as all customer trades over the phone are executed manually in different platforms
- IT systems downtimes

Credit Risk and Asset Quality

LHV Bank

Risk management tools and monitoring

Structure of credit risk department



Tools and early warning

- Monitoring of early warnings indicators
- Watch list
- Risk report
- Risk tolerance report
- Daily monitoring of tax arrears

Risk assessment models

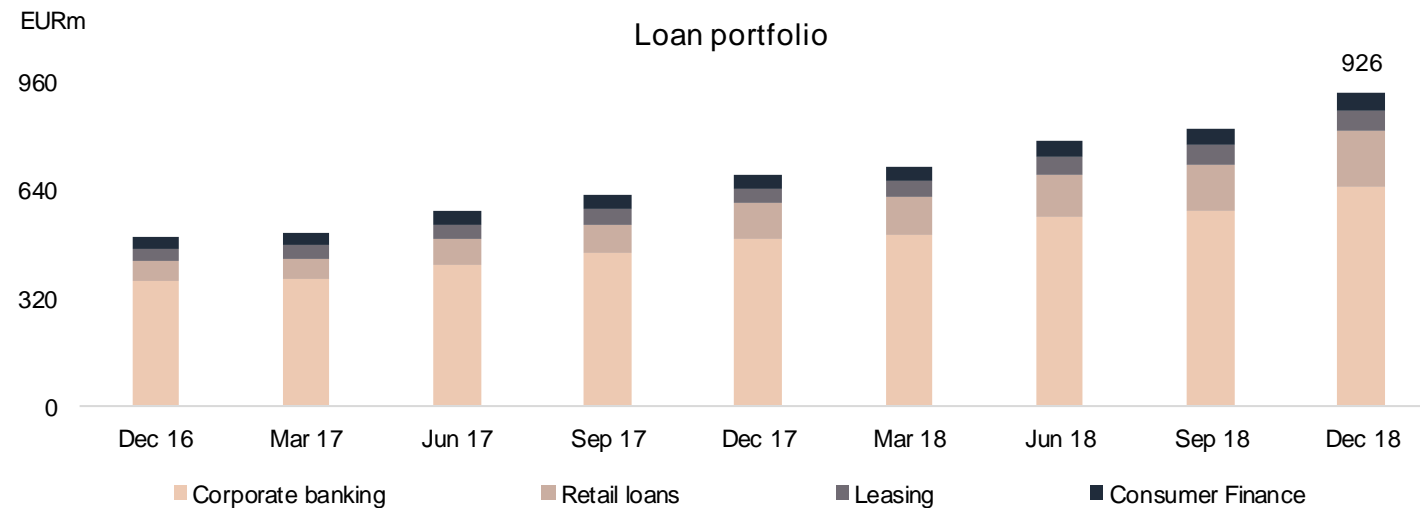
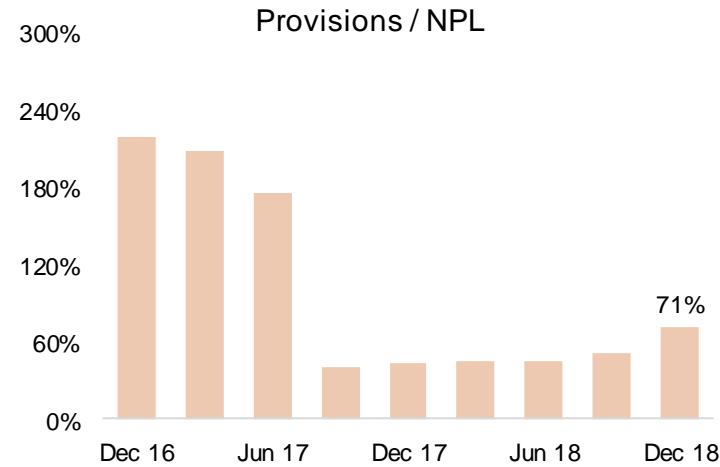
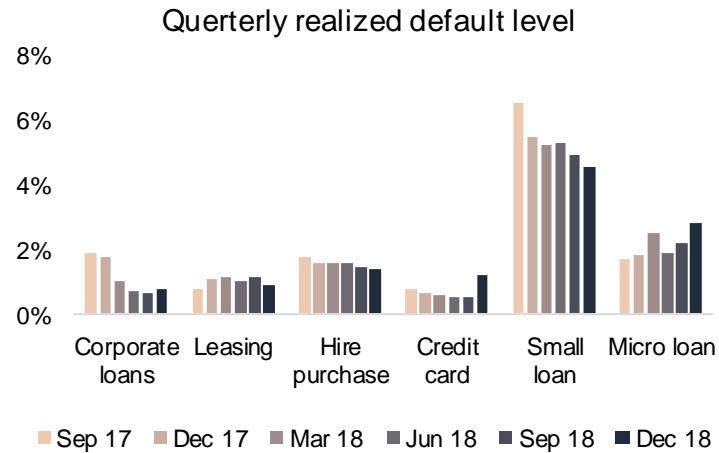
- Rating models (business loans, leasing and credit limits > 250 EURt)
- Scoring models (retail portfolio, incl. private and mortgage loans; business loans and leasing exposures < 250 EURt)

