
















LHV Group

Q4 2016 results
7 February 2017

Successful fourth quarter

- Successful Q4 with strong growth in business volumes
- The customers' activity remains high, driven by broadly-based indicators by the Bank and Asset Management
- Quarterly net profit 5.7 EURm and ROE 19.6% (parent company shareholders)
- Profits were affected positively by sale of Mokilizingas defaulted claims 0.9 EURm; bond portfolio negative revaluation 0.5 EURm and amortization cost of intangible assets arising from purchase of Danske Capital by 0.4 EURm. In the future the amortization of intangible assets will be divided between all months

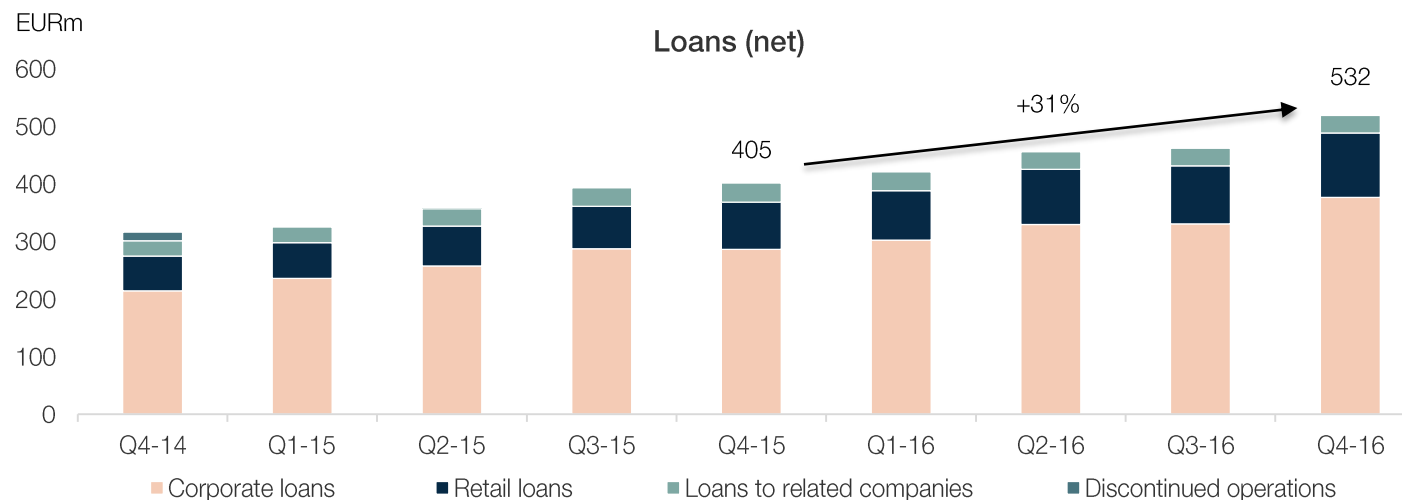
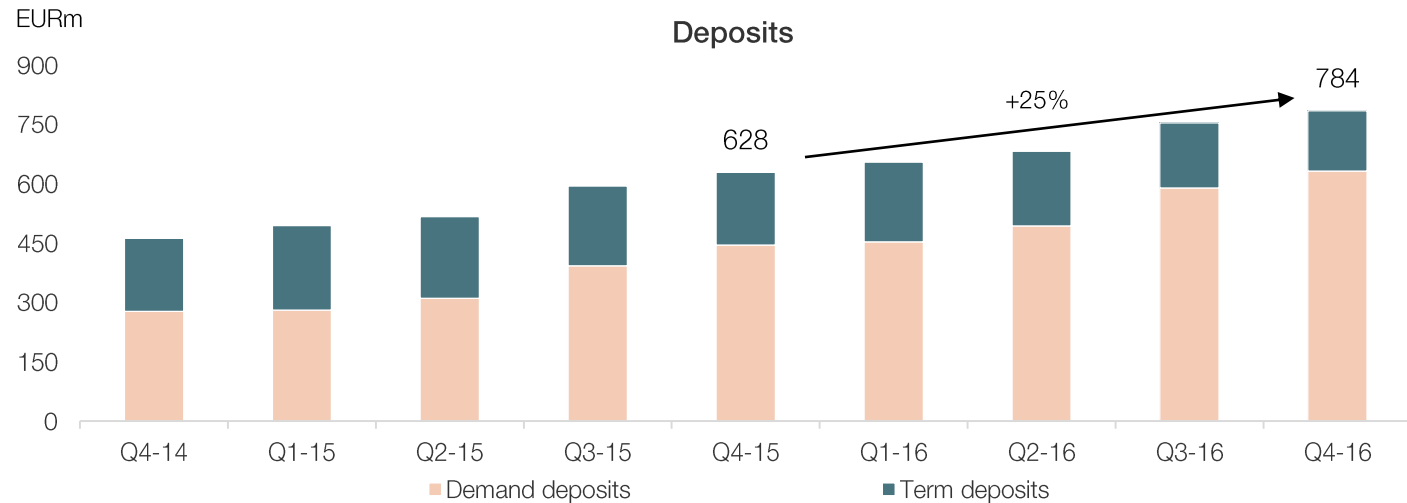
Strong growth of business volumes, ROE 19.6%

