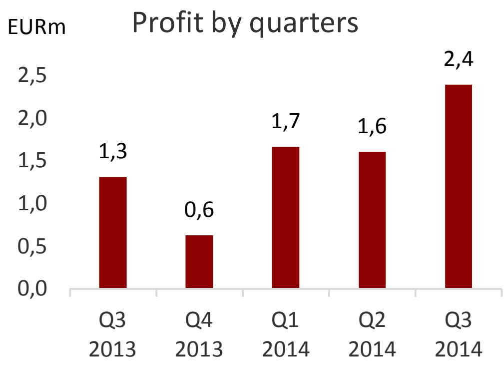
Interim Report January – September 2014
Summary of Results

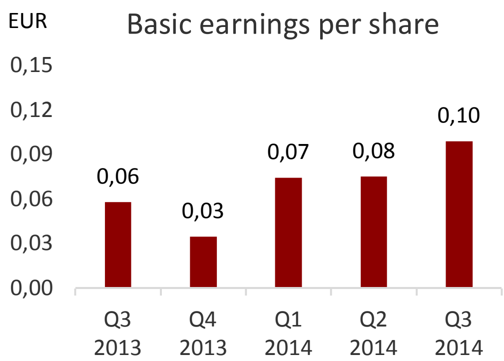
Q3 2014 in comparison with Q2 2014

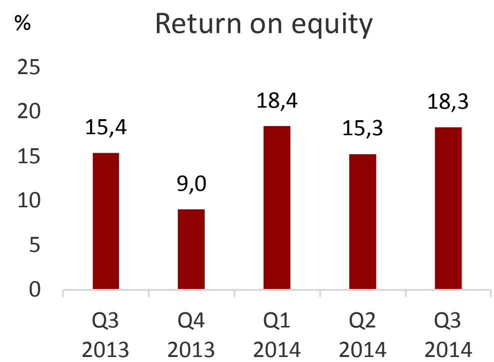
- Net profit EUR 2,4 m (EUR 1,6 m), of which EUR 2,3 m (EUR 1,5 m) can be attributable to owners of the parent company
- Earnings per share EUR 0,10 (EUR 0,08)
- Net income EUR 8,8 m (EUR 8,1 m)
- Operating expenses EUR 5,2 m (EUR 5,5 m)
- Loan provisions EUR 1,1 m (EUR 0,9 m)
- Return on equity 18,3% (15,3%)
- Capital adequacy 23,5% (25,2%)

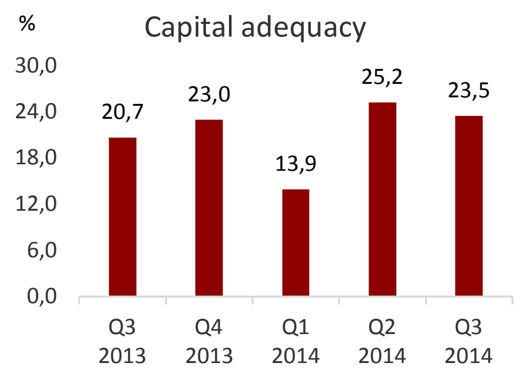
Q3 2014 in comparison with Q3 2013

- Net profit EUR 2,4 m (EUR 1,3 m), of which EUR 2,3 m (EUR 1,1 m) can be attributable to owners of the parent company
- Earnings per share EUR 0,10 (EUR 0,06)
- Net income EUR 8,8 m (EUR 6,1 m)
- Operating expenses EUR 5,2 m (EUR 4,3 m)
- Loan provisions EUR 1,1 m (EUR 0,6 m)
- Return on equity 18,3% (15,4%)
- Capital adequacy 23,5% (20,7%)









Earnings per share and return on equity ratios are based on the profit attributed to the shareholders and equity of AS LHV Group and do not include non-controlling interest

Managing Director's Statement

The business environment was favourable for LHV in the third quarter. Even though regional macro-economic risks have remained, these have not significantly curtailed economic activities, with LHV being able to enhance business volumes as planned. There is still room for a diligent and flexible financial service provider on the market.

After the successful first half of the year, LHV showed excellent results in the third quarter. A total of EUR 2 395 thousand was posted in consolidated profit, i.e. EUR 793 thousand more than in the second quarter and EUR 1 084 thousand more than in the third quarter last year. Consolidated loans increased by EUR 30 million and deposits by EUR 33 million. The volume of funds managed by LHV increased by EUR 43 million over the quarter. Since the beginning of the year, LHV has posted a profit of EUR 5 661 thousand. This constitutes a 53% increase, compared to the first nine months of 2013.

The bank's profit increased by EUR 486 thousand over the quarter, amounting to EUR 1 438 thousand in the third quarter. The growth in profit relied mainly on the increase in interest income on corporate loans and the seasonal low of operating expenses. Contributors also included the increase in leasing and consumer financing income. Credit quality has exceeded all expectations, with the share of overdue loans remaining stable. The general risk appetite has somewhat declined, mainly with regard to consumer financing. Loan provisions made in the third quarter amounted to EUR 841 thousand, surpassing the previous quarter with EUR 81 thousand.

In the third quarter of the year, LHV launched a major product for its business customers - the bank started to offer card payments acquiring services. Alongside a quick growth in the loan portfolio, a similar growth can be seen in corporate settlements and deposits. Simple and favourable settlement solutions are gaining an increasing number of users.

The profit generated from asset management increased by EUR 225 thousand during the quarter, totalling EUR 1 044 thousand in the third quarter. The growth in profit was supported by the growth in the volume of funds to EUR 511 million, as well as a more modest engagement of new customers, compared to previous quarters. LHV pension fund management has retained a conservative line, somewhat reducing the number of existing customers and the engagement of new customers. The number of LHV pension fund customers grew by 1 190 in the third quarter. In the second quarter, 2 121 new customers were added. Asset Management has a total of more than 132 000 active customers in the second pillar. By volume, the market share of second-pillar pension funds has grown by 21,2%.

Mokilizingas posted a profit of EUR 57 thousand in the third quarter - a EUR 16 thousand increase from the second quarter. Profit before loan write-downs increased by EUR 123 thousand and exceeded expectations. Net profit was curbed by the one-off write-down of loans in the amount of EUR 265 thousand. A year after the purchase of Mokilizingas, we can claim that the previous loan portfolio has been worked through in detail, and recognised based on the same principles applied by the LHV Group.

The business outlook for LHV in the upcoming months is good. Positive customer feedback, a well-motivated team and a stable business environment all add to the bank's confidence and reliability.

Erkki Raasuke

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Financial Summary

Income statement EUR million	**Q3** **2014**	**Q2** **2014**	**Quarter** **over quarter**	**Q3** **2013**	**Year** **over year**
Net interest income	5,40	4,80	12%	3,46	56%
Net fee and commission income	3,32	3,12	6%	2,61	27%
Other financial income	0,06	0,15	-59%	0,04	53%
Total net operating income	8,77	8,07	9%	6,12	43%
Other income	0,00	-0,01	-	0,03	-92%
Operating expenses	-5,24	-5,50	-5%	-4,28	22%
Loan losses	-1,11	-0,93	19%	-0,58	91%
Income tax expenses	-0,03	-0,02	44%	0,00	-
Profit	2,40	1,60	49%	1,31	83%
including attributable to owners of the parent	2,31	1,55	49%	1,11	108%

Business volumes EUR million	**Q3** **2014**	**Q2** **2014**	**Quarter** **over quarter**	**Q3** **2013**	**Year** **over year**
Loan portfolio	286,1	256,0	12%	187,6	52%
Financial investments	130,8	102,5	28%	54,6	140%
Deposits of customers	391,9	358,8	9%	285,9	37%
Equity (including minority interest)	53,9	51,4	5%	31,3	72%
Equity (owners' share)	51,9	49,4	5%	29,6	76%
Volume of funds managed	510,6	467,5	9%	354,9	44%
Assets managed by bank	490,0	474,5	3%	298,6	64%

Ratios EUR million	**Q3** **2014**	**Q2** **2014**	**Quarter** **over quarter**	**Q3** **2013**	**Year** **over year**
Average equity (attributable to owners of the parent)	50,6	40,5	10,1	28,8	21,8
Return on equity (ROE), %	18,3	15,3	3,0	15,4	2,8
Interest-bearing assets, average	456,6	423,6	33,0	331,7	124,9
Net interest margin (NIM) %	4,73	4,54	0,19	4,18	0,55
Price spread (SPREAD) %	4,61	4,43	0,18	4,09	0,53
Expense-to-income ratio %	59,7	68,3	-8,6	69,7	-10,0