Decision-making bodies

- Credit committee
- Retail banking credit committee (decisions up to 250 EURt)

LHV Bank

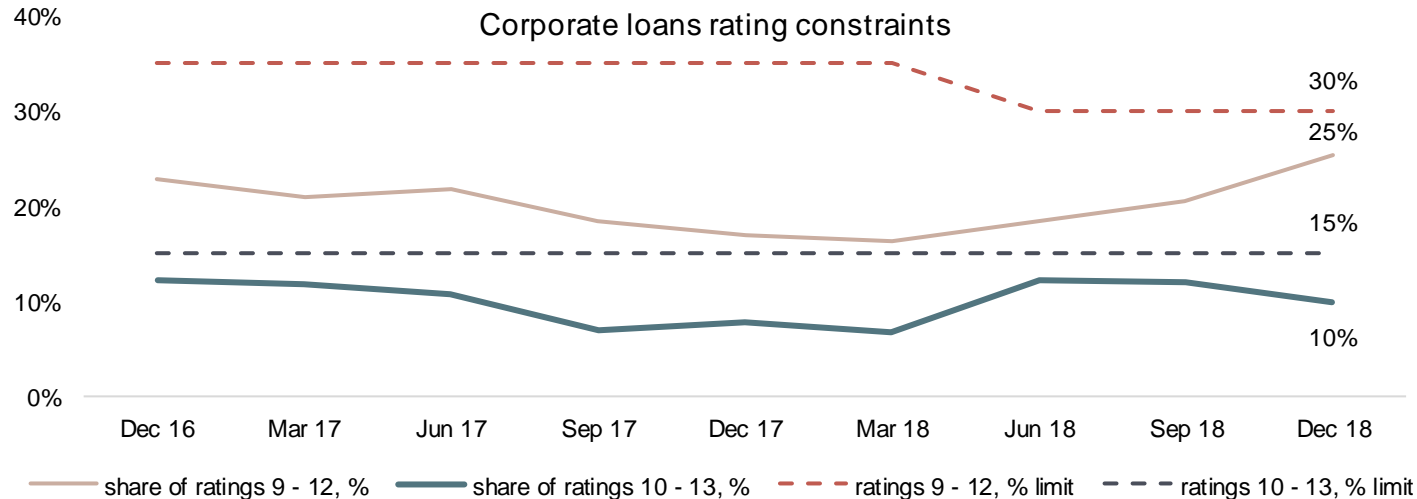
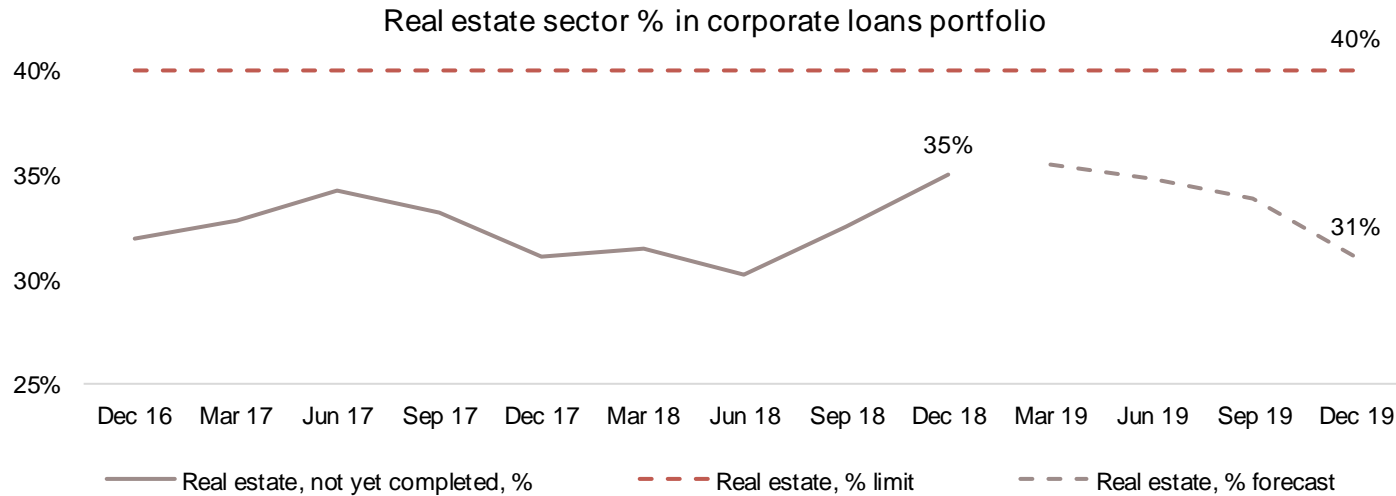
Good quality of credit portfolio



