

LHV Group

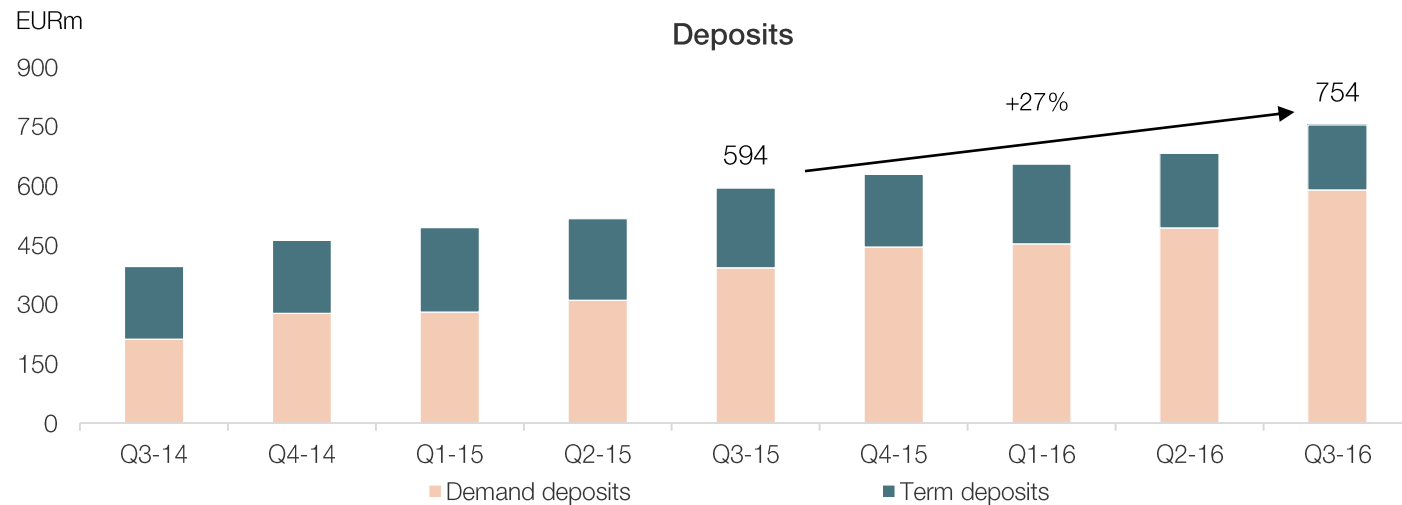
Third quarter 2016 results
25 October 2016

Productive third quarter

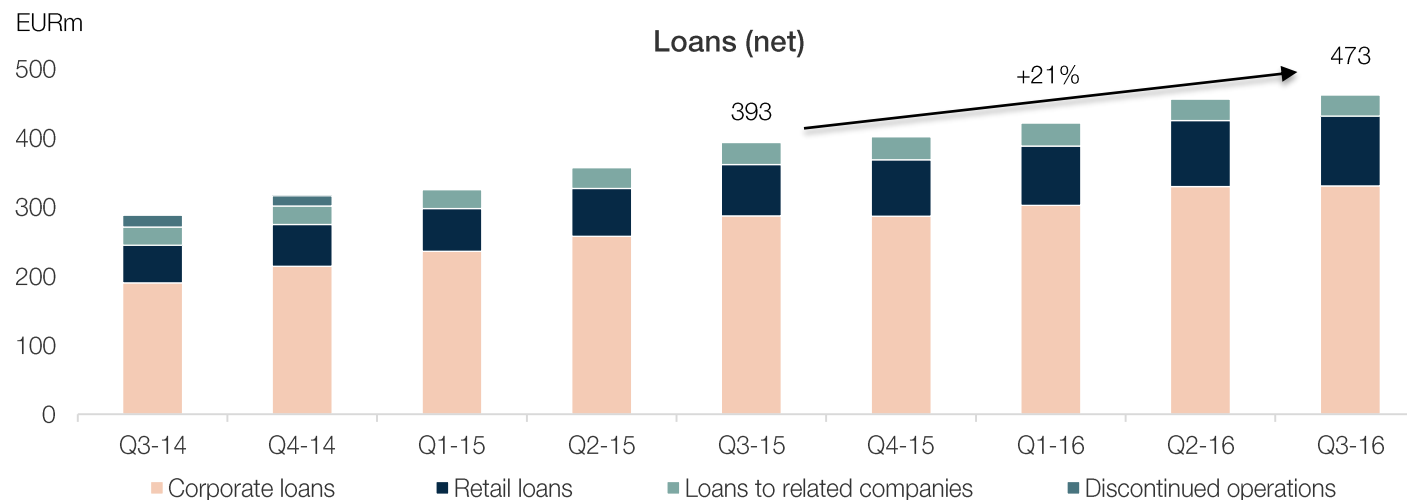
- Bank's customer base is growing fast and exceeded 100,000 customers, also good growth in deposits
- Asset Management has completed the merger of Danske Capital. A significant increase in business volumes is reflected in the bottom line as profit surges
- Credit quality is good in all portfolios and has improved in the short term
- Q3 net profit 5.8 EURm and ROE 22.6% (attrib.to owners of parent company)