Explanations to ratios (quarterly ratios have been expressed on an annualised basis)

Average equity (attributable to owners of the parent) = (equity as at the end of the reporting period + equity as at the end of the previous reporting period) / 2

Return on equity (ROE) = net profit for the quarter (share of owners of the parent) / average equity (attributable to owners of the parent) *100

Net interest margin (NIM) = net interest income / interest-bearing assets, average * 100

Price spread (SPREAD) = interest yield from interest-bearing assets – cost of external capital

Interest yield from interest-bearing assets = interest income / interest-bearing assets, average * 100

Cost of external capital = interest expenses / interest-bearing liabilities, average * 100

Expense-to-income ratio = total operating expenses / total net income * 100

Operating Environment

Global economic growth is slowing down, with recovery in problem regions boiling down to country specifics. The reversal of growth is especially evident in China and Russia, with the price of oil – generally recognised as the indicator of demand - dropping by 16% over the quarter. Similar troubles are brewing in Europe. With regard to major European economies, economic activity is showing signs of improvement in Spain, while the last-quarter figures published by Germany can as an unpleasant surprise. Against the backdrop of an economic stagnation in France, economic contraction in Italy and IMF's warning of the increased probability of an economic decline in the Eurozone, it is not too difficult to understand the reasons behind the expansive monetary policy of the European Central Bank.

Interest rate cuts by both the European Central Bank and, closer to home, by the Swedish Riksbank are designed to alleviate fears of deflation. Nonetheless, inflation in the Eurozone is expected to remain below the target in the upcoming quarters, forcing market participants to adjust to the lowest interest rates in history. In addition to Europe, the yield on long-term bonds has also dropped in the United States. Alongside low inflation on a global scale, bond yields are subject to geopolitical tensions brewing in Ukraine and the Near East.

Anxiety is also affecting the target markets of LHV: Estonia, Latvia, Lithuania and Finland. All of these economies are influenced by various common factors, while the internal economic processes are fundamentally different.

In Estonia, the near future is, once again, shrouded in uncertainty. Indeed, the forecasts of Eesti Pank and the Ministry of Finance for the upcoming quarters as well as for 2015 remain positive. Nevertheless, it would not be wise to rule out the possibility of negative growth in some quarters. The recent economic growth has mainly relied on consumption, with export and investments serving as lesser contributors. While the decrease in export is mainly due to external factors, investments are affected, in addition to export, by a higher-than-productivity wage growth. This has reduced the investment capacity of businesses.

Even if we choose to ignore the forecast revision stemming from methodological changes, the economic forecast for Estonia has still been lowered several times in recent quarters. Whatever the cause for the decrease in external demand - the decrease in economic activity in the Eurozone, the long-term economic decline in Finland, the weakening economy in Russia or the related sanctions - this is bound to affect the transport sector, which is already weak to its core. Similarly, the Russian sanctions are having a direct impact on agriculture, food industry and tourism, with an indirect spill-over to other sectors of economy. If we add the growing pessimism towards the real estate sector, economic growth is jeopardised by several branches of economy, with a simultaneous decline in these branches having the potential of weakening other branches of economy.

Positive factors include low interest rates, which support investment, as well as - in the medium term - the weakness of the euro, which may expand the sales potential of the export sector beyond the borders of the Eurozone. From the point of view of financiers, mention must also be made of the decrease in the proportion of overdue loans in all loan segments. The competition on the loan market is thus quite active, with a resumed growth in the private-sector loan balance in the course of the last two quarters.

Consumption remains strong, supporting the sale of loan products to private customers. Growth has also been supported by the increase in employment and the growth in wages as well as - in the short term - the deflationary environment. Similarly, the volume of household deposits is increasing and the volume of overdue loans decreasing with regard to both housing loans and consumption loans as well as private loans. The weakening consumer confidence should, however, be viewed as a warning sign.

Finland is seeing a third consecutive year of economic decline, albeit the extent of the decline is smaller with each passing year. Even though positive for the upcoming year, the forecasts for the Finnish economy have been curtailed by the Russian sanctions. Unemployment is expected to rise, regardless of the economic forecast, with LHV thus setting limitations on disbursement of small loans in Finland.

The economic outlook for Lithuania remains stable, but the risks are increasing, similarly to Estonia. Consumption remains strong and is broad-based, with growth stemming from the improvement in employment and above-inflation wage growth. The adoption of the euro at the beginning of 2015 is fuelling expectations. The growth in demand is especially evident in the construction and real estate sector, but manufacturing and trade are also showing signs of growth. Similarly to other neighbouring economies, Lithuania is affected by the import restrictions imposed by Russia, with the direct impact amounting to 4% of total Lithuanian export (plus the indirect impact). Nonetheless, the central bank of Lithuania raised the economic growth forecast for 2014 and 2015 in the third quarter, along with consumer expenditure forecasts.

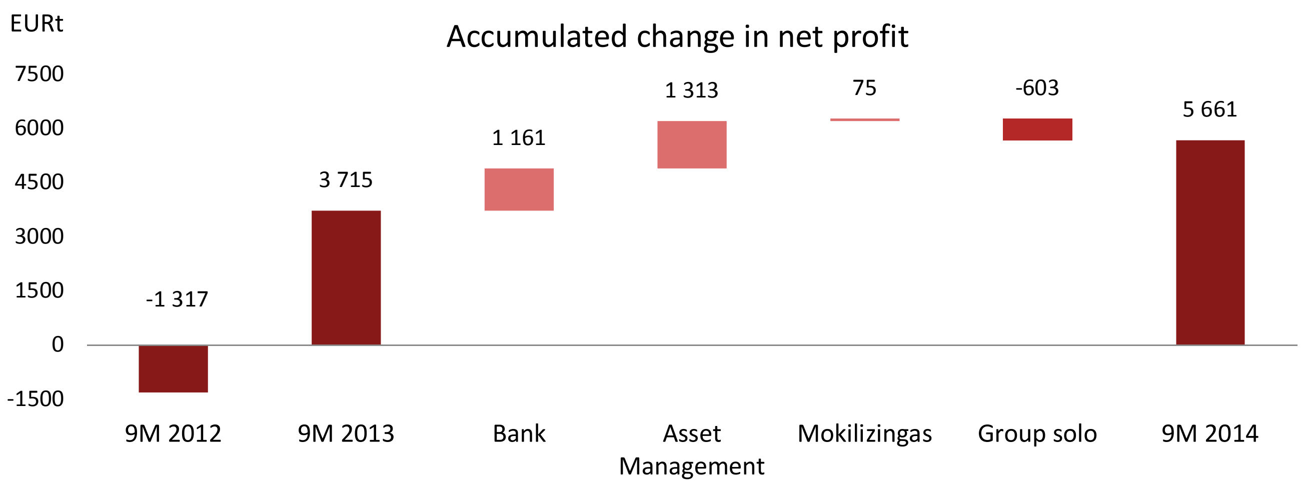
Taking into account the economic environment, LHV will increasingly place greater emphasis on the general management of its portfolios alongside the selection of high-quality investment projects. The strategy for the near future foresees that the proportion of financing projects with a lower risk will be increased in the segment of business loans; in order to achieve this objective, the bank is willing to offer competitive margins to strong performing projects.

Financial Results of the Group

Compared to the second quarter, the Group's net interest income grew by 12%, standing at EUR 5,4 million (Q2: 4,8 million). Net fee and commission income grew by 6% and stood at EUR 3,3 million (Q2: 3,1 million). Financial income decreased by 59%, amounting to approximately EUR 0,1 million in both quarters. In total, the net income of the Group increased by 9% in the third quarter, compared to the second quarter, amounting to EUR 8,8 million (Q2: 8,1 million), with expenses dropping by 5% and amounting to EUR 5,2 million (Q2: 5,5 million). The Group's operating profit for the second quarter amounted to EUR 3,5 million (Q2: 2,6 million). More write-downs were made in the third quarter than in the second quarter - EUR 1,1 and 0,9 million, respectively. The increase in write-downs resulted mainly from the growth in loan portfolios, but also from the ongoing adjustment of provisioning models. The Group posted a net loss of EUR 2,4 million in the third quarter (Q2: 1,6 million).