Financial results, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Net interest income		8,262	7,696	+566
Net fee and commission income		5,847	5,377	+470
Other income		-494	432	-926
Total revenue		13,615	13,504	+111
Total operating expenses		7,827	7,158	+670
Earnings before impairment		5,788	6,346	-558
Impairment losses on loans		-17	500	-516
Income tax		70	55	+15
Net profit		5,735	5,792	-57
Business volumes, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Deposits from customers		776,802	740,953	+35,849
Loans (net)		537,641	478,300	+59,341
Assets under management		973,861	936,961	+36,900
Customers		397,752	389,391	+8,361
Key figures	9 quarters	Q4-16	Q3-16	Δ quarter
Cost / income ratio (C/I)		57.5%	53.0%	+ 4.5 pp
ROE (attr.to owners of the parent)		19.6%	22.6%	- 3.0 pp

- Successful quarter with strong growth in business volumes
- The customers' activity remains high, driven by broadly-based indicators by the Bank and Asset Management
- Credit quality remains good
- Profits were affected positively by sale of Mokilizingas defaulted claims 0.9 EURm; bond portfolio negative revaluation 0.5 EURm and amortization cost of intangible assets arising from purchase of Danske Capital by 0.4 EURm. In the future the amortization of intangible assets will be divided between all months

LHV Banking

Loan portfolio increased 58 EURm QoQ



- Bank client base increased by 7300 and reached to 112 000 clients
- Deposits increased by 30 EURm. The growth came from demand deposits, time deposits decreased. Bank stopped offering of liquidity deposits
- Loan portfolio growth was record-breaking 58 EURm. Corporate loans increased by 46 EURm, mortgage and private loans by 8 EURm and hire purchase and consumer loans by 3 EURm
- Home loan offerings launched in Q4
- Annually deposits have grown by 155 EURm and loans by 126 EURm

