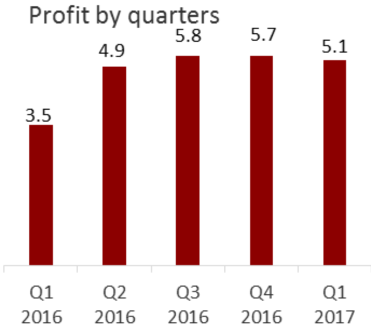
Interim Report January – March 2017
Summary of Results

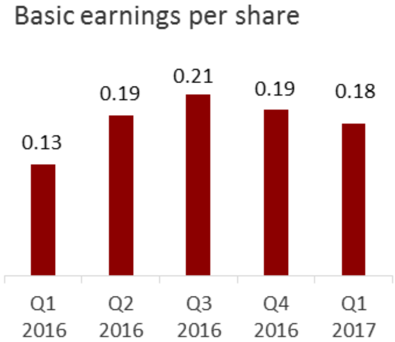
Q1 2017 in comparison with Q4 2016

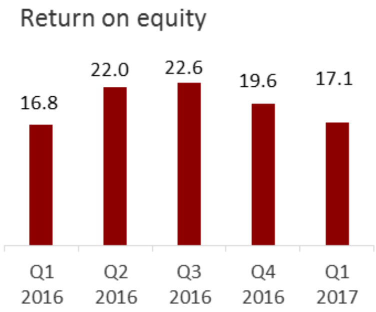
- Net profit EUR 5.1 m (EUR 5.7 m), of which EUR 4.5 m (EUR 4.9 m) is attributable to owners of the parent
- Earnings per share EUR 0.18 (EUR 0.19)
- Net income EUR 13.8 m (EUR 13.6 m)
- Operating expenses EUR 7.7 m (EUR 7.8 m)
- Loan provisions EUR 0.01 m (EUR -0.02 m)
- Return on equity 17.1% (19.6%)
- Capital adequacy 20.9% (22.3%)

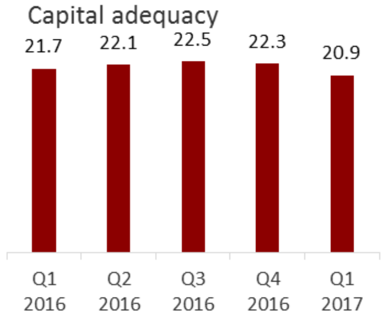
Q1 2017 in comparison with Q1 2016

- Net profit EUR 5.1 m (EUR 3.5 m), of which EUR 4.5 m (EUR 3.0 m) is attributable to owners of the parent
- Earnings per share EUR 0.18 (EUR 0.13)
- Net income EUR 13.8 m (EUR 10.6 m)
- Operating expenses EUR 7.7 m (EUR 6.8 m)
- Loan provisions EUR 0,1 m (EUR 0.3 m)
- Return on equity 17.1% (16.8%)
- Capital adequacy 20.9% (21.7%)









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

Dear investor in LHV,

The last quarter was an active one for LHV. The quarter was characterised by strong economic results, a good growth of the client base, several new products and recognitions, a productive general meeting of shareholders, and the decision for the first payment of dividends being adopted.

Wishing to provide the investors with as complete and current information as possible for making informed decisions, in the 1st quarter we started publishing monthly results. We also published the financial plan for 2017, stating this year's expected profit of LHV Group as EURm 21.8. In the long term, we wish to be the publicly traded enterprise with the best investor communication.

During the 1st quarter, LHV received several recognitions. At the beginning of the year, the results of the survey based on Dive test purchases were received – LHV Pank is the bank with the best service in Estonia. The same conclusion was made in the comparison study of the recommendation index, conducted by Kantar Emor in March. LHV also achieved a high position – the third place – in the reputation survey of IT employers, conducted by Emor. Additionally, LHV's Financial Manager Meelis Paakspuu was chosen as the most influential financial manager in March 2017.

The 1st quarter was also characterised be several new products and the start of a new field of activity. In February, we updated LHV's private banking offer. Our service, which includes private banking and a Platinum bank card, bank account interest, portfolio management, and personal client executive, is highly competitive on the market.

LHV Finance launched the vehicle and home repair loan. For a loan with a specific purpose, the client can be offered a more favourable price with a larger amount and a longer repayment term. Also, the home loan launched by the bank in the 4th quarter of 2016 was well received, with active sales continuing in the current year's 1st quarter.

At the end of March, we announced our plan to start with a new field of activity. In addition to retail, private and business banking, LHV Pank will start serving the providers of payment services. The main service offered to them will be real-time euro and pound payments, which LHV is planning to start within the year 2018. As a large share of payment service providers is active in the United Kingdom as well, we wish to join real-time pound payment systems. For that, we will start establishing a UK branch of LHV Pank in London.

During the quarter, LHV's pension funds focused on finding investments in Estonian enterprises outside the stock market. In March, we announced a successful transaction where LHV helped BaltCap fund the acquisition of the web portals auto24 and Kuldne Börs. It is expected that investments made in Estonia are able to provide pension savers a higher yield, while also enlivening Estonian economy. Pension funds have the wish and the ability to become an important capital provider for domestic enterprises.

The strong results and the successful activities were supported by the improving economic environment. The relatively fast salary growth has significantly improved the people's financial health and increased their consumption. The salary growth's effect was negative on the profits of enterprises. To break the negative trend, enterprises should increase their investments, and this is facilitated by the low interest rates. There are indeed problems with foreign demand, but the outlooks of export partners are improving. The credit cycle remains strong, characterised by the growing loans and relatively low debts, although the first signs of a higher pricing of credit funds and an increasing number of enterprises related to debts are apparent.

The Group's consolidated profit for the 1st quarter was EURm 5.1, which is EURm 0.6 less than in the 4th quarter and EURm 1.6 more than in the 1st quarter of the previous year. The decline of the 1st quarter's profit when compared with the 4th quarter was caused mainly by the increase of income tax expenditure by EURm 0.9. The profit was supported by the clients' high activity and strong credit quality. The return on equity held by LHV's shareholders in the 1st quarter of 2017 was 17.1%.

Over the quarter, the Group's consolidated loans grew by EURm 8 (EURm 60 in the 4th quarter) and consolidated deposits grew by EURm 22 (EURm 36 in the 4th quarter). The volume of funds managed by LHV increased by EURm 46 during the quarter (37 EURm in the 4th quarter).

The bank's profit in the 1st quarter was 4.3 EURm, which is EURm 1.1 more than in the previous quarter. In that, the 1st quarter continues to be characterised by strong client activity and deposit growth. Over the quarter, the number of new clients grew by 5,000 and the total number of clients surpassed 117,000.

The bank's loan portfolio increased by EURm 8 in the 1st quarter and reached 540 EURm . The type of loans with the highest growth was retail loans. The credit quality has remained stable. The loan write-down expenditure in the 1st quarter was EURm 0.1, which is EURm 0.6 less than in the previous quarter, being affected by inter alia the changes of model-based write-downs.

Client deposits grew by EURm 25 in the 1st quarter and reached the value of EURm 810 by the end of the quarter. On-demand deposits grew by EURm 49 and fixed-term deposits decreased by EURm 22. The bank's volume of fixed-term deposits has not been that low for the latest five years. An extensive change in the structure of deposits is described by the fact that while the bank had EURm 173 of fixed-term deposits and EURm 35 of on-demand deposits at the end of 2011, the relevant indicators at the end of the 1st quarter of 2017 were EURm 130 and EURm 681, respectively. The average expenditure of deposits has decreased significantly over the described period.