- Declining trend of default rates in most portfolios
- No defaults in private and mortgage loan portfolios
- Provisions / NPL rate has been stable last 4 quarters. Decline in Q3 2017 was related to one larger corporate loan customer
- We use EBA definition of non-performing exposures

LHV Bank

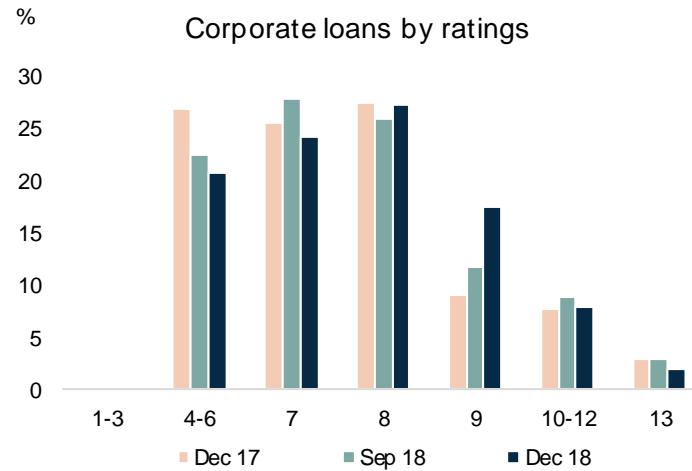
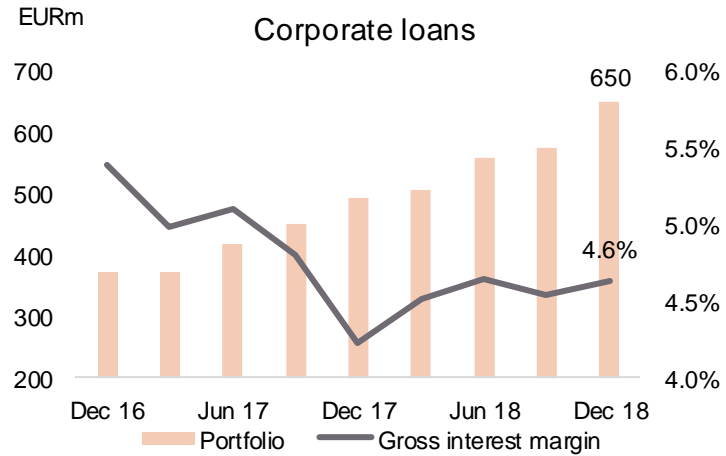
Concentration risk and portfolio constraints