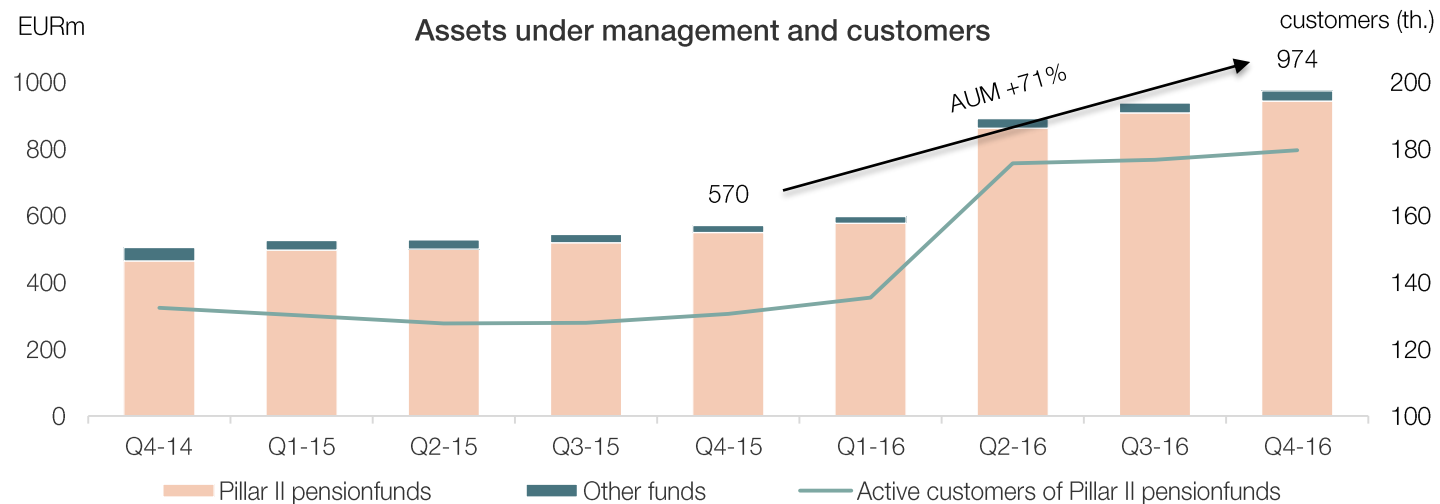
Business volumes growing, results affected by revaluation of bond portfolio

Financial results, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Net interest income		7,176	6,596	+580
Net fee and commission income		1,768	1,471	+297
Other income		-524	339	-864
Total revenue		8,419	8,406	+14
Total operating expenses		4,564	4,335	+229
Earnings before impairment		3,855	4,071	-216
Impairment losses on loans		675	365	+310
Net profit		3,180	3,706	-525
Business volumes, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Deposits from customers		784,631	754,243	+30,388
Loans (net)		531,761	473,405	+58,356
Customers		144,066	136,000	+8,066
Key figures	9 quarters	Q4-16	Q3-16	Δ quarter
Cost / income ratio (C/I)		54.2%	51.6%	+ 2.6 pp
ROE (attr.to owners of the parent)		15.3%	19.6%	- 4.3 pp
Net interest margin (NIM)		3.3%	3.2%	+ 4 bp

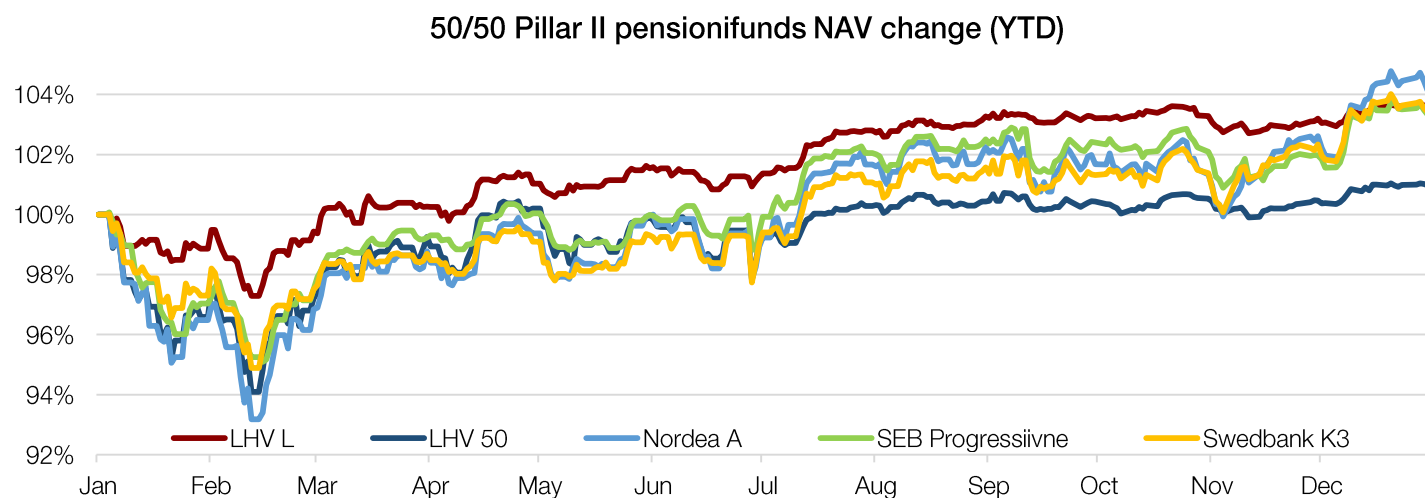
- The clients' activity of payments, card payments and card acquiring reached new records
- Net interest margin and credit quality have remained at very good levels and exceeded the expectations
- Profits amounted to 3.2 EURm. Profits in Q4 were affected by revaluation of debt securities by 0.5 EURm
- Trade Finance unit was established within Corporate banking division in Q4