The profit of asset management in the 1st quarter was EURm 0.7, which was EURm 1.0 less than the previous quarter's result. The result was affected by the EURm 1.0 income tax expenditure on the dividends paid to the Group in the 1st quarter, and by the decrease of pension fund administration fees for the average of 19% in February. The administration fee decreases along with the increase of the total volume of pension funds. New fee rates are calculated at the beginning of every calendar year. The higher growth of the total of pension funds and the resulting significant reduction in administration fees were the result of the previous year's merger with Dansk Capital AS.

In January, the new Investment Funds Act entered into force, lowering the regulative requirement for own funds. The latter enables LHV Varahaldus to return capital to LHV Group.

The total volume of funds managed by LHV grew by EURm 44 over the quarter (by EURm 37 in the 4th quarter). The number of 2nd pillar clients decreased by 1,900 during the quarter (increased by 2,900 thousand in the 4th quarter). On the background of high-priced securities markets, the Fund Manager keeps the investment risks of the actively managed pension funds low by looking for alternative investment opportunities, first and foremost among Estonian enterprises outside the stock market. Depending on the situation of international stock markets, the short-term results of pension funds actively managed by LHV may differ from those of competing funds; this, in turn, influences LHV's sales as well as the number of clients leaving our funds.

The profit of Mokilizingas in the 1st quarter was EURm 0.3, which is EURm 0.7 less than in the previous quarter. The profit was primarily affected by the sale of hopeless receivables for the amount of EURm 0.9 in the 4th quarter. The financing portfolio decreased by EURm 3 with the quarter and reached EURm 33 by the end of the quarter. The portfolio's credit quality remains stable.

LHV's outlook for the current year is good. We wish to grow in all business directions but we will not do it at the expense of client satisfaction, credit quality and excessive risks in pension funds. The medium-term plans of LHV show that we have room for growth multiple times over. Partly, we can grow with the overall market growth, but we also see an opportunity for increasing our market share by offering new and modern financial services. LHV is an organisation of bold ideas and it is also reflected in our ambitions.

Madis Toomsalu

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Financial Summary

Income statement EUR million	**Q1 2017**	**Q1 2016**	**Year over year**	**3M 2017**	**3M 2016**	**Year over year**
Net interest income	8.16	6.79	20%	8.16	6.79	20%
Net fee and commission income	5.28	3.65	45%	5.28	3.65	45%
Other financial income	0.40	0.20	100%	0.40	0.20	100%
Total net operating income	13.84	10.64	30%	13.84	10.64	30%
Other income	-0.02	-0.02	0%	-0.02	-0.02	0%
Operating expenses	-7.70	-6.83	13%	-7.70	-6.83	13%
Loan losses	-0.09	-0.26	-65%	-0.09	-0.26	-65%
Income tax expenses	-0.98	-0.08	1125%	-0.98	-0.08	1125%
Net profit	5.05	3.45	46%	5.05	3.45	46%
including attributable to owners of the parent	4.47	3.02	48%	4.47	3.02	48%

Business volumes EUR million	**Q1 2017**	**Q4 2016**	**Quarter over quarter**	**Q1 2016**	**Year over year**
Loan portfolio	545.7	537.6	1%	431.8	26%
Financial investments	68.7	76.1	-10%	98.7	-30%
Deposits of customers	798.2	776.8	3%	644.9	24%
Equity (including minority interest)	113.0	107.7	5%	77.5	46%
Equity (owners' share)	107.1	102.4	5%	73.8	45%
Volume of funds managed	1 020.3	973.9	5%	596.9	71%
Assets managed by bank	1 040.5	992.9	5%	752.4	38%

Ratios EUR million	**Q1 2017**	**Q1 2016**	**Year over year**	**3M 2017**	**3M 2016**	**Year over year**
Average equity (attributable to owners of the parent)	104.8	71.9	32.9	104.8	71.9	32.9
Return on equity (ROE), %	17.1	16.8	0.3	17.1	16.8	0.3
Return on assets (ROA), %	2.1	1.8	0.3	2.1	1.8	0.3
Interest-bearing assets, average	936.3	763.5	172.8	936.3	763.5	172.8
Net interest margin (NIM) %	3.50	3.56	-0.06	3.50	3.56	-0.06
Price spread (SPREAD) %	3.40	3.48	-0.08	3.40	3.48	-0.08
Cost/income ratio %	55.7	64.3	-8.6	55.7	64.3	-8.6

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

Return on assets (ROA)= net profit for the quarter (share of owners of the parent) / average assets*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

Cost/income ratio = total operating cost / total income * 100

Operating Environment

This year, the global economic growth is expected to speed up marginally to 3.4% compared with the last year when the growth was the slowest since 2009. The main catalysts are the existing and planned fiscal policy measures of China and the US. The higher raw material prices support the recovery of the economies depending on them, like Brazil and Russia. Important structural reforms are being implemented in India, having a positive effect in combination with a strong salary increase in its public sector. Confidence has improved, but the growth of consumption, investments, goods exchange and productivity could still be better, compared with the historical levels. In most countries, the speeding up of inflation due to the recuperation of energy prices is apparent, but there is no long-term pressure on the core inflation monitored by central banks. The reversing of the interest rate cycle in the US will bring about an increasing difference in short-term interest rates of various economic areas, which will increase the volatility of financial markets and will apply pressure to currency exchange rates. The continually inflating asset values reflect the optimistic expectations of investors, which may not correspond to the real outlooks of the economy.

An important keyword for 2017 is elections – both Germany and France will hold elections this year, among other European countries. The President of the US initiated into his office in January has already experienced the first backlashes from the planned changes in policy directions. An increase of protectionism, the reviewing of international trade agreements and the delaying of necessary structural reforms may markedly change the long-term big picture in the economy.

The economy of the euro zone grew by 1.7% in the 4th quarter of last year and it was the tenth consecutive quarter where the result was equal to the potential or even better. This year, the euro zone's growth of economy is expected to remain at the same 1.7% level as the last year. The domestic consumption, thus far having been the growth driver, is starting to be pressurised by the return of inflation, because there is still no significant pressure for a salary increase. At the same time, the consumption is positively supported by the continued growth of employment. Also, the improving profitability of enterprises facilitates the restoration of investments.

The Economic Sentiment Index of the most important European trade partners remains at the tops of the past five years. Compared with March last year, the sentiment is significantly improved in Finland; future expectations are more or less optimistic in other countries as well.

The Swedish economy is starting to slow down a little, growing by 2.3% in the 4th quarter. This takes place mainly on account of the stabilisation of domestic consumption, stimulated earlier by a decline of interest rates. A negative surprise was the slowing of the growth of import volumes. This year, the economic growth of Sweden is expected to remain below 3%, which is a marginal slowdown. For Estonia, the most important trend is the continued growth of Sweden's import volumes and the investment-favouring attitude of the banks there.