Compared to Q3 2013, the Group's net interest income increased by more than a half or by 56% and net fee and commission income by 27%, with financial income increasing by 53%. The proportion of financial income in the Group's total revenue is relatively small; this type of revenue was higher only in Q1 2013, when a large part of the portfolio of bonds available for sale was realised and the revaluation reserve, which was previously recognised under equity, was charged to profit.

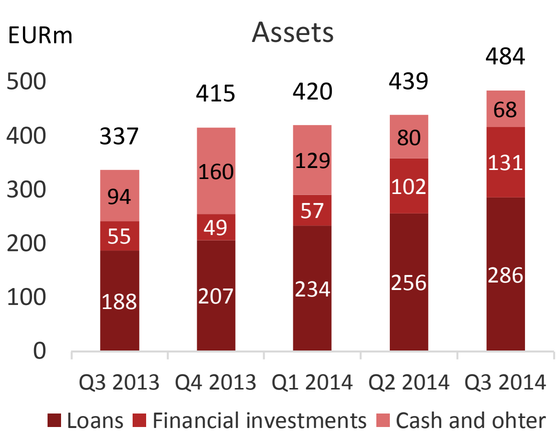
In terms of business entities, AS LHV Varahaldus posted a profit of EUR 2,4 million, AS LHV Pank a consolidated profit of EUR 3,3 million and UAB Mokilizingas a profit of EUR 0,5 million in the first nine months of 2014. On a solo basis, LHV Group generated a loss of EUR 0,5 million, as it does not have a separate revenue generating unit and the main type of expenses incurred by the Group are interest expenses from subordinated liabilities.



The Group's volume of deposits as at the end of the third quarter amounted to EUR 392 million (Q2: 359 million), of which demand deposits made up EUR 209 million (Q2: 175 million) and term deposits EUR 183 million (Q2: 184 million).

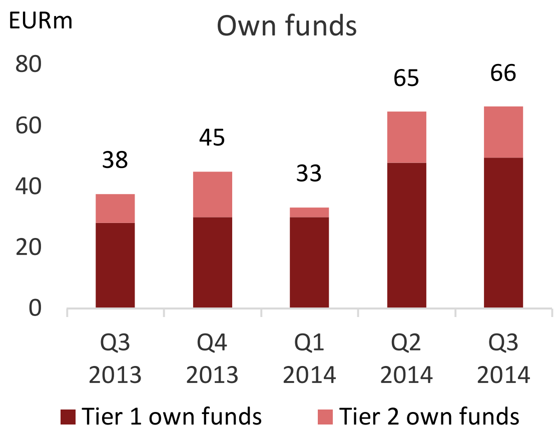
As at the end of the third quarter, the volume of loans granted by the Group amounted to EUR 286 million (Q2: 256 million), with the volume of financial investments increasing to EUR 131 million (Q2: 102 million), which respectively is 12% and 28% more than at the end of the second quarter.

Compared to Q3 2013, the volume of the Group's deposits has increased by 37%, the volume of loans by 52% and the volume of financial investments by 140%.



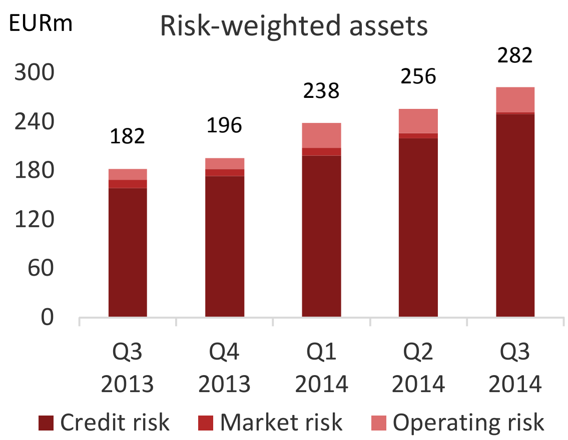
Liquidity and Capitalisation of the Group

In the third quarter, the Group's own funds increased mainly due to the interim audit of the profit for the first half-year and the charging of the profit to own funds. As at 30 September 2014, the Group's own funds stood at EUR 66,2 million (30 June 2014: EUR 64,6 million). The Tier of the Group's own funds as at the end of the first quarter was lower, as it was not possible to include the previously issued subordinated bonds with Tier 2 own funds due to the EU banking regulation which entered into force with respect to Estonia at the beginning of the year. Bonds were exchanged for new bonds in the second quarter.



The Group is well capitalised as at the end of the reporting period, with a capital adequacy ratio of 23,5% (30 June 2014: 25,2%).

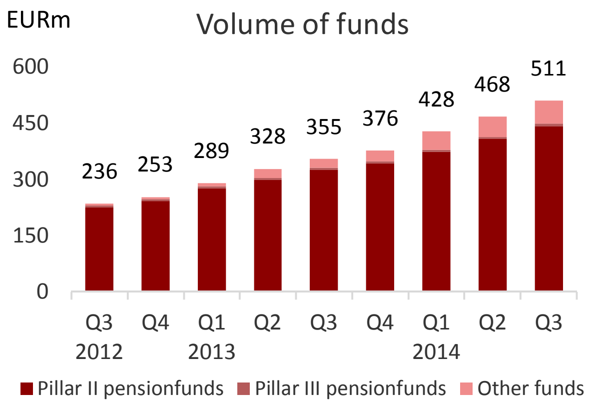
The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 307% as at the end of September (30 June 2014: 388%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 39% of the balance sheet (30 June 2014: 39%). The ratio of loans to deposits stood at 75% as at the end of the third quarter (30 June 2014: 73%).



The Group finances itself from the deposits of its customers as well as own funds. To implement the procedure for participating in the financing operations of the European Central Bank, the Group participated, for the first time, in the long-term loan offer to Eurozone commercial banks in the third quarter. The offer allows to borrow on a total of eight occasions in the period between September 2014 and June 2016. The Group borrowed EUR 13 million in the first stage. The European Central Bank's programme aims at supporting lending into real economy.

Overview of AS LHV Varahaldus

- Successful sale of mandatory pension funds: market share of Pillar 2 by volume: 21,2% (as at the end of 2013: 19,3%)
- Total volume of Pillar 2 funds as at the end of September: EUR 443 million (as at the end of 2013: EUR 343 million)
- The volume of the Persian Gulf Fund has grown to EUR 61 million (as at the end of 2013: EUR 26 million)



EUR million	Q3 2014	Q2 2014	Change %	Q3 2013	Change %	From the beginning of 2014	From the beginning of 2013	Change %
Net fee and commission income	2,22	2,06	8%	1,57	42%	6,06	4,16	46%
Net financial income	0,06	0,07	-5%	0,01	719%	0,17	0,04	309%
Operating expenses	-1,24	-1,31	-5%	-1,10	12%	-3,84	-3,13	23%
Profit	1,04	0,82	28%	0,47	120%	2,38	1,07	123%
Financial investments	6,47	6,44	0%	5,31	22%			
Subordinated liabilities	0,55	0,55	0%	1,66	-67%			
Equity	7,59	6,53	16%	4,52	68%			
Assets under management	511	468	9%	355	14%			

Growth in the mandatory pension funds managed by LHV Varahaldus has met expectations. LHV Varahaldus has consistently increased its market share and gained net investments in every pension fund change period. The fund manager's service charges have increased in proportion to the increase in the volume of assets. Revenue from the management fees of mandatory pension funds in the first nine months of the year amounted to EUR 5,15 million (2013: EUR 3,83 million), with a revenue increase of 34%. LHV Persian Gulf Fund has shown a more rapid growth this year.

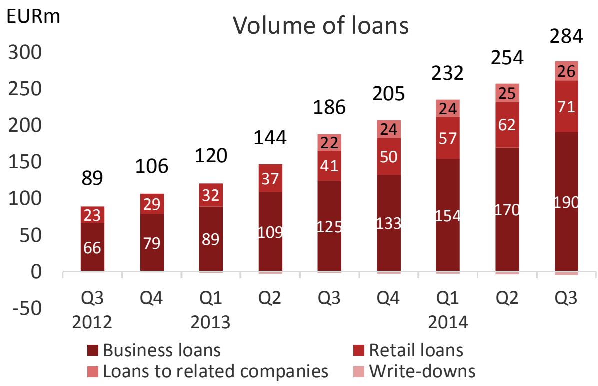
Marketing and sales expenses account for a half of the operating expenses of LHV Varahaldus and amounted to EUR 1,95 million in the first nine months of the year (2013: EUR 1,67 million), increasing by 17%. Other operating expenses have increased in proportion to the growth in revenue by 29%.