LHV Banking

Deposits increased 71 EURm QoQ



- The number of customers grew by more than 8,300. Account openings are on record level
- Deposits increased by 71 EURm. Growth came from demand deposits, time deposits decreased. Cost of deposits continuously decreased



- Loan portfolio increased by 8 EURm driven by retail lending. Corporate loans were actively issued but bank also received several major repayments this quarter
- Annual increase in deposits was 159 EURm and on loans 81 EURm. Bank's liquidity reserves are strong

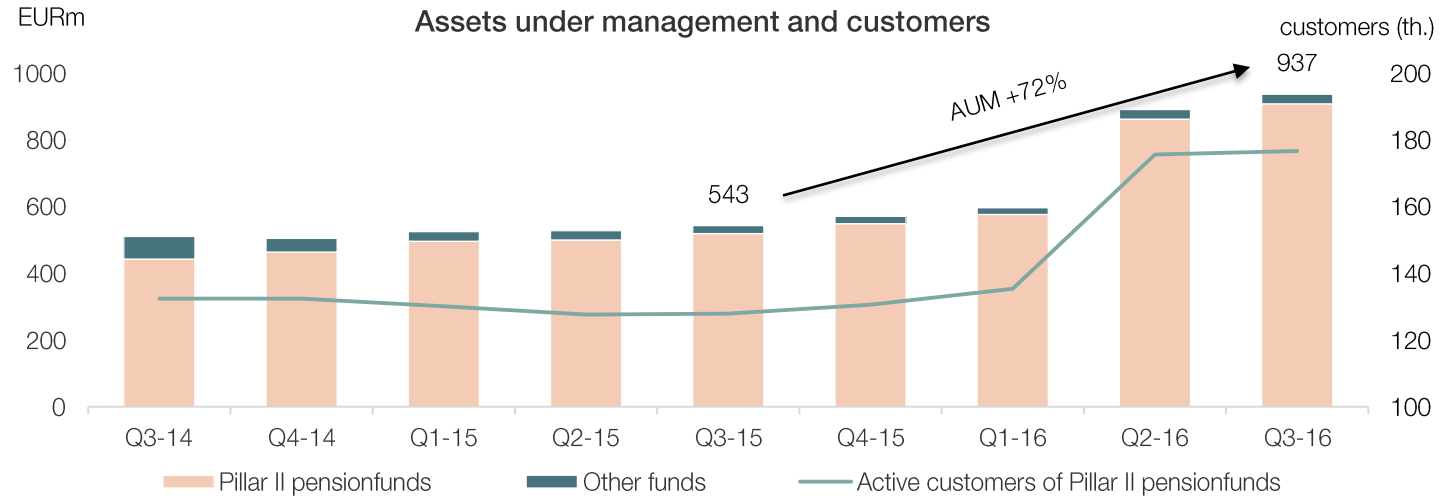
Strong results in banking, Net profit 3,706 EURt and ROE 20%