LHV Asset Management

Asset under management increased by 37 EURm



- Assets under management increased by 37 EURm and reached 974 EURm
- The number of Pension II Pillar funds active clients increased to 180,000
- On 10th of November LHV launched passively managed II and III pillar pension funds
- In actively managed pension funds, LHV avoided taking higher risks in investing the funds. The market fluctuations were managed steadily in 2016



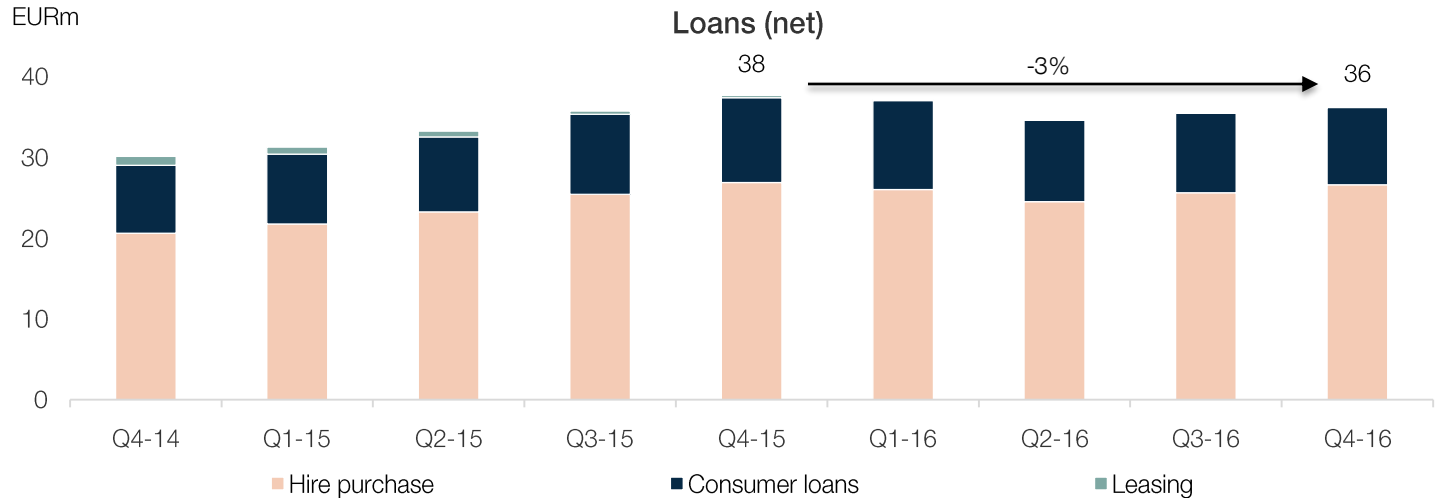
Higher business volumes, results affected by increase in intangibles D&A

Financial results, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Total revenue		3,887	3,789	+99
Selling expenses		741	757	-16
Other operating expenses		1,411	996	+415
Total operating expenses		2,152	1,753	+399
EBIT		1,735	2,035	-300
Net financial income		27	113	-86
Net profit		1,762	2,149	-387
Business volumes, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Pillar II pensionfunds		942,552	907,817	+34,735
Pillar III pensionfunds		14,710	13,493	+1,217
Eurofunds		16,599	15,652	+947
Active customers of PII funds		179,565	176,703	+2,862
Key figures	9 quarters	Q4-16	Q3-16	Δ quarter
Cost / income ratio (C/I)		55.4%	46.3%	+ 9.1 pp
ROE		35.1%	44.3%	- 9.1 pp