In the case of Finland, the slow recuperation can be said to continue; the economy grew by 1.3% in the 4th quarter, affected positively by one-off investment expenditure. Consumer trust has continued its rise in 2017 and is nearing its peak of ten latest years, being also the highest in the EU. A positive trend is directly apparent in the economic picture, where domestic consumption has been the main drive for quite some time. Finnish economic growth of this year is expected to remain at 1.4%, similar to the last year. The key issue is the ability to grow export volumes, which together with investments should take the baton from domestic consumption. From the Estonian point of view, similar to that of Sweden, the continued increase of Finnish import volumes is important.

The economic growth of Lithuania, an important target market for LHV, sped up markedly to 3.2% in the 4th quarter. The main growth drive continues to be strong domestic consumption, pulled along by fast salary growth and a reduction in unemployment. This year, Lithuanian economic growth should speed up to nearly 2.8%. An important push is seen to be an increase of investments, related to the projects funded by EU aid, where the transition from the old support period to the new is gathering speed.

Estonian economy grew by 1.6% last year, with a significant speed-up precisely in the last quarter. The strong end of the year was partly related to the temporary positive effect resulting from the acquisition of reserves before the excise duty increase. Still, there are preconditions for a stronger growth this year, which is expected to remain at 2.4%. The income increase continues, but the recuperation of inflation affects significantly the growth of real salaries. In March, the Consumer Price Index grew by 2.8%, which is a marked increase compared with the past three years' largely deflational environment. Based on that, export and investments are becoming more and more important beside domestic consumption. The economic situation of Estonia's main trade partners is improving, which together with the increase of the competitiveness of Estonian enterprises provides the prerequisites for a faster growth of export volumes. The biggest question remains the change in investments, which have decreased in the past four years, largely due to a decline of the investment volumes of enterprises.

LHV does not expect any sharp changes in Estonia's economy for the next twelve months. The economic growth should speed up, but will probably not attain its full potential. A significant variable will be the policy measures of the new coalition. The share of salary expenditure in GDP has reached 49%, which exceeds the European Union average. The fast salary growth pressurises the already declining profit of the entrepreneurship sector. This is why the adaptability and the successful increasing of the productivity of the enterprises are more and more important, requiring a qualitative leap in investments.

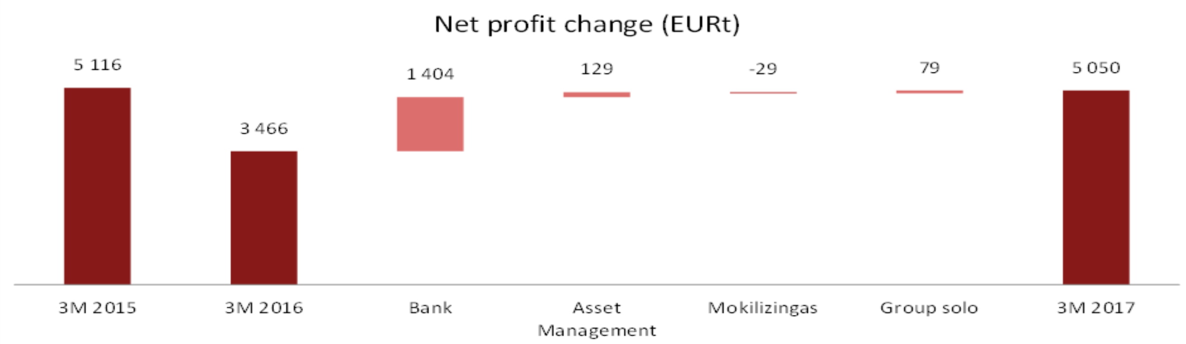
Across economic sectors, higher-than-average risks are present in the processing industry experiencing salary pressure and in energy-related sectors. Moreover, more attention should be paid to the risks of carriage and warehousing as well as construction sectors. LHV is more and more conservative concerning the real estate market, monitoring the developments of local and Scandinavian markets. Regarding rental cash flow projects, there is a marked danger that there will not be enough demand to absorb the volumes being developed in the near future, so that corrections will take place in rental prices or vacancy rates.

A positive trend worth highlighting is the favourable funding environment. The growth of loan balance taken from credit institutions continues to be fast; the growth of the balance of settlement loans has sped up in a stable manner. The ration of loans to deposits and the volume of loans not repaid in due time continue to remain at the post-crisis low levels. Historically low interest rates and strong competition between banks are positively affecting local enterprises and they should be taking advantage of them more. LHV also wishes to make a big and effective contribution to the finding and supporting of new growth sources, offering entrepreneurs long-term co-operation and value-creating involved thinking.

Financial Results of the Group

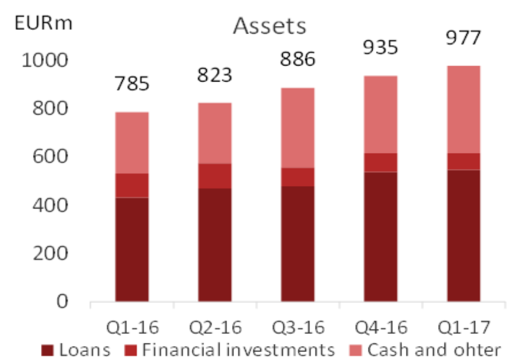
Compared to Q4, the Group's net interest income decreased in Q1 by 1%, standing at EUR 8.2 (Q4: 8.3) million. Net fee and commission income decreased by 10% and stood at EUR 5.3 (Q4: 5.9) million. Financial income decreased by 182% and stood at EUR 0.4 (Q4: -0.5) million. In total, the net income of the Group increased by 2% in Q1, compared to Q4 2016, amounting to EUR 13.8 (Q4: 13.6) million, with expenses decreasing by 2% and amounting to EUR 7.7 (Q4: 7.8) million. The Group's operating profit for Q1 amounted to EUR 6.1 (Q4: 5.8) million. Impairments amounted to EUR 0.09 (Q4: -0.02) million in Q1. The Group's total profit for Q1 amounted to EUR 5.1 million (Q4: 5.7). Compared to Q1 2016, the Group's net interest income increased by 20% and net fee and commission income by 45%.

In terms of business entities, AS LHV Pank posted a consolidated profit of EUR 4.3 million, AS LHV Varahaldus a profit of EUR 0.7 million and UAB Mokilizingas a profit of EUR 0.3 million. The AS LHV Group on solo bases posted a profit of EUR 3.5 million, due to dividend income in the amount of EUR 3.8 which was paid by AS LHV Varahaldus.



The Group's volume of deposits as at the end of Q1 amounted to EUR 798 (Q4: 777) million, of which demand deposits formed EUR 668 (Q4: 624) million and term deposits EUR 130 (Q4: 153) million.

As at the end of Q1, the volume of loans granted by the Group amounted to EUR 546 (Q4: 538) million, increasing in Q1 by 1%. Compared to Q1 2016, the volume of the Group's deposits has increased by 24% and the volume of loans by 26%.