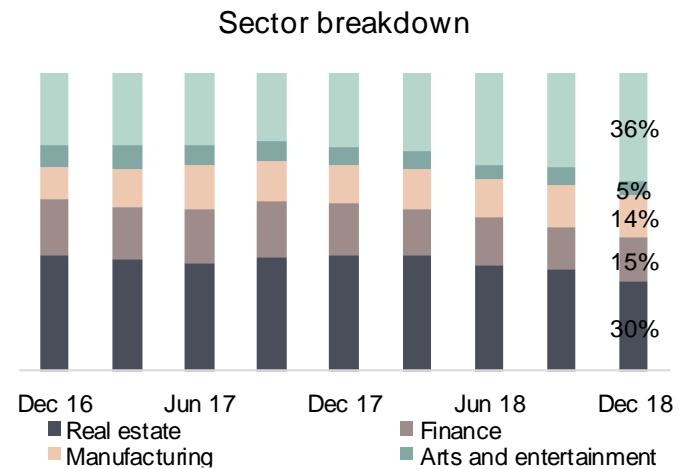
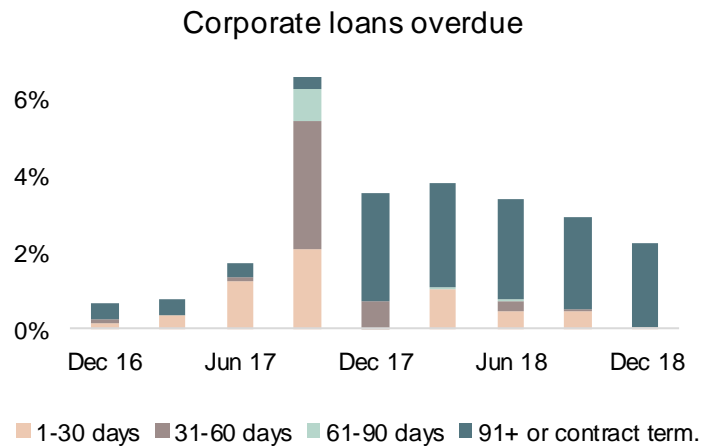
- Separate limits and constraints have been set for the largest sector and riskier rating grades in corporate banking portfolio
- The share of the largest sector (real estate activity without developments in final stage) has remained and will remain below the set limit in the near future
- Two metrics for riskier rating grades: 9-12 and 10-13 (below investment grade ratings). Risk tolerance levels were tightened in 06/2018. Actual levels below the limits