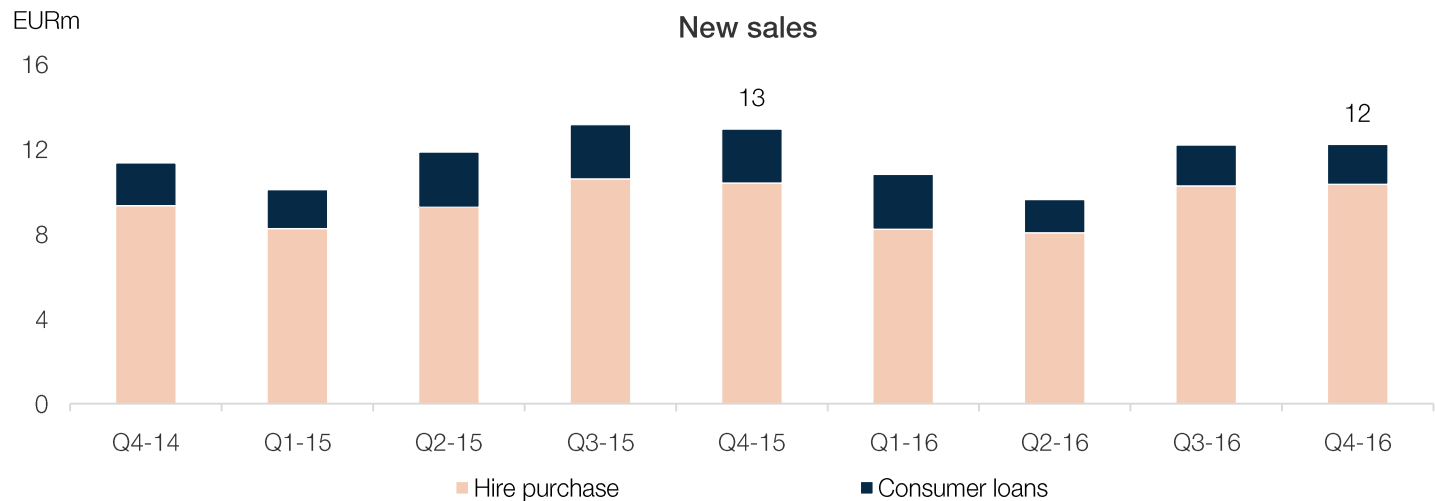
- Q4 profit was 1,8 EURm, which includes amortization of intangible assets related to acquisition of Danske Capital in amount of 0,4 EURm
- At the end of the year capital reduction of 2.7 EURm was carried through
- Parliament adopted new investment funds legislation, which entered into force on 10th January
- In February management fees for Pension II Pillar decrease by 19% in average
- In May we'll merge pension funds that have similar strategy

Mokilizingas

Changes in regulations affect new sales



- Changed regulation has affected new sales, but it's showing signs of slow improvement
- Credit quality in Lithuania has improved and outlook is stable