In investing the assets of pension funds, LHV Varahaldus has taken a conservative stance in 2014 by prioritising the protection of capital in the insecure geopolitical and economic environment. The yield of pension funds in the first nine months of the year ranged from 1,3 to 4,4%.

The yield of LHV Persian Gulf Fund, targeted at a region where stock markets have shown a stable upward movement, was 29,7% in the first nine months of the year.

Overview of AS LHV Pank Consolidation Group

- Strong profit in all three quarters of 2014
- Net growth in the volume of loans to EUR 30 million in Q3 (Q2: EUR 21 million)
- Card payments acquiring services to corporate customers



EUR million	Q3 2014	Q2 2014	Change %	Q3 2013	Change %	From the beginning of 2014	From the beginning of 2013	Change %
Net interest income	4,48	4,01	59%	2,12	59%	12,05	7,21	67%
Net fee and commission income	0,93	0,85	34%	0,79	34%	2,74	2,24	22%
Other financial income	0,01	0,07	-340%	1,95	-340%	0,27	2,32	-88%
Total net operating income	5,42	4,94	54%	4,86	54%	15,06	11,77	28%
Other income	0,01	0,00	-44%	0,01	-44%	0,04	0,05	-27%
Operating expenses	-3,16	-3,22	21%	-2,44	21%	-9,61	-7,76	24%
Loan losses	-0,84	-0,76	54%	-0,76	54%	-2,18	-1,92	14%
Profit	1,44	0,95	273%	1,67	273%	3,31	2,15	54%
Loan portfolio	284	254	12%	186	52%			
Bond portfolio	124	96	29%	49	152%			
Deposits of customers	396	362	9%	288	38%			
Subordinated liabilities	12	12	0%	7	71%			
Equity	42	41	4%	22	94%			

The profit of LHV Bank for the first nine months of the year amounted to EUR 3,31 million. This constitutes a 54% increase from the same period last year (2,15 million). Net interest income increased by 67% and net fee and commission income by 22%. Financial income for the first nine months of the year was 88% lower than in the previous period, as the profit from the portfolio of bonds available for sale was realised, generating higher financial income.

The big increase in net interest income can be attributable to growth in business volumes. The volume of the bank's loan portfolios totalled EUR 284 million as at the end of September (September 2013: EUR 186 million). The volume of portfolios grew by 52%, year over year. Loans to companies accounted for the largest portion of the loan portfolio, having increased by 52% and amounting to EUR 189 million (EUR 124 million). The portfolio of retail loans has grown by 73% to EUR 69 million (EUR 40 million). LHV Bank has granted a loan to the Group's subsidiary UAB Mokilizingas, with the loan volume amounting to EUR 26 million as at the end of September (EUR 22 million).

The volume of deposits grew by 38% year over year, totalling EUR 396 million by the end of September (EUR 288 million). The growth in deposits was quicker in the third quarter than in the first half of the year. The low interest rates have triggered changes in the structure of deposits. As depositing money for a term is not so attractive anymore, LHV launched the concept of the liquidity account in late 2013, which means that if certain conditions are met, a higher interest will be paid on demand deposits. This has boosted the proportion of demand deposits, which accounted for nearly 54% of all deposits as at the end of September (a year ago: 36%).

Revenue from security brokerage still accounts for the biggest share in fee and commission income. Revenue from cards and settlements is also show a growing trend.

Operating expenses grew by 24% year over year, meeting the expectations in the current stage of rapid growth.

Loan provisions increased by 14%, compared to the first nine months of 2013. In the third quarter, the bank pursued a further improvement of provisioning models, adopting a somewhat more conservative stance with regard to loan assessment. No extensive loan provisions have been made, with the portfolio retaining its high quality.

The growth in the corporate credit portfolio met the established target, growing by EUR 69,5 million on an annualised basis (+54%) and EUR 20,1 million on a quarterly basis. The largest source of growth is real estate management, which has traditionally been well-financed by commercial banks. Loans for real estate activities grew by EUR 38,1 million year over year (+89%) and by EUR 12,2 million quarter over quarter (+18%). LHV Bank has mainly financed real estate objects with a rent flow, but also the development of new apartment buildings, considering that the market has remained strong.

Alongside real estate activities, the sectors demonstrating the biggest growth in annual comparison were the entertainment sector (EUR 8,8 million; +124%) and the construction sector (EUR 6,3 million; 173%). In addition to the real estate sector, more loans, compared to the previous quarter, were granted to holding companies, including for the purchase of participations (EUR 4 million; +21%) and to waste management companies (EUR 3,3 million; +1 223%).

The largest amount of corporate loans were still granted to the real estate sector, which accounts for 39% of the bank's total portfolio of corporate loans. A bulk of the real estate loans have been issued for projects with a rent flow. Real estate development ranks second, with the relates projects nearing their final stages. A majority of the real estate developments financed are located in Tallinn, with a few also in Tartu. In new property development financing, the bank holds a 25% market share. The market share has decreased significantly from the 30% in the first quarter.

LHV remains moderately cautions of the near future. Supply has increased abruptly on the aftermarket, compared to the beginning of the year. The simultaneous drop in transaction activity is likely to trigger a decline in prices. A similar trend could also be expected with regard to new development projects, where the supply has sharply increased in the last quarters. Against the increase in supply and the worsening sentiment, there is a possibility of a decline in the price of new development projects. LHV is well-positioned for such a scenario, as the development projects financed by the bank have a good location, with major development projects having reached final stages of completion and the average ratio of project risks and price estimations standing at less than 50%. Nonetheless, new projects will be financed under increasingly conservative terms.

Alongside the real estate sector, the biggest volume of loans has been issued to the processing industry (proportion: 14%) and financial and insurance activities, including holding companies (10%). Agriculture, which is under special surveillance due to the Russian import prohibition, only makes up 3% of the portfolio. Growth in this sector has also been much slower than market growth in general.

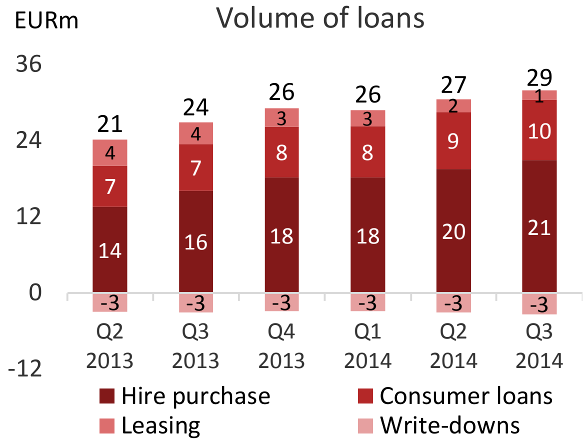
The indirect impact of the Russian import prohibition is much more difficult to assess than the direct impact. Loss of a major export destination will generate a surplus in the production resources of the agricultural and food industry, with the price drop triggered by the increase in supply exerting pressure on wages as well as job creation. Furthermore, this will curb the economic outlook of Estonia's export partners, negatively affecting the Estonian export capacity. Nevertheless, LHV believes that the direct and indirect impact of the Russian import prohibition will remain modest for the bank's customers and the corporate loan portfolio.

The overall well-being of the corresponding sector of economy will become increasingly important in financial decision-making in the near future, as the economic results of various sectors could radically differ in the current phase.

The higher capital requirements for the banks operating in Estonia took effect on August 1 – base rate: 8%, capital buffer: 2,5%, systemic risk buffer: 2%. Thus, a minimum capital adequacy rate of 12,5% has been established for banks.