LHV Bank

Corporate loans

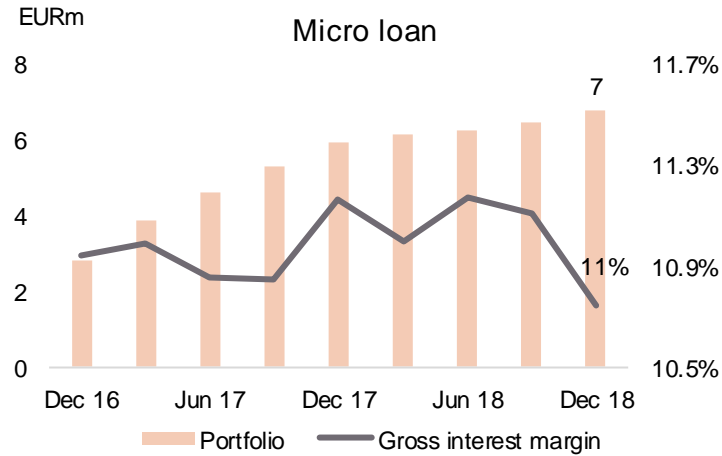
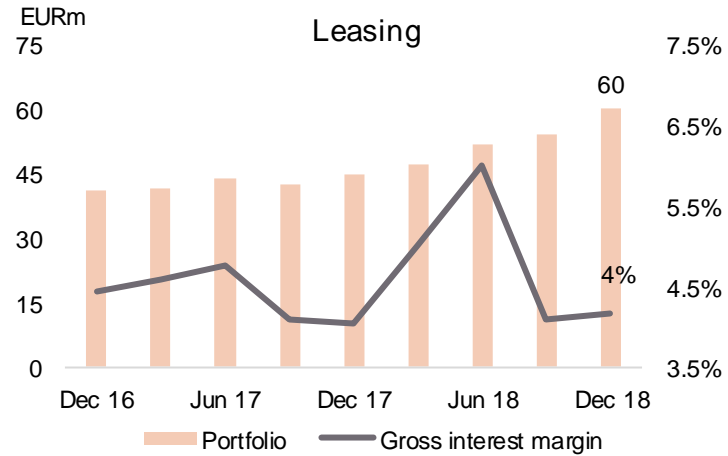


- Strong continuing growth in recent years (annually 30-32%)
- Share of real estate loans has been stable, incl. share of developments in final stage with lower risk (average share of total portfolio 6%)
- Share of loans with maturity 7-10 years has decreased and 3-5 years increased

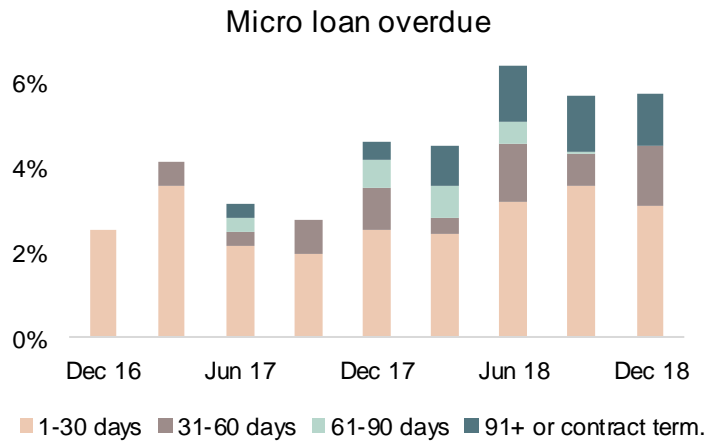
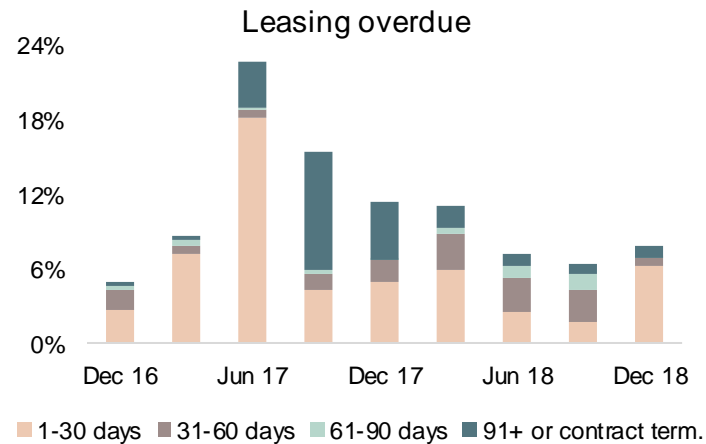