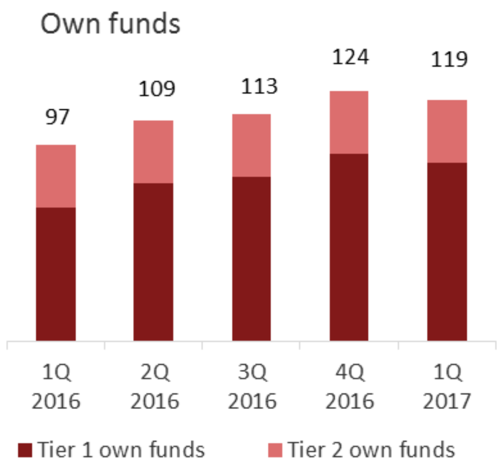
The Group's Liquidity, Capitalisation and Asset Quality

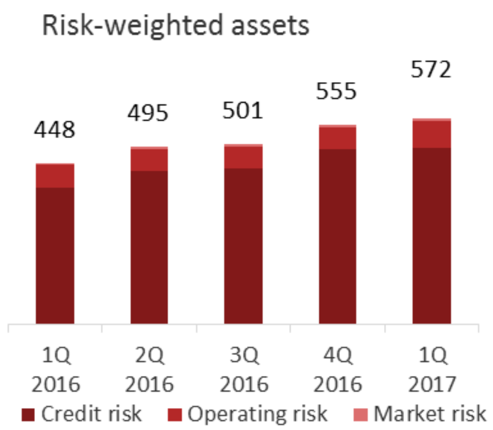
As at 31 March 2017, the Group's own funds stood at EUR 119.3 million (31 December 2016: EUR 123.9 million).

Compared to Group's internal capital adequacy ratio target 16.19%, the Group is well capitalised as at the end of the reporting period, with the capital adequacy ratio amounting to 20.9% (31 December 2016: 22.3%).

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 215% as at the end of March (31 December 2016: 222%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 42% of the balance sheet (31 December 2016: 40%). The ratio of loans to deposits stood at 69% as at the end of the first quarter (31 December 2016: 70%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of March, provisions for estimated loan losses amounted to EUR 5.6 million in the balance sheet, i.e. approximately 1.1% of the loan portfolio (31 December 2016: EUR 5.7 million, 1.1%). Estimated loan losses make up 212.4% (31 December 2016: 210.4%) of the portfolio of loans overdue for more than 90 days.





EUR thousand	31.03.2017	Proportion	31.12.2016	Proportion
Loans to customers	551 233		543 382	
including overdue loans:	12 746	2.3%	10 654	2.0%
1-30 days	7 577	1.4%	4 651	0.9%
31-60 days	1 944	0.4%	2 638	0.5%
61-90 days	601	0.1%	637	0.1%
91 and more days	2 623	0.5%	2 729	0.5%
Impairment of loans	-5 571	-1.0%	-5 741	-1.1%
Impairment % of loans overdue for more than 90 days	212.4%		210.4%	

Capital base	31.03.2017	31.12.2016	31.12.2015
Paid-in share capital	25 356	25 356	23 356
Share premium	45 892	45 892	33 992
Statutory reserves transferred from net profit	2 471	1 580	895
Other reserves	5	-40	-23
Accumulated deficit	22 688	10 517	-2 503
Intangible assets (subtracted)	-8 057	-8 114	-1 734
Net profit for the reporting period	0	17 816	13 705
Non-controlling interest	0	0	1 945
Total Tier 1 capital	**88 355**	**93 007**	**69 633**
Subordinated debt	30 900	30 900	30 900
Total Tier 2 capital	**30 900**	**30 900**	**30 900**
Net own funds for capital adequacy	**119 255**	**123 907**	**100 533**
Capital requirements			
Central governments and central bank under standard method	1 072	1 498	0
Credit institutions and investment companies under standard method	5 806	7 415	5 949
Companies under standard method	335 666	334 314	232 779
Retail claims under standard method	115 371	114 689	106 445
Public sector under standard method	176	216	0
Housing real estate under standard method	9 205	7 079	0
Overdue claims under standard methods	3 588	2 313	7 758
Investment funds' shares under standard method	11 052	10 886	6 369
Shares under standard method	50	0	0
Other assets under standard method	6 713	7 610	5 712
Total capital requirements for covering the credit risk and counterparty credit risk	**488 699**	**486 020**	**365 012**
Capital requirement against foreign currency risk under standard method	5 115	5 032	6 527
Capital requirement against interest position risk under standard method	1 535	1 709	2 342
Capital requirement against equity portfolio risks under standard method	614	601	87
Capital requirement against credit valuation adjustment risks under standard method	20	24	0
Capital requirement for operational risk under base method	75 999	61 812	44 367
Total capital requirements for adequacy calculation	**571 982**	**555 198**	**418 334**
Capital adequacy (%)	**20.85**	**22.32**	**24.03**
Tier 1 capital ratio (%)	**15.45**	**16.75**	**16.65**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in deposit volume in Q1 – EUR 26 million
- Good profitability in Q1
- Increase in number of clients

EUR million	Q1 2017	Q4 2016	Change %	Q1 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net interest income	7.17	7.18	0%	5.68	26%	7.17	5.68	26%
Net fee and commission income	1.82	1.77	3%	1.35	35%	1.82	1.35	35%
Other financial income	0.25	-0.55	-145%	0.16	54%	0.25	0.16	54%
Total net operating income	9.24	8.39	10%	7.19	28%	9.24	7.19	28%
Other income	0.01	0.03	-66%	0.13	-92%	0.01	0.13	-92%
Operating expenses	-4.90	-4.56	7%	-4.35	13%	-4.90	-4.35	13%
Loan losses	-0.07	-0.68	-90%	-0.10	-28%	-0.07	-0.10	-28%
Net profit	4.28	3.18	34%	2.87	49%	4.28	2.87	49%
Loan portfolio	540	532	2%	428	26%			
Financial investments	57	65	-12%	92	-37%			
Deposits of customers	811	785	3%	656	24%			
Subordinated liabilities	20	20	0%	15	33%			
Equity	85	80	6%	65	30%			

Q1 was successful both in terms of business volumes and profitability. LHV Bank generated EUR 7.2 million in net interest income and EUR 1.8 million in net fee and commission income. In total, the bank's net income amounted to EUR 9.3 million, expenditure to EUR 4.9 million and loan provisions to EUR 0.07 million. The net profit of LHV Bank amounted to EUR 4.3 million in Q1. This constitutes a 34% increase from Q4 (3.2) and an 49% increase from Q1 2016 (2.9). Net interest income remained at the same level compared to previous quarter. Net fee and commission income increase by 3%, compared to Q4. Net operating income increased by 10% compared to previous quarter. Other financial expenses amounted to EUR 0.3 million (Q4 2016 0.6 million).

Securities brokerage fees, transaction fees and fees from cards are greatest contributor to fee and commission income.

The increase in net interest income stems from the growth in business volumes. By the end of Q1, the total volume of the bank's loan portfolios amounted to EUR 540 million (Q4 2016: EUR 532 million). The volume of portfolios grew 2% over the quarter.

The corporate credit portfolio containing loans and guarantees grew by EUR 78.0 million (+25%) over the year, remaining on the previous level in quarterly comparison. The largest growth source was real estate activity, which is traditionally the field most funded by commercial banks. Compared with last year, loans for real estate activities grew by EUR 28.4 million (+25%). Strong commercial real estate projects earning rental income were the main source of the growth. Loans issued for financial activities, often including the activities of holding companies related to the funding of business purchases, grew by EUR 15.3 million (+28%) compared with the previous year. They were followed by loans to the processing industry; the respective part of the loan portfolio grew by EUR 10.5 million (+27%).

Compared with the previous quarter, the most loans and guarantees were issued in the sectors of the processing industry (EURm 6.4; +15%), other service activities (EURm 3.2; +34%), and professional, research and technical activities (EURm 1.2; +12%). The portfolio's quarterly growth was affected negatively by the active repayment of residential development loans, stemming from their seasonality.