Financial results, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Net interest income		6,596	6,106	+490
Net fee and commission income		1,471	1,126	+344
Other income		339	1,273	-933
Total revenue		8,406	8,504	-99
Total operating expenses		4,335	4,386	-51
Earnings before impairment		4,071	4,119	-48
Impairment losses on loans		365	628	-263
Net profit		3,706	3,490	+215
Business volumes, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Deposits from customers		754,243	682,916	+71,328
Loans (net)		473,405	465,224	+8,181
Customers		136,000	127,282	+8,718
Key figures	9 quarters	Q3-16	Q2-16	Δ quarter
Cost / income ratio (C/I)		51.6%	51.6%	- 0 pp
ROE (attr.to owners of the parent)		19.6%	20.2%	- 1 pp
Net interest margin (NIM)		3.2%	3.1%	+ 8 bp

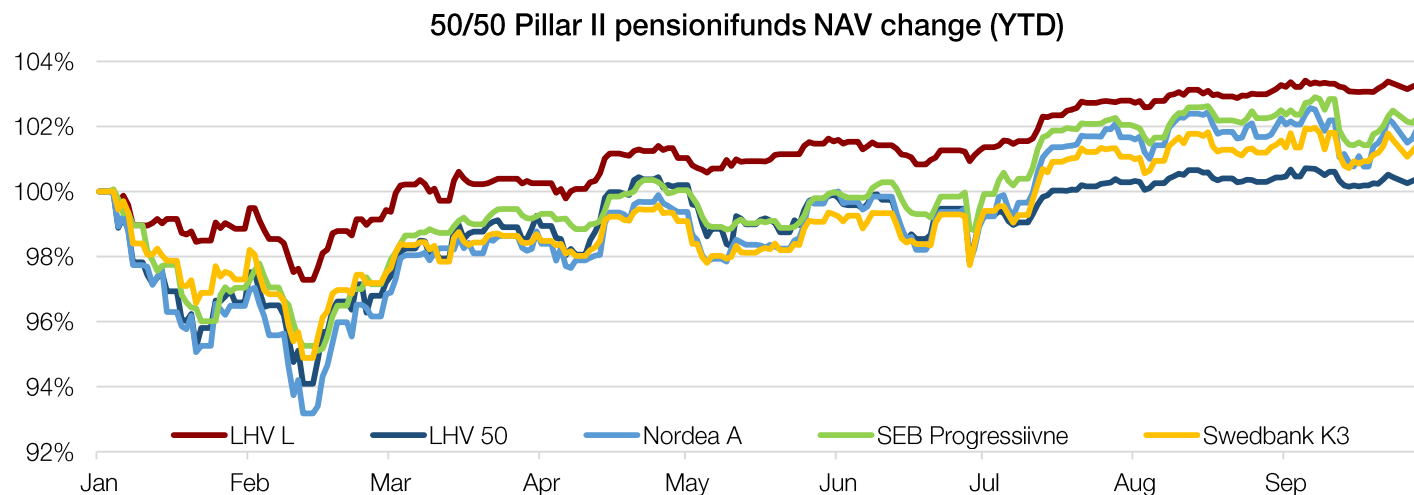
- Bank's development over the past year has been particularly fast. The number of customers is at highest level ever
- Interest income and net interest margin was strong and exceeded our expectations. The risk level of loan portfolio has decreased and credit quality remains strong
- Efficiency (cost / income ratio) was on good level for the second consecutive quarter
- Return on equity for the third quarter was 19.6%, and YTD performance was 18.9%

LHV Asset Management

Asset under management increased by 46 EURm



- Assets under management increased by 46 EURm and reached 937 EURm
- The number of Pension II Pillar funds active clients increased to 177,000
- LHV L fund has shown the best YTD returns when comparing Pillar II pension funds investing more on equity markets
- In July we reduced the risk level of LHV 50 fund that we acquired from Danske Capital and currently this fund has the lowest YTD return in its category



Higher business volumes and significantly higher profits in the short term

Financial results, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Total revenue		3,789	3,075	+713
Selling expenses		757	295	+462
Other operating expenses		996	1,182	-186
Total operating expenses		1,753	1,477	+276
EBIT		2,035	1,598	+437
Net financial income		113	25	+89
Net profit		2,149	1,623	+526