LHV Bank

Leasing and SME loans

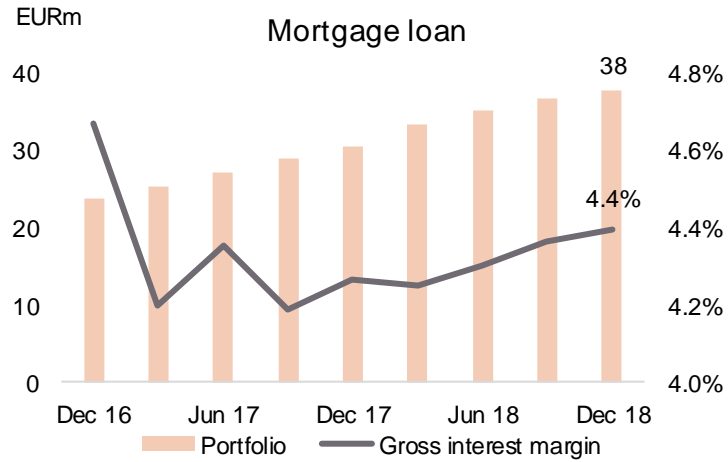
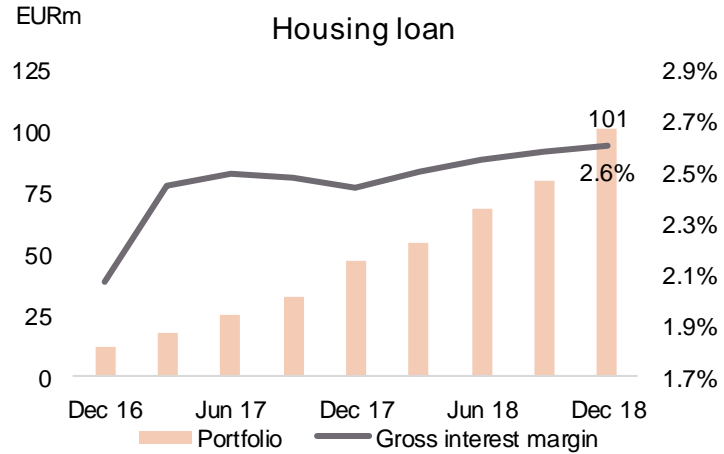


- Leasing and SME loans are smaller credit portfolios to cover all client segments
- Leasing had single large client default in Q2 2017, no actual losses were taken by bank
- SME loans product was introduced in 2016 and product credit quality remains much better than expected



LHV Bank

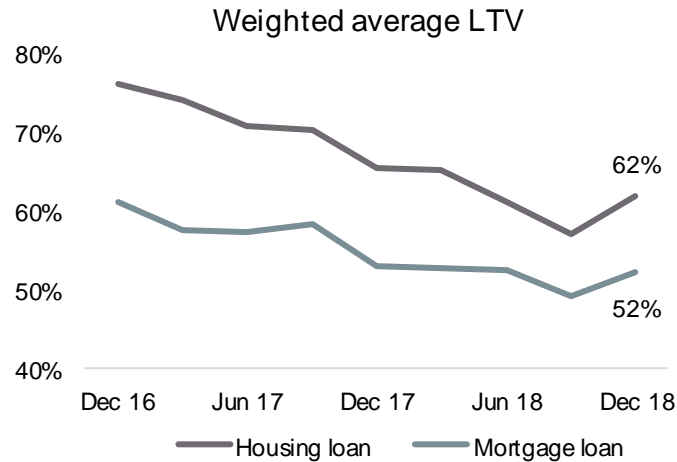
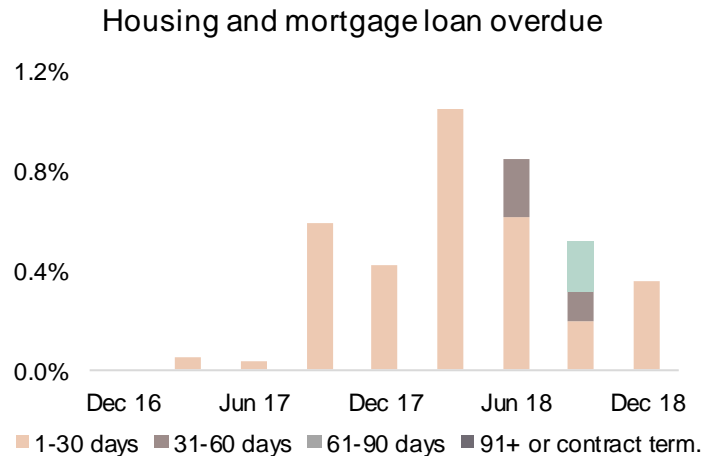
Private loans