The most business loans were granted in the real estate sector, which makes up 37% of the bank's corporate loan portfolio. The biggest part of real estate loans was granted to high-quality projects earning rental income; a significantly smaller part went to real estate developments. Most of the funded real estate developments are located in Tallinn; a few are also in other bigger cities of Estonia. Upon funding the new developments in Tallinn, LHV's market share was approx. one fifth at the end of the 1st quarter of 2017. LHV's real estate development portfolio is well positioned also for the event of changing market trends – the funded developments are in good locations and the risk to planned price ratio of the projects remains at an average of 50%. The sectors with the most credit issued to enterprises after the real estate sector are the sectors of funding activity (18% share) and processing industry (13% share). Among sectors with higher than average risk level due to economy and geopolitical situation, agriculture makes up 1%, carriage less than 1%, HoReCa 2%, and energy industry 2% of the portfolio's total volume.

The year started well for the bank. Considering the quieter start of the year and the shorter February, the bank's number of clients still grew by more than 6,000 over the quarter. By the end of the quarter, new records were achieved in the client activity of payments and in card payments made and received.

During the quarter, the bank's deposit volume grew by EUR 26.2 million and the loan volume grew by EUR 8.4 million. While the deposit volume's growth corresponded to the plan and was very strong, the growth of loan volumes was lower than planned. Home loans and private loans grew at a good speed, namely by EUR 7.7 million, but business loans only grew by EUR 2.7 million. Yet, high volumes of new business loan agreements with loan amount payouts planned in the coming months were signed during the quarter. The loan portfolio's growth in volume was reduced by the EUR 2.8 million repaid by Mokilizingas during the quarter. The quarter's strong profit turned out to be EUR 4.3 million, which exceeds the plan by EUR 0.9 million.

A new private banking offer was compiled at the beginning of the year. The new offer's substance is the interest of 1% on an up to EUR 1 million deposit on a bank account, a private banking debit card and a Platinum credit card, accompanied by travel insurance for the whole family, purchase insurance, a Priority Pass with unlimited visiting rights, and Estravel Platinum Club travel service. Also, an entirely new world-class portfolio management reporting system for clients was taken into use at the beginning of the year.

The bank's subsidiary LHV Finance launched a car loan and a home repair loan. The new product's goal is to obtain larger clients with lower risk levels, for a faster growth of the loan portfolio's volume.

At the end of the quarter, the first loan agreement with an international lender, the European Investment Fund, was signed. The loan amount is EUR 12.5 million and the loan term is 10 years. The funds are intended to be loaned out to small and medium enterprises. It is an unsecured loan with very good terms, setting a good basis for negotiations with other possible lenders in the future.

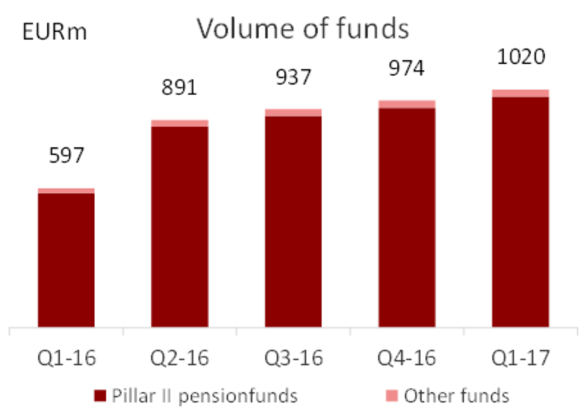
At the end of March, the Lithuanian office for cross-border activities was closed, leading to one-off personnel and office costs of approximately EUR 150 thousand. In the past two years, the bank has exited the markets of Finland, Latvia as well as Lithuania. It has been an informed decision to cease the smaller activities in foreign markets, so as to focus on growing the bank's principal activity in Estonia and to be ready to undertake new and larger projects as necessary and possible.

In addition to the retail, private and corporate banking, at the beginning of the 2nd quarter the bank announced its decision to form a separate business direction focusing on serving payment mediators. The bank has been engaged with payment mediators for the past five years, offering them mainly euro payments but also currency exchange, liquidity management and financing services. The largest and the most well-known among them are TransferWise and Coinbase, but there are several others. The bank sees a continued and quickening growth in that field, because the EU Payment Services Directive entering into force next year is established with the purpose of opening up and widening the retail banking market by the services of payment mediators. The plan's second half includes the bank's expansion to London. A large share of payment mediators is active in both the euro zone and the United Kingdom, which is why pound payments also need to be offered to them. Today, the bank is doing that through correspondent banks, which is a rather inefficient and costly method. This is why the bank decided to start with opening a London branch and finding the necessary people, and thereafter opening an account in the Central Bank of England and joining the pound payment system.

The bank received several recognitions over the quarter. In January, NASDAQ chose the bank as the year's best stock market member in Baltic republics for the fifth time. In February, the survey company Dive chose the bank as the one having the best service in Estonia for the second year in a row. In March, the bank attained the third place in the reputation survey of the most favoured IT employers, conducted by EMOR. This was so in the fields of software development, design as well as infrastructure.

Overview of AS LHV Varahaldus

- The volume of funds managed by LHV exceeded the threshold of 1 billion euros
- Dividends were paid to LHV Group in the amount of EUR 3.8 million
- The management fee rates of the II pillar were reduced by an average of 19%



EUR million	Q1 2017	Q4 2016	Change %	Q1 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net fee and commission income	3.30	3.89	-15%	2.15	53%	3.30	2.15	53%
Net financial income	0.11	0.02	450%	0.0	-	0.11	0.0	-
Operating expenses	-1.73	-2.15	-20%	-1.56	11%	-1.73	-1.56	11%
Profit	1.68	1.76	-5%	0.59	185%	1.68	0.59	185%
Financial investments	11.0	10.9	1%	7.1	55%			
Subordinated liabilities	2.1	2.1	0%	2.1	0%			
Equity	18.0	21.0	-14%	18.0	0%			
Assets under management	1 020.3	973.9	5%	596.9	71%			

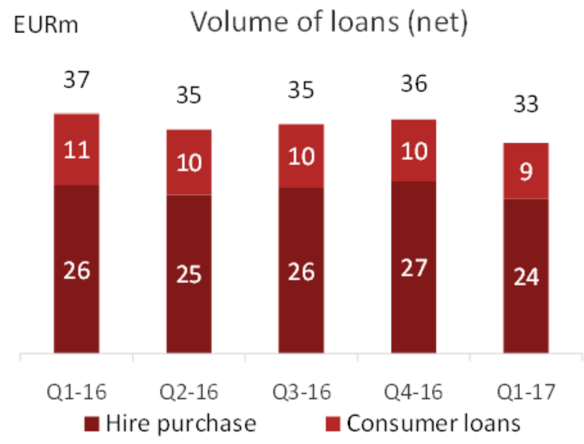
In the 1st quarter, the business revenue of LHV Varahaldus was EURm 3.30 (EURm 3.89 in the 4th quarter). The decline of business revenue was caused by the reduction of the mandatory pension fund management fee by an average of 19% in February. The management fee is reduced together with the growth of the total volume of mandatory pension funds. New fee rates are calculated at the beginning of every calendar year and they enter into force starting with February. The bigger growth of the total volume of mandatory pension funds of LHV Varahaldus and the resulting significant reduction of fee rates was caused by the merger with Danske Capital AS that took place last year.