Overview of UAB Mokilizingas

- The Group acquired Mokilizingas on 30 June 2013
- The issue of cash loans to customers was launched in the third quarter
- The loan provisions model was improved



EUR million	Q3 2014	Q2 2014	Change %	Q3 2013	Change %	From the beginning of 2014	From the beginning of 2013	Change %
Net interest income	1,0	0,9	6%	0,7	41%	2,7	-	-
Net fee and commission income	0,2	0,2	-17%	0,4	-52%	0,6	-	-
Operating expenses	-0,8	-0,9	-12%	-0,6	41%	-2,3	-	-
Loan losses	-0,3	-0,2	58%	-0,0	610%	-0,4	-	-
Income tax expenses	-0,0	-0,0	44%	0,0	-	-0,1	-	-
Profit	0,1	0,0	37%	0,5	-87%	0,5	-	-
Loan portfolio	28,5	27,4	4%	23,9	19%			
Equity	3,8	3,7	2%	3,3	15%			

Similarly to the second quarter, the profit posted in the third quarter remained modest, with the accumulated profit for the first nine months of the year relying heavily on the first quarter. Similarly to the marketing efforts taken in the second quarter, LHV launched a marketing campaign for consumer loans at the end of the third quarter. Above all, Mokilizingas aims at offering financing tailored to the needs of the customer, rather than competing in interest rates. Even though the third quarter was slower due to the holiday season, the negotiations with strategic partners launched in the first half of the year yielded results, with the sales results for the third quarter thus exceeding expectations. LHV also started offering insurance services to its hire-purchase customers.

Third-quarter results were affected by the adjustment in provision evaluation methods, prompting one-off write-downs of loans. Loan portfolio grew by 4% in the third quarter. Net interest income grew by 6%. Net fee and commission income decreased by 17%, as expected. With Mokilizingas managing the loan portfolio of Snoras Bank and its loan portfolio gradually decreasing, the fee and commission income from the management of the portfolio is decreasing.

Comparative data for the previous year includes the results for Q3 2013, as the Group acquired Mokilizingas as at 30 June 2013.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

EUR thousand	Note	Q3 2014	From the beginning of 2014	Q3 2013	From the beginning of 2013
Interest income		6 362	17 292	4 233	10 167
Interest expense		-966	-2 841	-769	-2 382
Net interest income	7	**5 396**	**14 451**	**3 464**	**7 785**
Fee and commission income		3 607	10 227	2 854	7 489
Fee and commission expense		-290	-809	-242	-733
Net fee and commission income	8	**3 317**	**9 418**	**2 612**	**6 756**
Net gains/losses from financial assets measured at fair value		61	429	46	2 329
Foreign exchange gains/losses		0	-9	-7	-15
Other financial income		0	0	0	243
Net gains from financial assets		**61**	**420**	**39**	**2 557**
Other income		0	0	27	53
Personnel expenses	9	-2 204	-6 591	-1 675	-4 582
Operating expenses	9	-3 035	-9 313	-2 606	-6 920
Operating profit		**3 535**	**8 385**	**1 861**	**5 649**
Change in investment in associate		0	0	31	17
Write-down of loans		-1 106	-2 611	-580	-1 951
Income tax expenses		-34	-113	0	0
Net profit for the reporting period		**2,395**	**5 661**	**1 312**	**3 715**
Other comprehensive income					
Entries which may be charged to the income statement:					
Revaluation of available-for-sale financial assets		3	27	-9	-34
Total comprehensive income for the reporting period		**2 398**	**5 688**	**1 303**	**3 681**
Profit attributable to:					
Owners of the parent		2 311	5 286	1 111	3 568
Non-controlling interest		84	375	201	147
Profit for the reporting period		**2 395**	**5 661**	**1 312**	**3 715**
Total comprehensive income attributable to:					
Owners of the parent		2 314	5 313	1 102	3 534
Non-controlling interest		84	375	201	147
Total comprehensive income for the reporting period		**2 398**	**5 688**	**1 303**	**3 681**
Basic earnings per share (in euros)	13	0,10	0,25	0,06	0,20
Diluted earnings per share (in euros)	13	0,10	0,25	0,06	0,19

Consolidated Statement of Financial Position

EUR thousand	Note	30.09.2014	31.12.2013
Assets			
Balances with central banks	10	40 463	133 839
Due from credit institutions	10	15 605	17 004
Due from investment companies	10	5 946	1 466
Available-for-sale financial assets		4 268	11 903
Financial assets at fair value through profit and loss		126 519	36 702
Loans and advances to customers	6	286 091	206 768
Other receivables from customers		1 118	1 507
Other assets		2 260	3 892
Goodwill		1 044	1 044
Property, plant and equipment		581	491
Intangible assets		526	621
Investments in associates		50	131
Total assets		**484 471**	**415 368**
Liabilities			
Deposits of customers and loans received	11	409 190	356 381
Financial liabilities at fair value through profit and loss		362	433
Accrued expenses and other liabilities		4 285	6 891
Subordinated liabilities		16 685	19 716
Total liabilities		**430 522**	**383 421**
Equity			
Share capital		23 356	19 202
Share premium		33 992	21 871
Options reserve		54	15
Mandatory reserve		435	223
Other reserves		0	-27
Accumulated loss		-5 958	-11 032
Total equity attributable to owners of the parent		**51 879**	**30 252**
Non-controlling interest		2 070	1 695
Total equity		**53 949**	**31 947**
Total liabilities and equity		**484 471**	**415 368**

Consolidated Statement of Cash Flows

EUR thousand	Note	9 months 2014	9 months 2013
Cash flows from operating activities			
Interest received		16 863	10 168
Interest paid		-2 709	-2 370
Fees and commissions received		10 108	7 500
Fees and commissions paid		-809	-731
Personnel expenses paid		-6 458	-4 581
Administrative and other operating expenses paid		-8 442	-6 135
Income tax paid		-113	0
Cash flow from operating activities before change in operating assets and liabilities		**8 389**	**3 851**
Net increase/decrease in operating assets:			
Net acquisition/disposal of trading portfolio		2	0
Loans and advances to customers		-80 994	-66 771
Term deposits with banks		-495	-124
Legal reserve with the central bank		-425	-141
Security deposits		-354	82
Other assets		1 726	157
Net increase/decrease in operating liabilities:			
Demand deposits of customers		46 946	30 981
Term deposits of customers		-8 088	-25 077
Loans received and repayments		13 807	-18 025
Financial liabilities for trading at fair value through profit and loss		-71	-146
Other liabilities		-3 018	764
Net cash flow from operating activities		**-22 575**	**-74 449**
Cash flows from investing activities			
Non-current assets acquired		-354	-252
Acquisition and disposal of subsidiaries and associates		79	304
Acquisition of investments held to maturity		0	-2 790
Available-for-sale investments sold or redeemed (previously held-to-maturity investments)		7 730	61 038
Net change of investments at fair value through profit or loss		-89 470	6 465
Net cash flow from investing activities		**-82 015**	**64 765**
Cash flows from financing activities			
Non-controlling interest’s contribution in subsidiary´s share capital		0	175
Contribution in share capital		16 275	4 864
Disposals of treasury shares		0	1
Loans received		15 900	5 400
Repayment of loans received		-18 800	-4 300
Net cash flow from financing activities		**13 375**	**6 140**
Change in cash and cash equivalents		**-91 275**	**-3 544**
Cash and cash equivalents at the beginning of the period		148 912	87 859
Cash and cash equivalents at the end of the period	**10**	**57 697**	**84 315**

Consolidated Statement of Changes in Equity

EUR thousand	Share capital	Share premium	Share options	Reserves	Other reserves	Accumulated loss	Treasury shares	**Total**	Non-controlling interest	**Total equity**
Balance as at 1.01.2013	**17 382**	**18 827**	**232**	**223**	**0**	**-15 581**	**-1**	**21 082**	**0**	**21 082**
Paid-in share capital	1 820	3 044	0	0	0	0	0	4 864	0	**4 864**
Share options	0	0	-217	0	0	0	0	-217	0	**-217**
Disposals of treasury shares	0	0	0	0	0	0	1	1	0	**1**
Retained earnings of the acquired subsidiary	0	0	0	0	0	312	0	312	0	**312**
Non-controlling interest’s contribution in subsidiary´s share capital	0	0	0	0	0	0	0	0	1 587	**1 587**
Net profit	*0*	*0*	*0*	*0*	*0*	*3 568*	*0*	*3 568*	*147*	***3 715***
Other comprehensive income	*0*	*0*	*0*	*0*	*-34*	*0*	*0*	*-34*	*0*	***-34***
Total comprehensive income for the reporting period	0	0	0	0	-34	3 568	0	3 534	147	**3 681**
Balance as at 30.09.2013	**19 202**	**21 871**	**15**	**223**	**-34**	**-11 701**	**0**	**29 576**	**1 734**	**31 310**
Balance as at 1.01.2014	**19 202**	**21 871**	**15**	**223**	**-27**	**-11 032**	**0**	**30 252**	**1 695**	**31 947**
Paid-in share capital	4 154	12 121	0	0	0	0	0	16 175	0	**16 175**
Transfers to mandatory reserve	0	0	0	212	0	-212	0	0	0	**0**
Options reserve	0	0	39	0	0	0	0	39	0	**39**
Net profit	*0*	*0*	*0*	*0*	*0*	*5 286*	*0*	*5 286*	*375*	***5 661***
Other comprehensive income	*0*	*0*	*0*	*0*	*27*	*0*	*0*	*27*	*0*	***27***
Total comprehensive income for the reporting period	0	0	0	0	27	5 286	0	5 313	375	**5 688**
Balance as at 30.09.2014	**23 356**	**33 992**	**54**	**435**	**0**	**-5 958**	**0**	**51 879**	**2 070**	**53 949**

Notes to the Consolidated Financial Statements

NOTE 1 Accounting policies

The interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted in the European Union. The interim financial statements should be viewed together with the Annual Report for the financial year ended on 31 December 2013, which has been prepared in accordance with the International Financial Reporting Standard (IFRS). The new and revised standard and interpretations which entered into force on 1 January 2014 have no significant impact on the Group's financial statements as at the moment of the preparation of the interim financial statements. The interim financial statements have not been audited and do not contain the entire range of data required for the preparation of the financial statements.