- LHV deliberately waited with introduction of housing loans. Product was implemented Q3 2016 and has been highly successful

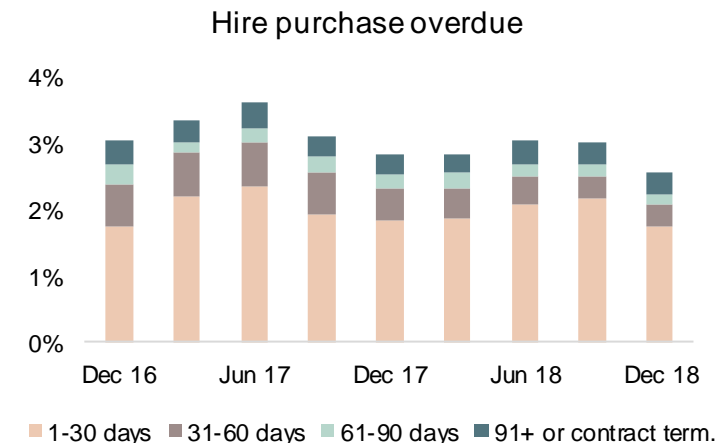
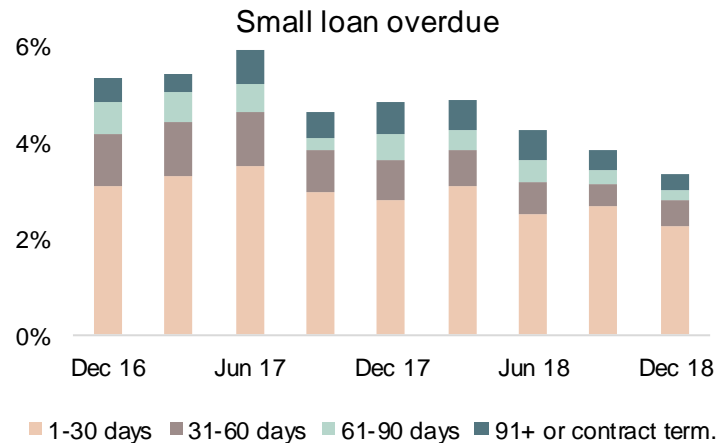
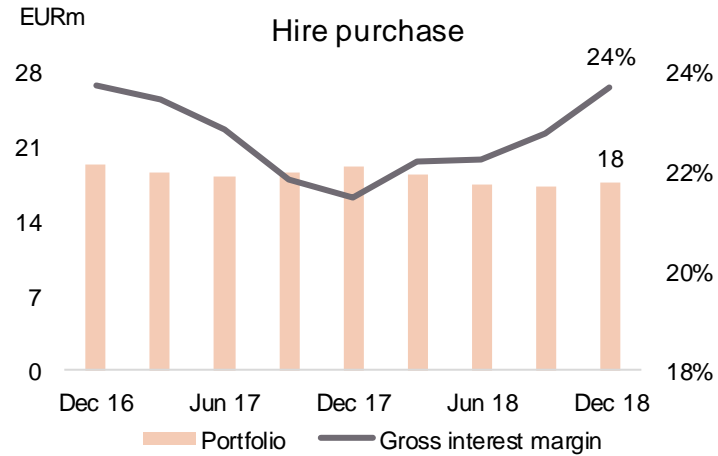
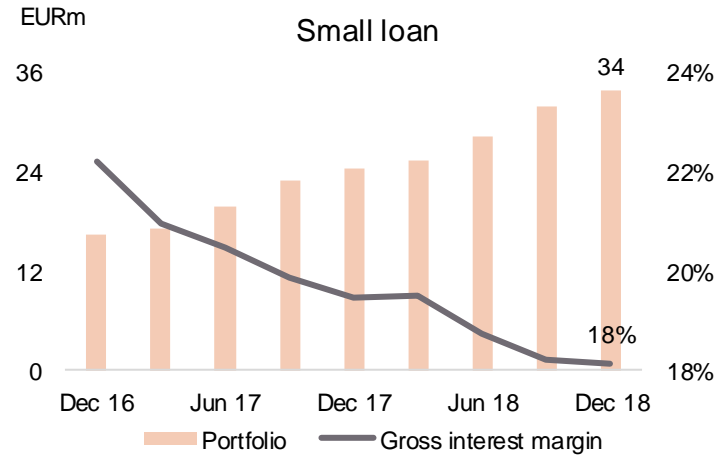
- LHV has around 10% on market new sales and we expect to be able to keep that level