The business expenditure of the 1st quarter was EURm 1.62. Compared with the 4th quarter (EURm 1.75), the expenditure was lower on account of the marketing and sales costs. LHV Varahaldus paid the first dividends in the amount of EURm 3.80, resulting in the income tax expenditure of EURm 0.95. The quarter’s profit before income tax was EURm 1.68 (EURm 1.76) and the net profit was EURm 0.72.

The total volume of funds managed by LHV grew by EURm 44 over the quarter (by EURm 37 in the 4th quarter). The number of 2nd pillar clients decreased by 1,900 during the quarter (increased by 2,900 thousand in the 4th quarter). On the background of high-priced securities markets, the Fund Manager keeps the investment risks of the actively managed pension funds low by looking for alternative investment opportunities (first and foremost investments into Estonia, made outside stock markets). Depending on the situation of international stock markets, the short-term results of pension funds actively managed by LHV may differ from those of competing funds; this, in turn, influences LHV’s sales as well as the number of clients leaving our funds.

Starting from 10 January, the new Investment Funds Act entered into force, lowering the regulative requirement for own funds. The latter enables to return capital to LHV Group. In the II quarter, LHV will merge mandatory pension funds with similar investment strategies; the clients were informed about that in January.

Overview of UAB Mokilizingas



EUR million	Q1 2017	Q4 2016	Change %	Q1 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net interest income	1.2	1.3	-8%	1.4	-14%	1.2	1.4	-14%
Net fee and commission income	0.2	0.2	0%	0.2	0%	0.2	0.2	0%
Operating expenses	-1.0	-1.1	-9%	-1.0	0%	-1.0	-1.0	0%
Loan losses	-0.02	0.7	-103%	0.2	-90%	-0.02	0.2	-90%
Income tax expenses	-0.03	-0.1	-70%	-0.1	-70%	-0.03	-0.1	-70%
Profit	0.3	1.0	-70%	0.3	0%	0.3	0.3	0%
Loan portfolio	35.0	38.0	-8%	39.0	-10%			
Equity	7.1	6.8	4%	5.3	34%			

In Hire Purchase (HP) segment Mokilizingas continues to work in a strong collaboration with Bite Lietuva and Kesko Senukai, launching seasonal campaigns and supporting the sales. Q1 2017 HP sales amounted to EUR 6.0 million (EUR 8.2 million during Q1 2016). The number of contracts signed decreased by 27%, average contract amount remained stable. Margins remain at similar levels with a slight decrease compared to Q1 2016.

Consumer Loan (CL) sales amounted to EUR 1.1 million and decreased by 58% compared to Q1 2016. The number of contracts signed decreased by 52% and average contract amount decreased by 11%. However, margins are higher than Q1 2016.

After the successful launch of Credit Card total number of cards sold reached 5.7 thousand by the end of Q1 with a total EUR 8.5 million credit limit. Average credit limit is 1480 EUR/card, which is above the expected level. Average spending per month is also higher than expected. However, usage is quite low – 20% of activated cards have at least one transaction. Portfolio reached EUR 0.8 million with 80% revolving balance. Objectives of Q2 2017 will be dedicated to the enhancement of card usage and product knowledge allocation to the customers. Especially concentrating on the existing card owners, to get in line and exploit high revolving balance perspectives.

Mokilizingas has started 2017 with a new challenging integration with BoL (Bank of Lithuania) liability databases. This had a significant impact to customer evaluation process due to low service quality. Mokilizingas found solutions to optimize the processes and shorten evaluation from 4 minutes to 30 seconds. As a result, March sales recovered significantly compared to January/February sales. Furthermore, Mokilizingas had to adjust to a regulation regarding married customer evaluation which was adopted in mid-March and facilitated the increase HP sales by 7%.

New E-Leasing module was launched in the end of March. A modern design will be more attractive to clients and new customer support functions will be available for merchants and Mokilizingas client support.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

(in thousands of euros)	Note	Q1 2017	3M 2017	Q1 2016	3M 2016
Continuing operations					
Interest income		9 251	9 251	8 069	8 069
Interest expense		-1 087	-1 087	-1 281	-1 281
Net interest income	9	**8 164**	**8 164**	**6 788**	**6 788**
Fee and commission income		6 650	6 650	4 513	4 513
Fee and commission expense		-1 366	-1 366	-859	-859
Net fee and commission income	10	**5 284**	**5 284**	**3 654**	**3 654**
Net gains/losses from financial assets measured at fair value		335	335	194	194
Foreign exchange gains/losses		61	61	5	5
Net gains from financial assets		**396**	**396**	**199**	**199**
Other income		17	17	2	2
Other expense		-39	-39	-17	-17
Total other income		**-22**	**-22**	**-15**	**-15**
Staff costs	11	-3 591	-3 591	-3 225	-3 225
Administrative and other operating expenses	11	-4 105	-4 105	-3 604	-3 604
Total expenses		**-7 696**	**-7 696**	**-6 829**	**-6 829**
Profit before impairment losses on loans and advances		**6 126**	**6 126**	**3 797**	**3 797**
Share of result of associates		0	0	1	1
Impairment losses on loans and advances		-93	-93	-255	-255
Profit before tax		**6 033**	**6 033**	**3 543**	**3 543**
Income tax expense		-983	-983	-77	-77
Net profit for the reporting period	2	**5 050**	**5 050**	**3 466**	**3 466**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
Revaluation of available-for-sale financial assets		45	45	641	641
Total profit and other comprehensive income for the reporting period		**5 095**	**5 095**	**4 107**	**4 107**
Total profit of the reporting period attributable to:					
Owners of the parent		4 469	4 469	3 019	3 019
Non-controlling interest		581	581	447	447
Total profit for the reporting period	2	**5 050**	**5 050**	**3 466**	**3 466**
Total comprehensive income attributable to:					
Owners of the parent		4 514	4 514	3 660	3 660
Non-controlling interest		581	581	447	447
Total comprehensive income for the reporting period		**5 095**	**5 095**	**4 107**	**4 107**
Basic earnings per share (in euros)	16	0.18	0.18	0.13	0.13
Diluted earnings per share (in euros)	16	0.17	0.17	0.13	0.13

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	31.03.2017	31.12.2016
Assets			
Due from central bank	4, 5, 6, 12	292 060	265 127
Due from credit institutions	4, 5, 6, 12	21 305	33 300
Due from investment companies	4, 6, 12	35 109	8 073
Available-for-sale financial assets	4, 6, 7	800	799
Financial assets at fair value through profit or loss	4, 6, 7	67 858	75 391
Loans and advances to customers	4, 6, 8	545 661	537 641
Receivables from customers		2 589	3 479
Other financial assets		1 049	941
Other assets		1 647	1 391
Tangible assets		1 149	1 191
Intangible assets		4 443	4 500
Goodwill		3 614	3 614
Total assets	2	**977 284**	**935 447**
Liabilities			
Deposits of customers and loans received	13	798 302	777 581
Financial liabilities at fair value through profit or loss	6	39	209
Accounts payable and other liabilities	14	35 043	19 031
Subordinated debt	6	30 900	30 900
Total liabilities	2	**864 284**	**827 721**
Owner's equity			
Share capital		25 356	25 356
Share premium		45 892	45 892
Statutory reserve capital		2 471	1 580
Other reserves		1 468	1 244
Retained earnings / accumulated deficit		31 913	28 335
Total equity attributable to owners of the parent		**107 100**	**102 407**
Non-controlling interest		5 900	5 319
Total equity		**113 000**	**107 726**
Total liabilities and equity		**977 284**	**935 447**