The financial figures of the interim financial statements have been presented in thousands of euros, unless otherwise indicated. The interim financial statements have been consolidated and include the results of AS LHV Group and its subsidiaries AS LHV Varahaldus (100% interest), AS LHV Pank (100% interest), AS LHV Finance (65% interest) and UAB Mokilizingas (50% interest + 1 share).

NOTE 2 Business Segments

The Group divides its business activities into segments according to its legal structure. The business segments form a part of the Group, with a separate access to financial data and subject to regular monitoring of operating profit by the Group's decision-maker. The Management Board of AS LHV Group has been designated as the decision-maker responsible for allocation of funds and assessment of the profitability of the business activities. The result posted by a segment includes revenue and expenditure directly related to the segment.

The revenue of a reported segment includes gains from transactions between the segments, i.e. loans granted by AS LHV Pank to other group companies. The division of interest income and fee and commission income by customer location has been presented in Notes 8 and 9. The breakdown of interest income by customer location does not include from current accounts, deposits and investments in securities. The Group does not have any customers, whose income would account for more than 10% of the corresponding type of revenue.

	9M 2014				9M 2013			
Income of reported segments	**Interest income**	**Fee and commission income**	**Intra-segment income**	**Income from external customers**	**Interest income**	**Fee and commission income**	**Intra-segment income**	**Income from external customers**
AS LHV Pank (consolidated)	14 512	3 581	880	17 213	9 355	2 981	151	12 185
AS LHV Varahaldus	43	6 055	0	6 098	26	4 160	0	4 186
UAB Mokilizingas	3 612	591	0	4 203	934	349	0	1 283
Total	**18 167**	**10 227**	**880**	**27 514**	**10 315**	**7 490**	**151**	**17 654**

Formation of operating profit and net profit	9M 2014				9M 2013			
	Operating profit	**Write-downs**	**Income tax**	**Net profit**	**Operating profit**	**Write-downs**	**Income tax**	**Net profit**
AS LHV Pank (consolidated)	5 488	-2 176	0	3 312	4 066	-1 915	0	2 151
AS LHV Varahaldus	2 382	0	0	2 382	1 069	0	0	1 069
UAB Mokilizingas	1 074	-435	-113	526	487	-36	0	451
Other	-559	0	0	-559	44	0	0	44
Total	**8 385**	**-2 611**	**-113**	**5 661**	**5 666**	**-1 951**	**0**	**3 715**

* including change in investment in associate

NOTE 3 Breakdown of Assets and Liabilities by Countries

30.09.2014	Estonia	Latvia	Lithuania	Finland	Nether-lands	Ger-many	Other EU	USA	Other	Total
Balances with other banks and investment companies	47 039	186	2 717	2 856	364	75	2 932	5 732	113	**62 014**
Financial instruments and securities	6 418	4 189	3 101	103	285	46 414	9 158	2	61 117	**130 787**
Loans and advances to customers	233 673	545	29 067	19 638	6	0	3 150	0	12	**286 091**
Receivables from customers	941	2	175	0	0	0	0	0	0	**1 118**
Other assets	750	5	609	0	0	0	0	896	0	**2 260**
Goodwill and associates	1 094	0	0	0	0	0	0	0	0	**1 094**
Non-current assets	987	0	78	85	0	0	0	0	-43	**1 107**
Total assets	**290 902**	**4 927**	**35 747**	**22 682**	**655**	**46 489**	**15 240**	**6 630**	**61 199**	**484 471**
Deposits of customers and loans received	386 051	1 513	1 510	379	2	41	17 363	932	1 399	**409 190**
Subordinated loans	16 685	0	0	0	0	0	0	0	0	**16 685**
Other liabilities	3 324	11	1 215	94	0	0	0	1	2	**4 647**
Total liabilities	**406 060**	**1 524**	**2 725**	**473**	**2**	**41**	**17 363**	**933**	**1 401**	**430 522**

Unused loan commitments in the amount of EUR 56 319 thousand are for the residents of Estonia.

31.12.2013	Estonia	Latvia	Lithuania	Finland	Nether-lands	Ger-many	Other EU	USA	Other	Total
Balances with other banks and investment companies	143 768	518	2 427	1 150	452	1	2 526	1 359	108	**152 309**
Financial instruments and securities	5 437	0	790	201	282	6 020	29 501	815	5 558	**48 605**
Loans and advances to customers	159 116	580	25 897	16 996	15	0	3 163	0	1	**206 768**
Receivables from customers	1 286	2	219	0	0	0	0	0	0	**1 507**
Other assets	431	5	2 814	0	0	0	0	642	0	**3 892**
Goodwill and associates	1 175	0	0	0	0	0	0	0	0	**1 175**
Non-current assets	841	0	87	136	0	0	0	0	48	**1 112**
Total assets	**312 055**	**1 105**	**33 234**	**18 483**	**749**	**6 021**	**35 190**	**2 816**	**5 715**	**415 368**
Deposits of customers and loans received	349 985	860	1 850	569	2	42	2 358	129	585	**356 381**
Subordinated loans	19 716	0	0	0	0	0	0	0	0	**19 716**
Other liabilities	3 884	9	3 313	105	0	0	11	2	0	**7 324**
Total liabilities	**373 585**	**869**	**5 163**	**674**	**2**	**42**	**2 369**	**131**	**585**	**383 421**

Unused loan commitments in the amount of EUR 32 629 thousand are for the residents of Estonia.

NOTE 4 Breakdown of Assets and Liabilities by Contractual Maturity Dates

30.09.2014	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates					
Deposits of customers and loans received	312 098	78 266	18 624	1 053	**410 041**
Subordinated liabilities	301	904	4 823	22 192	**28 220**
Other liabilities	3 654	0	0	0	**3 654**
Unused loan commitments	56 319	0	0	0	**56 319**
Financial guarantees by contractual amounts	8 383	0	0	0	**8 383**
Interest rate swaps	62	115	185	0	**362**
Total liabilities	**380 817**	**79 285**	**23 632**	**23 245**	**506 979**
Assets held for managing liquidity risk by contractual maturity dates					
Balances with other banks and investment companies	61 519	495	0	0	**62 014**
Bonds at market value	34 443	13 219	75 019	5 318	**127 999**
Loans and advances to customers	33 059	77 391	192 946	25 384	**328 780**
Receivables from customers	1 118	0	0	0	**1 118**
Total assets held for managing liquidity risk	**130 139**	**91 105**	**267 965**	**30 702**	**519 911**
Maturity gap from financial liabilities and assets	**-250 678**	**11 820**	**244 333**	**7 457**	**12 932**

It is possible to take a short-term loan from the central bank against the security of the majority of instruments in the bond portfolio. In 2013, it was decided to reclassify the bond portfolio held to maturity to portfolio recognized at market value and to sell most of it.