- The credit quality is extremely good and most of the loans are given out with low LTV's



LHV Bank

Small loan and hire purchase



- Consumer loans are showing still good growth opportunity especially in small loans category
- The margins for small loans have decreased as we introduced higher quality sub products „car loan“ and „repairment loan“
- Both products have good credit quality. LHV sells more than 91 days overdue loans to third parties specializing in workouts

Interest and market risk

LHV Bank

Interest and market risk

Category	Measures	Risk tolerance		Actual 31.12.2018		Main risk management tools
		Group	Bank	Group	Bank	
Market risk	Change of economic capital due to 200 bp shift in interest curve (% own funds)	max 9% NOF	max 9% NOF	0%	0%	Limits Diversification Mitigation
	Total loss (% own funds)	max 10% NOF	max 10% NOF	1.8%	1.8%	

- LHV runs very conservative risk taking approach in market risks. Bank doesn't take speculative positions in equity trading nor in FX. Very limited trading positions, which are mainly directly related to customer activity
- Interest risk in the banking book is low. Almost all loans are given with floating interest rate, where base interest can't be negative.
- Based on different scenarios of interest rates increase or decrease LHV will not lose money in any of the changing interest rate scenarios

Social responsibility

Social responsibility

Community

- We organise regular, free-of-charge “Investor school” seminars for those interested in investing - 3,400 participants in 2017
- We have set up a library of investment and economic literature – more than 1,000 different publications are available to lend to our customers
- We manage the LHV financial portal and the forum set up for discussing investment-related subjects and sharing information
- Since 2007, we have published the free-of-charge journal “Investeeri”, addressing various topics related to entrepreneurship and investing – the circulation of a single edition is between 45,000 and 52,000 copies

.. and many more

Social responsibility

Environment

- We do not manage a broad office network – we are located in Tallinn, Tartu and London
- We offer our services through electronic channels
- We are moving towards paperless document management, the provision of electronic customer agreements and the so-called FollowMe Printing System
- We have replaced the use of water machines in our offices with drinking tap water
- We have developed solutions for holding meetings through electronic communication to reduce transport volumes

.. and many more

Social responsibility

Sponsorship

- LHV Pank takes social responsibility seriously
- We do all we can to support activities and initiatives which contribute to the development of Estonian society
- In the case of our sponsorship projects, we prefer long-term and substantial cooperation
- We are willing to contribute to the realisation of innovative ideas helping to make life in Estonia better



The Estonian
Football Association



The Gazelle
movement



Estonian Music Days

.. and many more

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