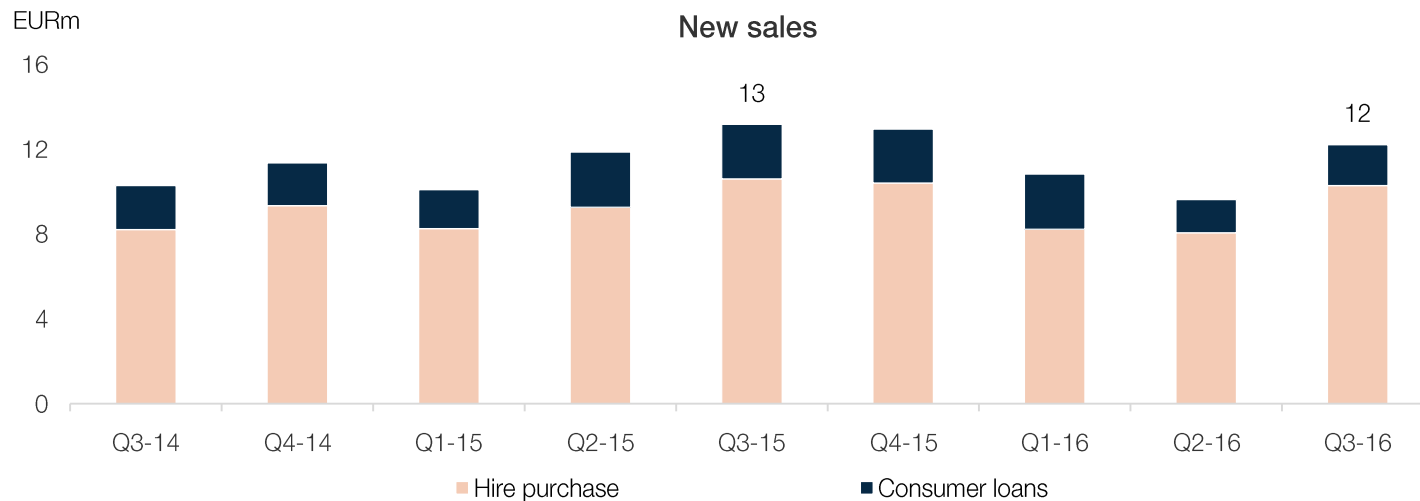
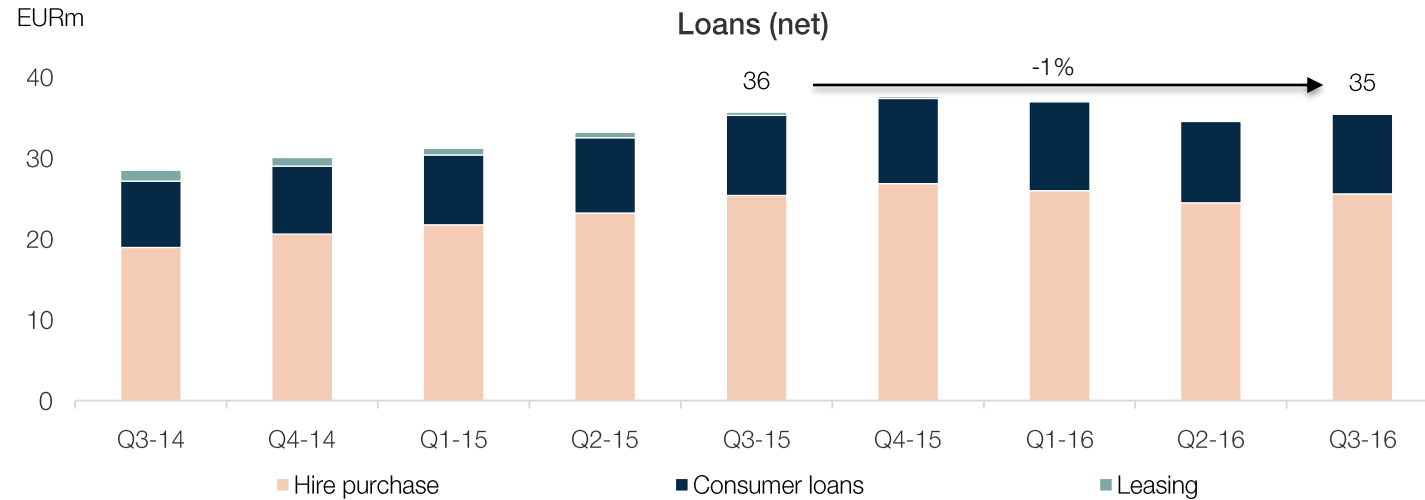
Business volumes, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Pillar II pensionfunds		907,817	861,905	+45,912
Pillar III pensionfunds		13,493	13,240	+253
Eurofunds		15,652	15,407	+245
Active customers of PII funds		176,703	175,622	+1,081