31.12.2013	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates					
Deposits of customers and loans received	257 585	92 717	5 687	1 268	**357 257**
Subordinated liabilities	1 366	1 047	5 721	23 787	**31 921**
Other liabilities	6 318	0	0	0	**6 318**
Unused loan commitments	32 629	0	0	0	**32 629**
Financial guarantees by contractual amounts	6 556	0	0	0	**6 556**
Interest rate swaps	24	177	236	0	**436**
Total liabilities	**304 478**	**93 941**	**11 644**	**25 055**	**435 117**
Assets held for managing liquidity risk by contractual maturity dates					
Balances with other banks and investment companies	152 309	0	0	0	**152 309**
Bonds at market value	12 626	9 335	22 423	408	**44 792**
Loans and advances to customers	32 168	54 288	137 794	19 356	**243 606**
Receivables from customers	1 507	0	0	0	**1 507**
Total assets held for managing liquidity risk	**198 610**	**63 623**	**160 217**	**19 764**	**442 214**
Maturity gap from financial liabilities and assets	**-105 868**	**-30 318**	**148 573**	**-5 291**	**7 097**

NOTE 5 Open Foreign Currency Positions

30.09.2014	EUR	LTL	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Balances with other banks and investment companies	48 311	2 118	573	520	9 102	1 390	**62 014**
Securities	130 776	2	0	2	7	0	**130 787**
Loans granted	257 040	28 180	20	19	783	49	**286 091**
Receivables from customers	932	169	0	0	17	0	**1 118**
Other assets	401	110	0	0	612	0	**1 123**
Total assets bearing currency risk	**437 460**	**30 579**	**593**	**541**	**10 521**	**1 439**	**481 133**
Liabilities bearing currency risk							
Deposits of customers and loans received	412 656	624	609	548	10 461	977	**425 875**
Interest rate swaps	365	-3	0	0	0	0	**362**
Accrued expenses and other liabilities	2 887	757	8	0	2	0	**3 654**
Total liabilities bearing currency risk	**415 908**	**1 378**	**617**	**548**	**10 463**	**977**	**429 891**
Open foreign currency position	**21 552**	**29 201**	**-24**	**-7**	**58**	**462**	**51 242**

31.12.2013	EUR	LTL	LVL	SEK	USD	Other	Total
Assets bearing currency risk							
Balances with other banks and investment companies	140 417	1 703	410	313	7 784	1 683	**152 309**
Securities	48 280	4	0	1	319	1	**48 605**
Loans granted	179 493	26 224	295	15	708	33	**206 768**
Receivables from customers	1 293	213	0	0	1	0	**1 507**
Other assets	93	16	0	0	558	0	**667**
Total assets bearing currency risk	**369 575**	**28 160**	**705**	**329**	**9 370**	**1 717**	**409 856**
Liabilities bearing currency risk							
Deposits of customers and loans received	363 289	685	841	332	9 333	1 617	**376 097**
Interest rate swaps	433	0	0	0	0	0	**433**
Accrued expenses and other liabilities	3 463	3 302	9	10	73	34	**6 891**
Total liabilities bearing currency risk	**367 185**	**3 987**	**850**	**342**	**9 406**	**1 651**	**383 421**
Open foreign currency position	**2 390**	**24 173**	**-145**	**-13**	**-36**	**66**	**26 435**

NOTE 6 Fair Value of Financial Assets and Liabilities

The Management Board of the Group has determined the fair value of assets and liabilities recognised at amortised cost in the balance sheet. To determine the fair value, future cash flows are discounted based on the market interest curve.

The below table provides an overview of the assessment techniques, which depend on the hierarchy of assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	30.09.2014	Level 1	Level 2	Level 3	31.12.2013
Financial assets at fair value through profit and loss								
Shares and fund units	5 126	0	0	**5 126**	4 676	0	0	**4 676**
Available-for-sale bonds	4 268	0	0	**4 268**	11 903	0	0	**11 903**
Bonds at fair value through profit and loss	121 393	0	0	**121 393**	32 026	0	0	**32 026**
Total financial assets	**130 787**	**0**	**0**	**130 787**	**48 605**	**0**	**0**	**48 605**
Financial liabilities at fair value through profit and loss								
Interest rate swaps	0	**362**	0	**362**	**0**	**433**	0	**433**
Total financial liabilities	**0**	**362**	0	**362**	**0**	**433**	**0**	**433**

Hierarchy levels:

Level 1 – the price quoted on active market

Level 2 – a technique which uses market information as input (rates and interest curves of arms-length transactions)

Level 3 – other methods (e.g. discounted cash flow method) with estimations as input

Interest rate swaps are instruments, where the fair value is determined via the model-based approach by using the inputs available on the active market. The fair value of such non-market derivatives is calculated as a theoretical net present value (NPV), by using independent market parameters and without assuming the presence of any risks or uncertainties. The NPV is discounted by using the risk-free profitability rate available on the market.

Loans are issued in the Group's business segments on market conditions. Therefore, the fair value of loans does not materially differ from their carrying amount as at 30 September 2014 and 31 December 2013. In determining the fair value of loans, management judgements are used. Loans issued are thus categorised under hierarchy level 3.

Other receivables from customers, along with accrued expenses and other current receivables have been generated in the course of ordinary business and are subject to payment over a short period of time. Their fair value does not thus differ from the carrying amount. These receivables and payables do not bear any interest. The fair value of accounts payable, accrued expenses and other payables is determined based on hierarchy level 3.

Customer deposits with fixed interest rates are mostly short-term with the deposits priced pursuant to market conditions. The fair value of the deposits determined via discounting future cash flows does not thus materially differ from the carrying amount. In determining the fair value of customer deposits, management judgements are used. Customer deposits are thus categorised under hierarchy level 3.

NOTE 7 Breakdown of Loan Portfolio by Economic Sectors

	30.09.2014	%	31.12.2013	%
Individuals	76 460	26,04%	33 546	16,19%
Real estate activities	81 697	27,82%	50 077	24,16%
Financial activities	21 740	7,40%	43 903	21,18%
Manufacturing	26 745	9,11%	20 875	10,07%
Professional scientific and technical activities	4 022	1,37%	10 127	4,89%
Wholesale and retail trade	14 227	4,84%	8 975	4,33%
Other service activities	6 636	2,26%	6 052	2,92%
Arts and entertainment	20 915	7,12%	6 037	2,91%
Transportation and storage	10 949	3,73%	5 713	2,76%
Agriculture	7 857	2,68%	5 579	2,69%
Administrative and support service activities	4 220	1,44%	4 197	2,03%
Construction	4 331	1,47%	3 170	1,53%
Education	1 762	0,60%	2 238	1,08%
Information and communication	4 251	1,45%	2 216	1,07%
Other sectors	7 861	2,68%	4 567	2,15%
Total	**293 673**	**100%**	**207 245**	**100%**

The loan portfolio has been provisioned in the amount of EUR 7 582 thousand (31 December 2013: EUR 5 520 thousand). As at 30 September 2014, the loan portfolio totalled EUR 286 091 thousand (31 December 2013: EUR 206 768 thousand).

NOTE 8 Net Interest Income

Interest income	**Q3 2014**	**9M 2014**	**Q3 2013**	**9M 2013**
Balances with credit institutions and investment companies	13	28	6	18
Balances with the central bank	-11	37	9	29
Bonds	129	402	163	958
Leasing	273	718	148	258
Leverage loans and lending of securities	196	627	198	636
Consumer loans	1 765	4 906	1 232	2 815
Hire purchase	1 177	3 104	532	540
Business loans	2 597	6 841	1 751	4 599
Other loans	223	629	194	314
Total	**6 362**	**17 292**	**4 233**	**10 167**
Interest expense				
Deposits of customers and loans received	-966	-2 841	-769	-2 382
including loans between related parties	*-1*	*-4*	*0*	*0*
Total	**-966**	**-2 841**	**-769**	**-2 382**
Net interest income	**5 396**	**14 451**	**3 464**	**7 785**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q3 2014**	**9M 2014**	**Q3 2013**	**9M 2013**
Estonia	3 662	9 647	2 224	5 681
Finland	1 235	3 488	867	2 450
Latvia	11	26	10	33
Lithuania	1 323	3 664	954	998
Total	**6 231**	**16 825**	**4 055**	**9 162**

NOTE 9 Net Fee and Commission Income

Fee and commission income	Q3 2014	9M 2014	Q3 2013	9M 2013
Security brokerage and commissions paid	481	1 657	469	1 582
Asset management and similar fees	2 421	6 607	1 728	4 618
Currency conversion revenues	104	254	88	248
Fees from cards and payments	208	512	113	276
Debt collection fees	123	307	57	248
Fee from Snoras's portfolio management*	118	429	310	310
Other fee and commission income	152	461	89	205
Total	**3 607**	**10 227**	**2 854**	**7 487**
Fee and commission expense				
Security brokerage and commissions paid	-111	-338	-121	-387
Other fee and commission expense	-179	-471	-121	-344
Total	**-290**	**-809**	**-242**	**-731**
Net fee and commission income	**3 317**	**9 418**	**2 612**	**6 756**

