

LHV Group

October results
November 13, 2018

LHV Group

Traditionally positive outcome

Financial results, EURt	13 months	Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total revenue, incl.		5,312	58,741	47,838	56,687	+2,054
Net interest income		3,340	32,822	28,787	32,807	+15
Net fee and commission income		1,994	21,901	17,941	21,020	+882
Total operating expenses		2,955	27,979	26,252	27,905	+74
Earnings before impairment		2,356	30,762	21,586	28,782	+1,980
Impairment losses on loans		197	4,924	3,318	3,936	+988
Income tax		147	3,361	1,051	3,255	+105
Net profit, incl.		2,012	22,477	17,217	21,590	+887
attr. to shareholders		1,821	21,009	15,566	20,178	+831
Business volumes, EURm	13 months	Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Deposits from customers		1,468	1,468	1,120	1,353	+116
Loans (net)		850	850	673	814	+37
Assets under management		1,208	1,208	1,084	1,242	-34
Key figures	13 months	Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		55.6%	47.6%	54.9%	49.2%	- 1.6 pp
pre-tax ROE*		15.6%	21.4%	18.2%	20.7%	+ 0.7 pp
ROE*		14.5%	18.7%	17.1%	18.1%	+ 0.7 pp
Net interest margin (NIM)		2.3%	2.2%	3.2%	2.3%	- 0.1 pp
ROA		1.3%	1.5%	1.9%	1.5%	- 0.0 pp

- Active month for customer contracts. Record levels in customer activity. Deposits and loans exceed financial plan, fund volumes are slightly behind
- LHV Supervisory Board set total CAD target ratio at 15.50% and Tier1 ratio at 12.1%
- Good growth potential of the loan portfolio
- In terms of market downturn LHV actively managed pension funds clearly outperformed competitors'
- Net profit 2 EURm, incl. attr. to shareholders 1.8 EURm. Net profit exceeds financial plan updated in May by 0.9 EURm. Financial plan remains valid

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

LHV Banking

Strong loan growth

Financial results, EURt	13 months	Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total revenue, incl.		4,212	42,356	32,819	40,426	+1,931
Net interest income		3,404	31,845	25,594	31,666	+180
Net fee and commission income		779	9,418	6,290	8,701	+717
Total operating expenses		2,419	21,121	16,813	20,742	+379
Earnings before impairment		1,794	21,235	16,006	19,683	+1,552
Impairment losses on loans		197	4,534	3,240	3,512	+1,022
Income tax		147	2,117	0	2,057	+60
Net profit		1,449	14,584	12,766	14,115	+469
Business volumes, EURm		Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Deposits from customers		1,483	1,483	1,132	1,365	+119
Loans (net)		850	850	664	813	+37
Key figures		Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		57.4%	49.9%	51.2%	51.3%	- 1.4 pp
CT1 capital adequacy		13.8%	13.8%	13.9%	13.6%	+ 0.2 pp
Total capital adequacy		16.3%	16.3%	17.1%	16.1%	+ 0.3 pp
Net interest margin (NIM)		2.3%	2.1%	2.9%	2.3%	- 0.1 pp

- Nearly 2,800 new bank customers in October, of which 900 also redirected their salary to LHV
- Revenue was as usual, expenses were negatively affected by seasonality and one-time purchases of services
- Loan portfolio increased by 37 EURm, of which corporate loan portfolio increased 27 EURm
- Payment intermediaries' deposits decreased by 212 EURm. Regular customers deposits increased by 42 EURm, of which private customers' deposits by 7 EURm

LHV Asset Management

In market downturn LHV customers' assets were better protected

Financial results, EURt	13 months	Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Total revenue		1,149	11,439	11,144	11,603	-164
Total expenses		482	4,776	5,487	4,940	-163
Earnings before taxes		667	6,662	5,657	6,664	-1
Income tax		0	1,100	951	1,100	+0
Net profit		667	5,562	4,706	5,564	-1
Business volumes	13 months	Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Assets under management, EURm		1,208	1,208	1,084	1,242	-34
Active customers of PII funds, thous.		177	177	177	176	+1
Key figures	13 months	Oct-18	YTD18	YTD17	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		39.7%	41.4%	49.9%	42.6%	- 1.1 pp
Funds average return		-0.6%	1.0%	2.8%	2.8%	- 1.8 pp

- Correction in stock markets. During that period LHV actively managed pension funds had clearly better performance than competitors
- However, funds' returns were still negative, leading to 52 EURt financial loss and increased gap between actual and forecasted fund volumes
- 1.7 thousand new customers joined pillar II pension funds and 2.0 thousand customers left

*Financial reporting is subject to IFRS 15 starting from FY 2018, historic periods presented without changes

Madis Toomsalu

LHV Group Managing Director
madis.toomsalu@lhv.ee

Meelis Paakspuu

LHV Group CFO
meelis.paakspuu@lhv.ee