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q1 2017	3M 2017	Q1 2016	3M 2016
Cash flow from operating activities					
Interest received		9 245	9 245	7 862	7 862
Interest paid		-1 216	-1 216	-1 151	-1 151
Fees and commissions received		6 650	6 650	4 495	4 495
Fees and commissions paid		-1 366	-1 366	-859	-859
Other income		-23	-23	0	0
Staff costs paid		-3 304	-3 304	-3 132	-3 132
Administrative and other operating expenses paid		-4 742	-4 742	-3 489	-3 489
Cash flow from operating activities before change in operating assets and liabilities		**5 244**	**5 244**	**3 726**	**3 726**
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		4	4	14	14
Loans and advances to customers		-7 540	-7 540	-21 756	-21 756
Mandatory reserve at central bank		-260	-260	-299	-299
Security deposits		-108	-108	82	82
Other assets		-146	-146	745	745
Net increase/decrease in operating liabilities:					
Demand deposits of customers		44 165	44 165	9 431	9 431
Term deposits of customers		-22 492	-22 492	18 288	18 288
Repayments of loans received		-689	-689	-308	-308
Financial liabilities held for trading at fair value through profit and loss		-170	-170	-25	-25
Other liabilities		15 984	15 984	-3 626	-3 626
Net cash generated from/used in operating activities		**33 992**	**33 992**	**6 272**	**6 272**
Cash flow from investing activities					
Purchase of non-current assets		-246	-246	-302	-302
Acquisition and disposal of associates		0	0	1	1
Proceeds from disposal and redemption of investment securities available for sale		-6	-6	2 905	2 905
Net change of investments at fair value through profit or loss		7 914	7 914	9 331	9 331
Net cash flow from investing activities		**7 662**	**7 662**	**11 935**	**11 935**
Effect of exchange rate changes on cash and cash equivalents	6	**61**	**61**	**5**	**5**
Net decrease/increase in cash and cash equivalents		**41 715**	**41 715**	**18 212**	**18 212**
Cash and cash equivalents at the beginning of the period		298 764	298 764	224 363	224 363
Cash and cash equivalents at the end of the period	12	**340 479**	**340 479**	**242 575**	**242 575**

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

Attributable to owners of LHV Group

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Other reserves	Accumulated deficit/ retained earnings	**Total**	Non-controlling interest	**Total equity**
Balance as at 01.01.2016	**23 356**	**33 992**	**895**	**551**	**11 205**	**69 999**	**3 241**	**73 240**
Share options	0	0	0	149	0	149	0	**149**
Profit for the year	0	0	0	0	3 019	3 019	447	**3 466**
Other comprehensive loss	0	0	0	641	0	641	0	**641**
Total profit and other comprehensive income for the reporting period	0	0	0	641	3 019	3 660	447	**4 107**
Balance as at 31.03.2016	**23 356**	**33 992**	**895**	**1 341**	**14 224**	**73 808**	**3 688**	**77 496**
Balance as at 01.01.2017	**25 356**	**45 892**	**1 580**	**1 244**	**28 335**	**102 407**	**5 319**	**107 726**
Transfer to statutory reserve capital	0	0	891	0	-891	0	0	**0**
Share options	0	0	0	179	0	179	0	**179**
Profit for the year	0	0	0	0	4 469	4 469	581	**5 050**
Other comprehensive loss	0	0	0	45	0	45	0	**45**
Total profit and other comprehensive income for the reporting period	0	0	0	45	4 469	4 514	581	**5 095**
Balance as at 31.03.2017	**25 356**	**45 892**	**2 471**	**1 468**	**31 913**	**107 100**	**5 900**	**113 000**

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements

Notes to the Condensed Consolidated Interim 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 and accordance with International Financial Reporting Standards as adopted by European Union. The interim financial statements should be read in conjunction with the group's annual financial statements as at 31 December 2016.

The accounting policies adopted are consistent with those of the previous financial year. Specification has been added to cash and cash equivalents accounting policy:

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits with central bank and other banks and investment companies, term deposits with original maturities of three months or less, that are available for use without any significant restrictions and which are subject to an insignificant risk of changes in value.

These condensed consolidated interim financial statements are not 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), OÜ Cuber Tehnology (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 which are 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 9 and 10. The breakdown of interest income by customer location does not include the income 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.

Q1 2017	Retail banking	Private banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Hire-purchase and consumer finance in Lithuania	Treasury activities	Intra-segment eliminations	Total
Interest income	1 765	311	4 567	0	1 957	1 427	980	-1 756	9 251
Interest expense	0	0	-760	-42	-272	-238	-1 531	1 756	-1 087
Net interest income	**1 765**	**311**	**3 807**	**-42**	**1 685**	**1 189**	**-551**	**0**	**8 164**
Fee and commission income	2 717	227	53	3 298	114	179	62	0	6 650
Fee and commission expense	-1 140	0	0	0	-158	-11	-57	0	-1 366
Net fee and commission income	**1 577**	**227**	**53**	**3 298**	**-44**	**168**	**5**	**0**	**5 284**
Net income	**3 342**	**538**	**3 860**	**3 256**	**1 641**	**1 357**	**-546**	**0**	**13 448**

Net gains from financial assets	-3	0	1	145	0	0	253	0	396
Administrative and other operating expenses, staff costs	-2 413	-298	-1 164	-1 726	-329	-992	-796	0	-7 718
Operating profit	**926**	**240**	**2 697**	**1 675**	**1 312**	**365**	**-1 089**	**0**	**6 126**
Impairment losses on loans and advances	4	0	21	0	-95	-23	287	0	194
Income tax	0	0	0	-951	0	-32	-270	0	-1 253
Net profit	**930**	**240**	**2 718**	**724**	**1 217**	**310**	**-1 072**	**0**	**5 067**
Total assets	**318 767**	**103 508**	**516 746**	**21 706**	**35 451**	**36 982**	**101 271**	**-157 147**	**977 284**
Total liabilities	**476 610**	**224 183**	**159 987**	**3 791**	**28 735**	**29 872**	**31 175**	**-90 069**	**864 284**

Q1 2016	**Retail banking**	**Private banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Hire-purchase and consumer finance in Lithuania**	**Treasury activities**	**Intra-segment elimi-nations**	**Total**
Interest income	1 002	201	3 919	0	1 543	1 699	682	-1 123	7 923
Interest expense	0	0	-991	-36	-261	-315	-655	1 123	-1 135
Net interest income	**1 002**	**201**	**2 928**	**-36**	**1 282**	**1 384**	**27**	**0**	**6 788**
Fee and commission income	1 771	228	139	2 154	6	166	49	0	4 513
Fee and commission expense	-683	0	-23	0	-85	-17	-51	0	-859
Net fee and commission income	**1 088**	**228**	**116**	**2 154**	**-79**	**149**	**-2**	**0**	**3 654**
Net income	**2 090**	**429**	**3 044**	**2 118**	**1 203**	**1 533**	**25**	**0**	**10 442**
Net gains from financial assets	-12	0	0	36	0	0	175	0	199
Administrative and other operating expenses, staff costs	-2 139	-210	-1 001	-1 559	-336	-959	-640	0	-6 844
Operating profit	**-61**	**219**	**2 043**	**595**	**867**	**574**	**-440**	**0**	**3 797**
Income/loss from associates	0	0	0	0	0	0	1	0	1
Impairment losses on loans and advances	128	0	-151	0	-75	-157	0	0	-255
Income tax	0	0	0	0	0	-77	0	0	-77
Net profit	**67**	**219**	**1 892**	**595**	**792**	**340**	**-439**	**0**	**3 466**
Total assets	**251 487**	**105 923**	**378 081**	**11 038**	**25 366**	**39 558**	**84 246**	**-138 573**	**757 126**
Total liabilities	**326 715**	**210 255**	**139 030**	**1 891**	**23 164**	**34 611**	**31 232**	**-83 012**	**683 886**

NOTE 3 Risk Management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since the year end.