Key figures	9 quarters	Q3-16	Q2-16	Δ quarter
Cost / income ratio (C/I)		46.3%	48.0%	- 2 pp
ROE		44.3%	34.5%	+ 10 pp

- Aquisition and merge of Danske Capital is completed. Soaringly increased AUM has significantly increased revenues in past 5 months
- The merger-related expenses are incurred and efficiency achieved. Funds with similar risk profiles will be merged in the spring of 2017
- Profit was 2,149 EURt and the outlook for the end of this year is good
- New lower administrative fees will enter into force in February of 2017. Former Danske Capital's Pillar II funds management fees will decrease by 28% on average and other LHV Pillar II funds management fees will decrease by 15% on average

Mokilizingas

Changes in regulations affects new sales



- New regulation was implemented at the end of the first quarter which slowed down customers credit assessment process and made it more complex. This regulation has inhibited new sales throughout the year
- Loan portfolio decreased and stabilized in the first two quarters and started to grow again in the third quarter
- The impact of the new regulation is visible among all market participants
- Internal targets for 2016 will not be met and in coming months we expect modest increase of loan portfolio

Mokilizingas

Smaller profit and business volumes, ROE satisfactory

Financial results, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Net interest income		1,287	1,361	-74
Net fee and commission income		118	108	+10
Total revenue		1,405	1,469	-64
Total operating expenses		1,008	973	+35
Earnings before impairment		397	496	-99
Impairment losses on loans		134	114	+21
Income tax		55	68	-13
Net profit		207	314	-106
Business volumes, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Hire purchase new sales		10,285	8,069	+2,216
Consumer loans new sales		1,934	1,562	+372
Loans (net)		35,471	34,653	+817
Customers		97,869	95,698	+2,171
Key figures	9 quarters	Q3-16	Q2-16	Δ quarter
Cost / income ratio (C/I)		71.8%	66.3%	+ 6 pp
ROE		14.5%	23.0%	- 9 pp
Net interest margin (NIM)		13.1%	13.7%	- 61 bp

- Interest income decreasing due to smaller portfolio. Margins under pressure because of intensifying competition
- Development and launch of new products keeping the costs at same, high level
- Credit quality remains high
- Q3 net profit 207 EURt, 106 EURt lower than previous quarter. ROE 21.3% from beginning of year
- Outlook for the end of year moderately good, modest regarding short-term profit

Strong quarter, growth of business volumes shifts profit to 5,792 EURt

Financial results, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Net interest income		7,696	7,230	+466
Net fee and commission income		5,377	4,309	+1,067
Other income		432	1,273	-842
Total revenue		13,504	12,812	+692
Total operating expenses		7,158	7,102	+56
Earnings before impairment		6,346	5,711	+636
Impairment losses on loans		500	742	-243
Income tax		55	68	-13
Net profit		5,792	4,900	+892
Business volumes, EURt	9 quarters	Q3-16	Q2-16	Δ quarter
Deposits from customers		740,953	672,004	+68,949
Loans (net)		478,300	469,300	+9,001
Assets under management		936,961	890,552	+46,410
Customers		389,391	381,827	+7,564
Key figures	9 quarters	Q3-16	Q2-16	Δ quarter
Cost / income ratio (C/I)		53.0%	55.4%	- 2 pp
ROE (attr.to owners of the parent)		22.6%	22.0%	+ 1 pp