Sale of defaulted portfolio boosts the profits

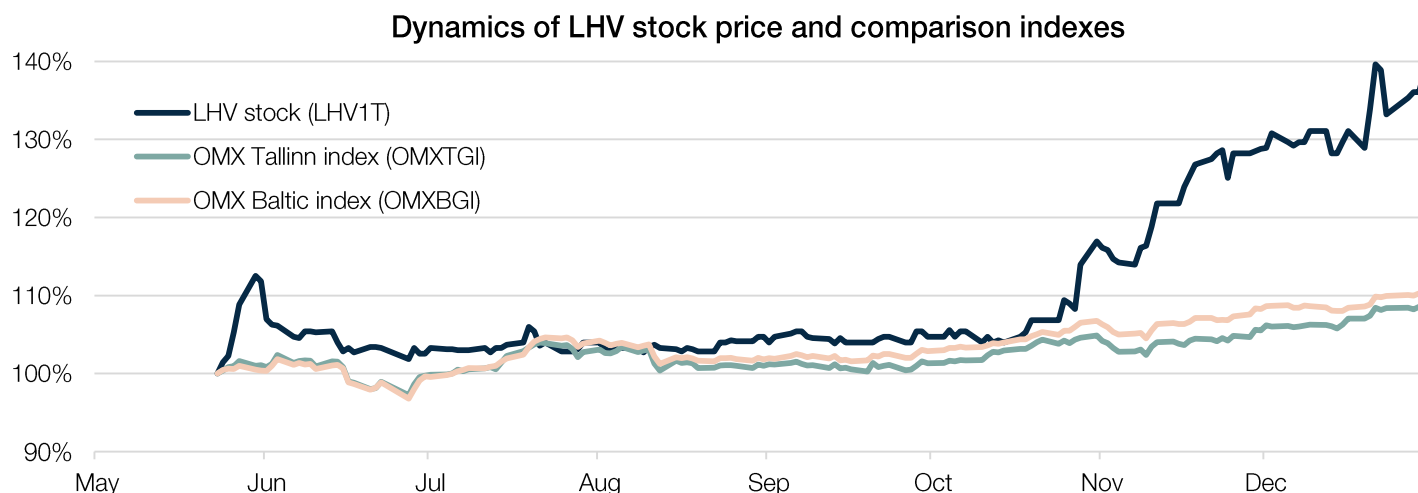
Financial results, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Net interest income		1,274	1,287	-13
Net fee and commission income		192	118	+74
Total revenue		1,466	1,405	+61
Total operating expenses		1,094	1,008	+86
Earnings before impairment		371	397	-25
Impairment losses on loans		-692	134	-826
Income tax		70	55	+15
Net profit		993	207	+786
Business volumes, EURt	9 quarters	Q4-16	Q3-16	Δ quarter
Hire purchase new sales		10,347	10,275	+72
Consumer loans new sales		1,891	1,935	-44
Loans (net)		36,460	35,471	+990
Customers		94,220	97,869	-3,649
Key figures	9 quarters	Q4-16	Q3-16	Δ quarter
Cost / income ratio (C/I)		74.7%	71.8%	+ 2.9 pp
ROE		63.0%	14.5%	+ 48.5 pp
Net interest margin (NIM)		12.7%	13.1%	- 34 bp

- Revenue growth has been lower than planned, the gap with forecast has increased. Partly due to changes in regulation, but also due to intense competition. Quick turnaround is not expected
- Issuing own cards project has reached second phase, but still too early to give in-depth evaluations
- The sale of defaulted in 0.9 EURm ensured strong Q4 with exceeding the profit plans for 2016. Consequently, we see somewhat lower inflows in the future
- Started accounting for impairments for cards

LHV market capitalization increased more than 32% in the quarter

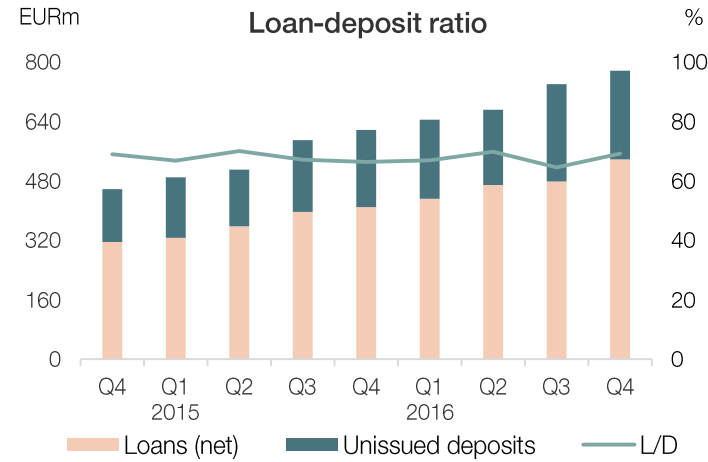
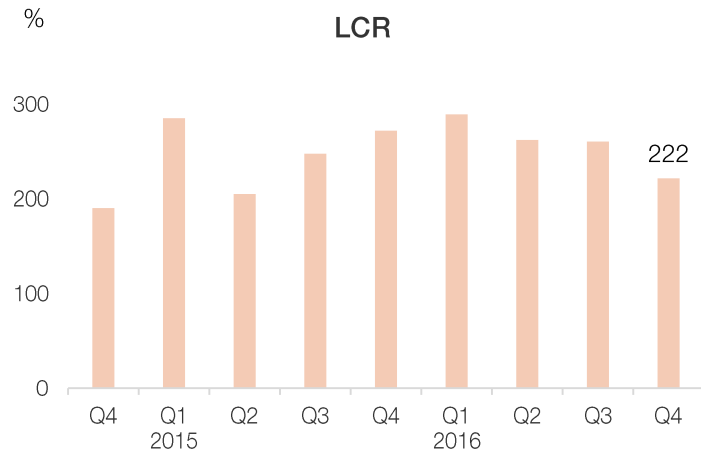