** Mokilizingas provides portfolio management services to Snoras Bank, to whom the portfolio was sold in 2011.*

Fee and commission income by customer location:	Q3 2014	9M 2014	Q3 2013	9M 2013
Estonia	3 038	8 530	2 279	6 474
Finland	127	316	57	248
Latvia	23	88	23	85
Lithuania	226	767	407	550
Sweden	193	526	88	130
Total	**3 607**	**10 227**	**2 854**	**7 487**

NOTE 10 Operating Expenses

	Q3 2014	9M 2014	Q3 2013	9M 2013
Wages, salaries and bonuses	1 652	5 003	1 232	3 448
Social security and other taxes	552	1 588	443	1 134
Total personnel expenses	**2 204**	**6 591**	**1 675**	**4 582**
IT expenses	342	947	225	639
Information services and bank services	148	472	148	383
Marketing expenses	1 196	3 720	962	2 426
Office expenses	114	342	100	282
Transportation and communication expenses	69	176	50	104
Staff training and business trip expenses	52	191	54	161
Other outsourced services	466	1 399	427	1 103
Other administrative expenses	221	728	214	632
Depreciation of non-current assets	176	579	159	432
Operational lease payments	240	701	217	626
Other operating expenses	11	58	50	132
Total operating expenses	**3 035**	**9 313**	**2 606**	**6 920**

NOTE 11 Balances with the Central Bank, Credit Institutions and Investment Companies

	30.09.2014	31.12.2013
Demand deposits*	21 056	18 470
Term deposit with a maturity of over 3 months	494	0
Legal reserve with the central bank	3 822	3 397
Other balances with the central bank	36 641	130 442
Total	**62 014**	**152 309**
Cash and cash equivalents in the Statement of Cash Flows	57 697	148 912

The breakdown of receivables by countries has been presented in Note 3. Demand deposits include receivables from investment companies in the total amount of EUR 5 946 thousand (31 December 2013: EUR 1 466 thousand). All other demand and term deposits are held with credit institutions and the central bank. The minimum reserve requirement as at 30 September 2014 was 1% (2013: 1%) of all financial resources (customer deposits and loans received). The reserve requirement is to be fulfilled as a monthly average in euros or in the foreign financial assets approved by the central bank.

NOTE 12 Deposits of Customers and Loans Received

Deposits/loans by type	**30.09.2014**	**31.12.2013**
Demand deposits	207 725	160 745
Term deposits	184 129	192 107
Loans received	17 336	3 529
Total	**409 190**	**356 381**
Deposits/loans by customer category		
Individuals	147 029	126 910
Legal persons	228 168	199 412
Public sector	33 993	30 059
Total	**409 190**	**356 381**

Loans received from the public sector include loans granted by the Estonian Rural Development Foundation in the amount of EUR 4 336 thousand (31 December 2013: EUR 3 529 thousand) for the purpose of financing loans to small companies in rural areas, and the loan from the European Central Bank in the amount of EUR 13 000 (31 December 2013: EUR 0). As a rule, the nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been paid.

NOTE 13 Contingent Liabilities

Irrevocable transactions	**Financial guarantees**	**Unused loan commitments**	**Total**
Liability in the contractual amount as at 30 September 2014	8 383	56 319	**64 702**
Liability in the contractual amount as at 31 December 2013	6 556	32 629	**39 185**

NOTE 14 Basic Earnings and Diluted Earnings Per Share

In order to calculate basic earnings per share, net profit has been divided by the weighted average number of shares issued. In order to calculate diluted earnings per share, contingent shares have been added to ordinary shares in accordance with the right of the shareholders of subordinated shares issued in December 2012 to convert bonds to shares, if the issuer conducts a new issue of shares with a price up to 10% lower than the price of the new issue of shares.

	Q3 2014	From the beginning of 2014	Q3 2013	From the beginning of 2013
Profit attributable to owners of the parent (EUR thousand)	2 311	5 286	1 111	3 568
Weighted average number of shares (in thousands of units)	23 356	21 046	19 203	18 591
Basic earnings per share (EUR)	0.10	0.25	0.06	0.20
Diluted earnings per share (EUR)	0.10	0.25	0.06	0.19

NOTE 15 Capital Adequacy

Capital base	**30.09.2014**	**31.12.2013**
Paid-in share capital	23 356	19 202
Share premium	33 992	21 871
Reserves	435	223
Accumulated loss	-11 245	-15 581
Non-controlling interest	1 656	1 695
Profit/loss for the reporting period	2 943	4 206
Intangible assets (subtracted)	-1 570	-1 665
Total Tier 1 capital	**49 568**	**29 951**
Subordinated liabilities	16 650	19 600
Total Tier 2 capital	**16 750**	**19 600**
Subordinated liabilities and preferred shares exceeding limits	0	-4 625
Net own funds for calculation of capital adequacy	**66 217**	**44 927**
Risk-weighted assets		
Credit institutions and investment companies under standard method	4 458	3 726
Companies under standard method	128 456	83 034
Retail claims under standard method	99 309	73 483
Overdue claims under standard methods	7 707	3 661
Units and shares of investment funds under standard method	5 127	4 216
Other assets under standard method	4 242	5 638
Total capital required for credit risk and counterparty's credit risk	**249 299**	**173 758**
Currency risk	597	4 315
Interest position risk	2 242	4 139
Share position risk	80	60
Operating risk under base method	30 066	13 307
Total risk-weighted assets	**282 284**	**195 579**
Capital adequacy (%)	**23,46**	**22,97**
Tier 1 capital ratio (%)	**17,56**	**15,31**

Shareholders of AS LHV Group

AS LHV Group has a total of 23 356 005 ordinary shares, with a nominal value of 1 euro.

As at 30 September 2014, AS LHV Group has 256 shareholders:

- 13 370 738 shares (57,2%) were held by members of the Supervisory Board and Management Board, and related parties.
- 9 115 388 shares (39,0%) were held by Estonian entrepreneurs and investors, and related parties.
- 869 879 shares (3,7%) was held by LHV's former and current employees, and related parties.

Top ten shareholders as at 30 September 2014:

Number of	Participation	Name of shareholder
3 357 920	14,4%	AS Lõhmus Holdings
3 178 367	13,6%	Rain Lõhmus
1 637 897	7,0%	Andres Viisemann
1 418 000	6,1%	Ambient Sound Investments OÜ
1 210 215	5,2%	OÜ Krenno
995 000	4,3%	AS Genteel
931 978	4,0%	AS Amalfi
696 297	3,0%	OÜ Kristobal
615 190	2,6%	OÜ Markwend
576 667	2,5%	Bonaares OÜ

Shares held by members of the Management Board and Supervisory Board

Erkki Raasuke holds 80 000 shares.
Rain Lõhmus holds 3 178 367 and AS Lõhmus Holdings 3 357 920 shares.
Andres Viisemann and parties related to him hold 2 472 822 shares.
Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 418 000 shares.
Tiina Mõis does not hold shares. AS Genteel holds 995 000 shares.
Heldur Meerits does not hold shares. AS Amalfi holds 931 978 shares.
Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 536 651 shares.
HTB Investeeringute OÜ and parties related to Hannes Tamjärv hold 400 000 shares.

Supervisory Boards and Management Boards of AS LHV Group and its Subsidiaries

AS LHV Group
Supervisory Board: Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Hannes Tamjärv, Tauno Tats, Andres Viisemann
Management Board: Erkki Raasuke

AS LHV Varahaldus
Supervisory Board: Erki Kilu, Erkki Raasuke, Andres Viisemann
Management Board: Kerli Lõhmus, Mihkel Oja

AS LHV Pank
Supervisory Board: Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Erkki Raasuke, Hannes Tamjärv, Andres Viisemann
Management Board: Jüri Heero, Erki Kilu, Andres Kitter, Kerli Lõhmus, Indrek Nuume, Martti Singi

UAB Mokilizingas
Supervisory Board: AS LHV Group, AS LHV Pank, UAB „K2Z", KŪB „RAZFin
Management Board: Khalid Bouzerda, Erki Kilu, Erkki Raasuke, Alvydas Žabolis
Managing director: Jurgis Rubazevicius