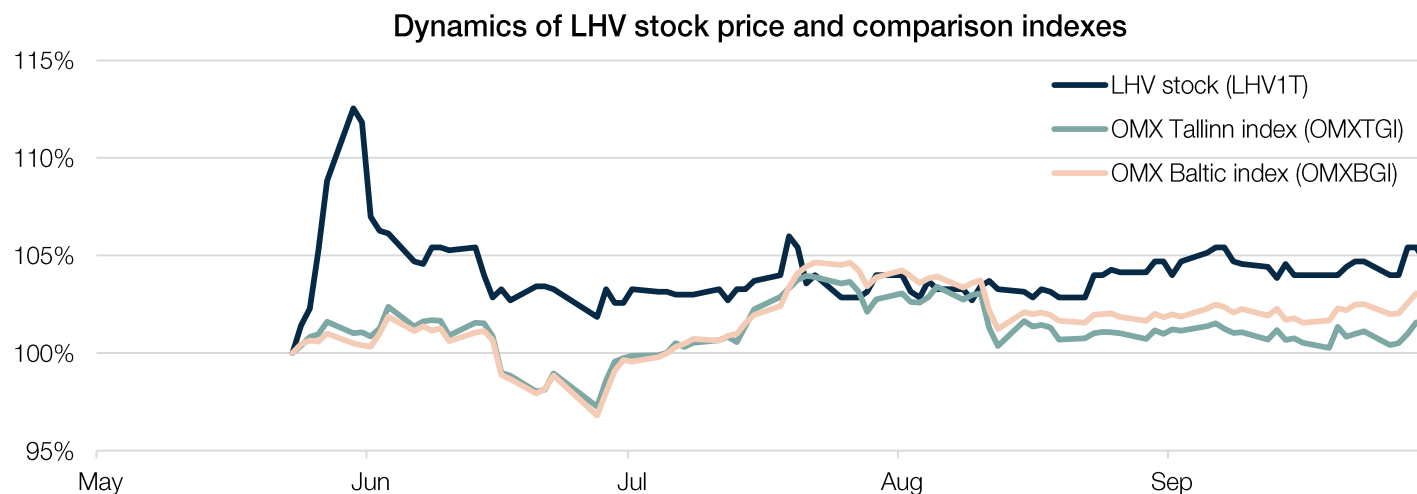
- Very strong quarter without any extraordinary revenue or expenses. Good growth of business volumes
- Profit growth fueled mainly by the Bank. Asset Management giving a strong contribution during 2nd half-year. Mokilizingas is lagging somewhat behind target
- Credit quality remains strong through all portfolios, has improved short-term
- ROE was 22.6% for third quarter and 20.6% for nine months
- LHV Group has good capitalization and high liquidity

LHV Group

Stock information

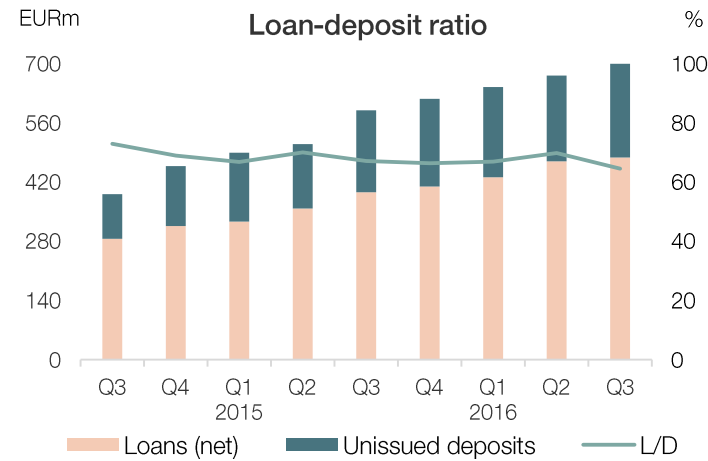
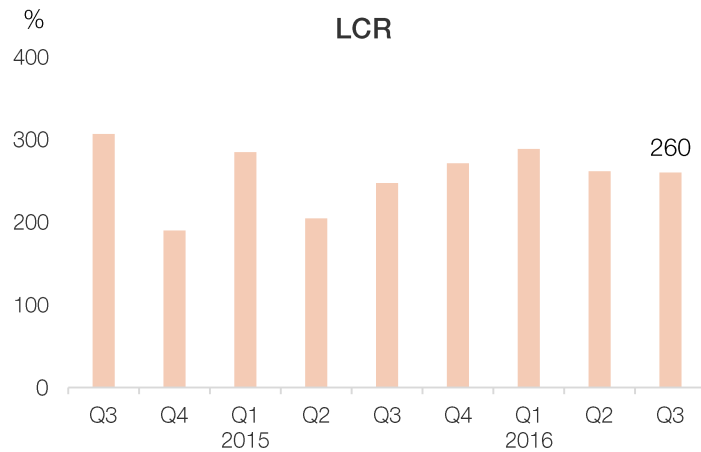