- LHV share price increased 32% in Q4 and year ended around 9.5 EUR
- In total 1692 trades were made with total volume of 3.3 EURm. The average price of trades on stock exchange was 8.44 EUR
- Shareholders EPS in Q4 is 0.19 EUR and cumulative profit per share is 0.70 EUR
- On 31.12.2016 LHV had 5170 shareholders and 52% of shares belonged to supervisory and management board members and their related parties
- Market capitalization based on year end closing price was 247 EURm

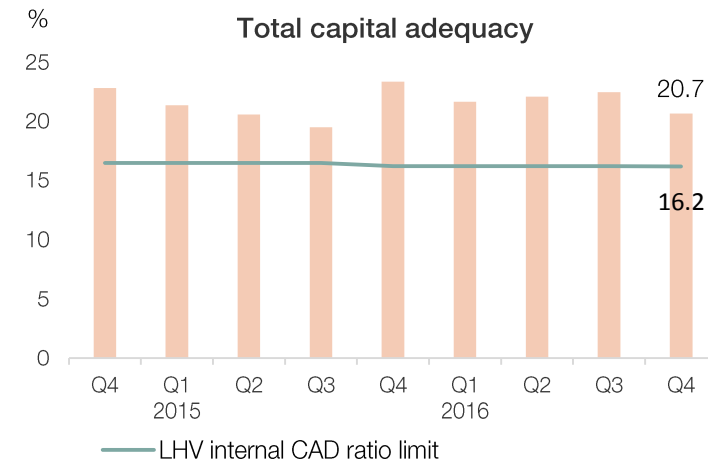
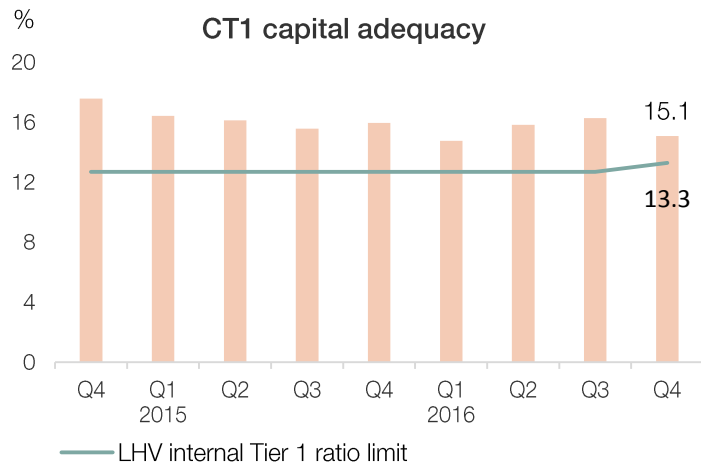