- LHV stock price remained mostly at a stable price corridor of EUR 7.2-7.4
- 926 trades were made with the stock during Q3 on the market with a turnover of 1.2 EURm which gave the stock an average price of EUR 7.28
- Earnings per share held by LHV's shareholders (EPS) for Q3 amounted to EUR 0,21 and cumulatively for 9 months to EUR 0.52
- As of 30 September 2016 LHV had 5,289 shareholders and 51% of the stock was held by members of the supervisory board or the management and persons associated with them
- LHV's market value according to closing price of 30 September 2016 is 186 EURm

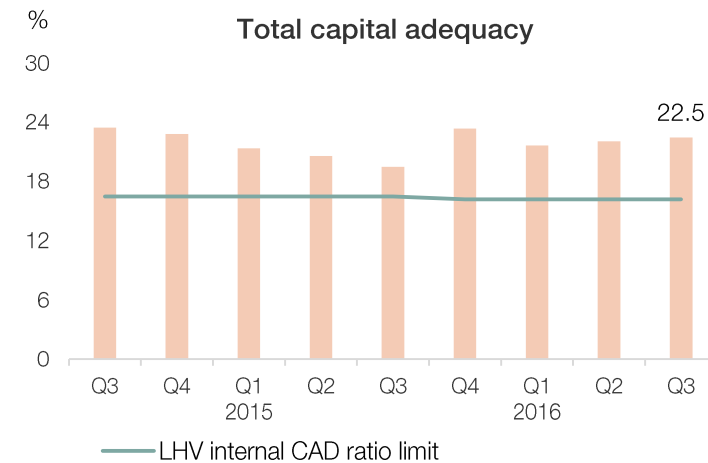
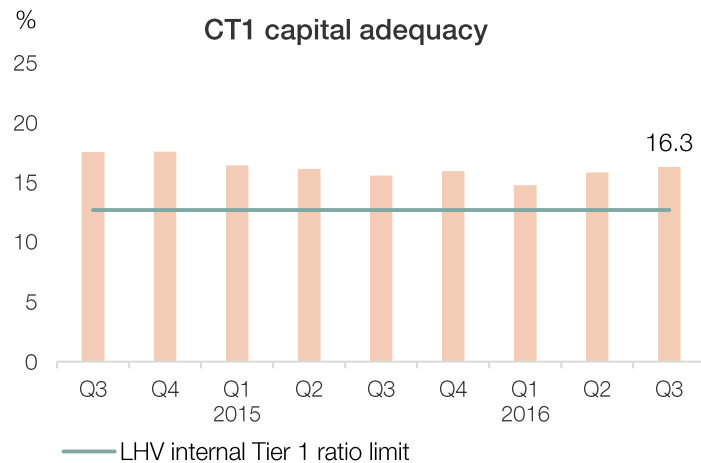


Annexes

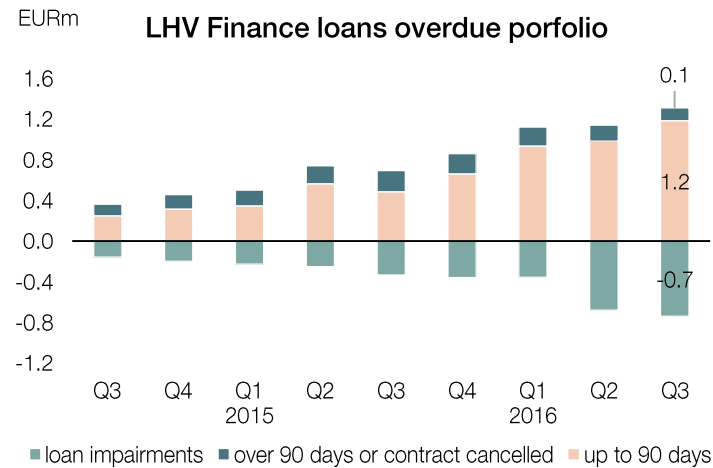
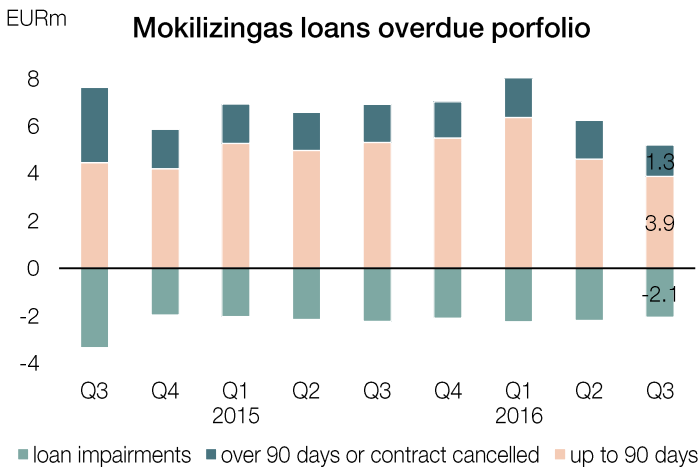
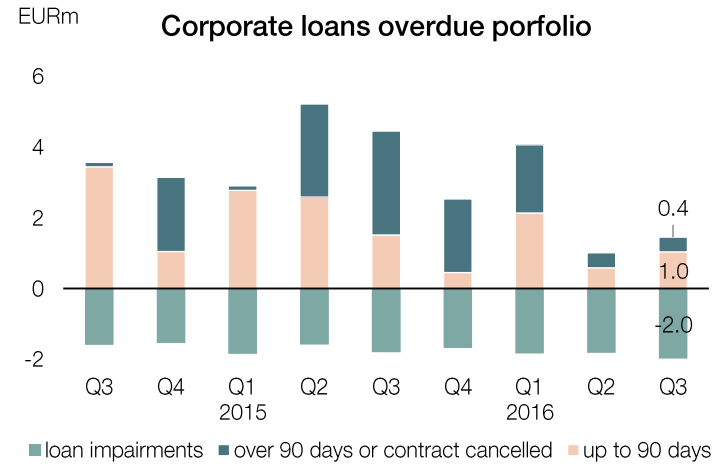
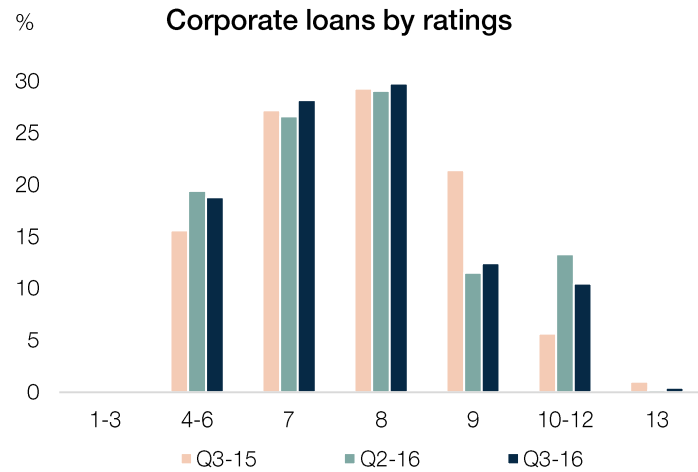
Loan to deposit ratio 65%, capital adequacy strong



- Group's capitalization is strong: 22.5% at the end of Q3, i.e. exceeding the regulative norm by 9 percentage points and internal requirements by 6.3 percentage points
- Group's liquidity also remains strong with Liquidity Coverage Ratio 260% as of end of the quarter, two and half times higher than the requirement



Asset quality remains at a good level



- Q3 brought considerable changes to the corporate loan portfolio. Loan repayment was high due to completion of real estate development projects and company acquisition deals
- Loan ratings saw a positive shift as a result of repayment of riskier loans and improved in clients' payment behavior.

Erkki Raasuke

LHV Group Managing Director
erkki.raasuke@lhv.ee

Meelis Paakspuu

LHV Group CFO
meelis.paakspuu@lhv.ee