Annexes

Loan to deposit ratio 69%, capital adequacy strong

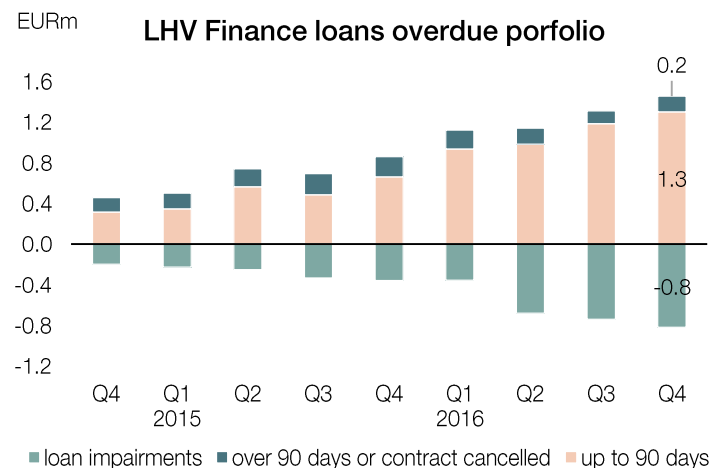
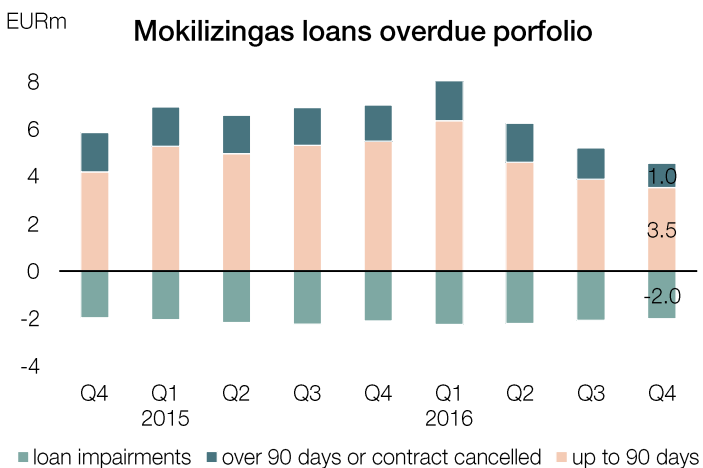
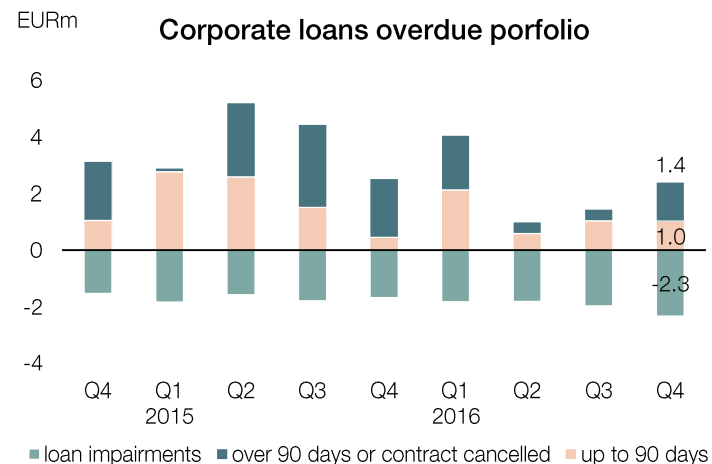
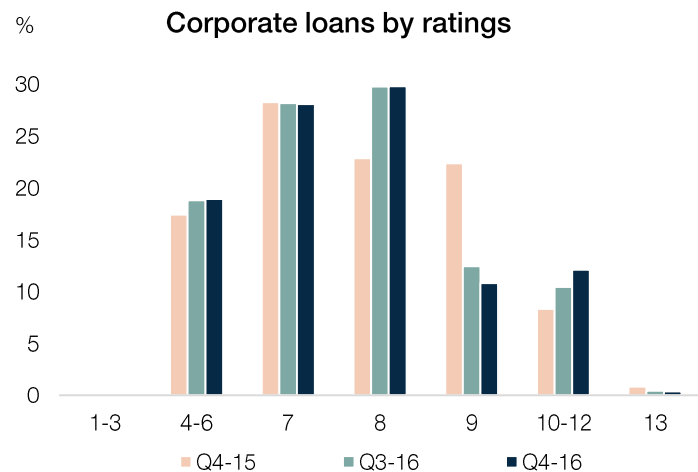


- LCR remains strong and exceeds significantly regulatory 100% requirement
- Loans/deposits ratio remains stable
- Strong capital adequacy ratio, significantly above regulatory and internal targets



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

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