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

31.03.2017	Estonia	Latvia	Lit-huania	Finland	The Nether-lands	Ger-many	Other EU	USA	Other	Total
Due from banks and investment companies	303 345	57	3 238	0	0	0	4 729	34 833	2 272	**348 474**
Financial assets at fair value	12 515	793	18 627	0	0	33 311	3 408	4	0	**68 658**
Loans and advances to customers	494 241	1 694	32 313	406	1	43	16 114	50	799	**545 661**
Receivables from customers	2 186	4	398	0	0	0	1	0	0	**2 589**
Other financial assets	109	0	0	0	0	0	0	940	0	**1 049**
Total financial assets	**812 396**	**2 548**	**54 576**	**406**	**1**	**33 354**	**24 252**	**35 827**	**3 071**	**966 431**
Deposits of customers and loans received	668 694	1 655	732	1 307	6	295	89 214	4 944	31 455	**798 302**
Subordinated debt	30 900	0	0	0	0	0	0	0	0	**30 900**
Accounts payable and other financial liabilities	29 564	47	749	27	0	0	13	3	0	**30 403**
Financial liabilities at fair value	39	0	0	0	0	0	0	0	0	**39**
Total financial liabilities	**729 197**	**1 702**	**1 481**	**1 334**	**6**	**295**	**89 227**	**4 947**	**31 455**	**859 644**

Unused loan commitments in the amount of EUR 160 350 thousand are for the residents of Estonia and in the amount of EUR 6 944 thousand for the residents of Lithuania.

31.12.2016	Estonia	Latvia	Lit-huania	Finland	The Nether-lands	Ger-many	Other EU	USA	Other	Total
Due from banks and investment companies	287 878	0	2 718	0	0	0	5 100	7 919	2 885	**306 500**
Financial assets at fair value	12 316	2 737	18 788	0	0	33 660	8 657	2	30	**76 190**
Loans and advances to customers	484 578	1 880	35 383	512	7	46	14 508	51	676	**537 641**
Receivables from customers	3 110	14	352	0	0	0	3	0	0	**3 479**
Other financial assets	108	0	0	0	0	0	0	833	0	**941**
Total financial assets	**787 990**	**4 957**	**46 915**	**512**	**7**	**33 706**	**28 268**	**8 805**	**3 591**	**924 751**
Deposits of customers and loans received	666 870	1 617	2 024	1 072	1	201	71 983	746	33 067	**777 581**
Subordinated debt	30 900	0	0	0	0	0	0	0	0	**30 900**
Accounts payable and other financial liabilities	14 941	65	928	27	0	0	13	3	0	**15 977**
Financial liabilities at fair value	209	0	0	0	0	0	0	0	0	**209**
Total financial liabilities	**712 920**	**1 682**	**2 952**	**1 099**	**1**	**201**	**71 996**	**749**	**33 067**	**824 667**

Unused loan commitments in the amount of EUR 127 285 thousand are for the residents of Estonia and in the amount of EUR 5 235 thousand for the residents of Lithuania.

NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

31.03.2017	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	619 735	79 923	96 150	2 703	0	**798 511**
Subordinated debt	0	532	1 596	8 511	37 150	**47 789**
Accounts payable and other financial liabilities	0	30 403	0	0	0	**30 403**
Unused loan commitments	0	160 350	0	0	0	**160 350**
Financial guarantees by contractual amounts	0	5 758	0	0	0	**5 758**
Foreign exchange derivatives (gross settled)	0	20 322	0	728	0	**21 050**
Financial liabilities at fair value	0	39	0	0	0	**39**
Total liabilities	**619 735**	**297 327**	**97 746**	**11 942**	**37 150**	**1 063 900**
Financial assets by contractual maturity dates						
Due from banks and investment companies	348 402	72	0	0	0	**348 474**
Financial assets at fair value (debt securities)	0	1 324	34 445	18 185	3 563	**57 517**
Loans and advances to customers	0	48 886	130 103	390 189	46 448	**615 626**
Receivables from customers	0	2 589	0	0	0	**2 589**
Other financial assets	0	20322	0	728	0	**21 050**
Foreign exchange derivatives	1 049	0	0	0	0	**1 049**
Total financial assets	**349 451**	**73 193**	**164 548**	**409 102**	**50 011**	**1 046 305**
Maturity gap from financial assets and liabilities	**-270 284**	**-224 134**	**66 802**	**397 160**	**12 861**	**-17 595**

31.12.2016	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	624 219	67 007	83 814	3 357	0	**778 397**
Subordinated debt	0	532	1 596	8 511	37 682	**48 321**
Accounts payable and other financial liabilities	0	15 977	0	0	0	**15 977**
Unused loan commitments	0	132 520	0	0	0	**132 520**
Financial guarantees by contractual amounts	0	5 442	0	0	0	**5 442**
Foreign exchange derivatives (gross settled)	0	15 156	0	728	0	**15 884**
Financial liabilities at fair value	0	209	0	0	0	**209**
Total liabilities	**624 219**	**236 843**	**85 410**	**12 596**	**37 682**	**996 750**
Financial assets by contractual maturity dates						
Due from banks and investment companies	306 427	73	0	0	0	**306 500**
Financial assets at fair value (debt securities)	0	7 666	36 123	18 474	3 613	**65 876**
Loans and advances to customers	0	42 969	140 761	381 350	40 710	**605 791**
Receivables from customers	0	3 479	0	0	0	**3 479**
Other financial assets	941	0	0	0	0	**941**
Foreign exchange derivatives	0	15 156	0	728	0	**15 884**
Total financial assets	**307 368**	**69 343**	**176 884**	**400 552**	**44 323**	**998 471**
Maturity gap from financial assets and liabilities	**-316 851**	**-167 500**	**91 474**	**387 956**	**6 641**	**1 720**

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.
All cashflows from financial assets and –liabilities except derivatives include all contractual cash flows.

NOTE 6 Open Foreign Currency Positions

31.03.2017	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	327 685	1 991	7 063	2 163	7 410	2 162	**348 474**
Financial assets at fair value	29 489	0	0	0	38 681	488	**68 658**
Loans and advances to customers	544 296	6	4	6	1 332	17	**545 661**
Receivables from customers	2 328	1	18	8	232	3	**2 589**
Other financial assets	329	0	0	0	720	0	**1 049**
Total assets bearing currency risk	**904 127**	**1 998**	**7 084**	**2 177**	**48 376**	**2 671**	**966 431**
Liabilities bearing currency risk							
Deposits from customers and loans received	733 349	1 951	11 943	1 823	47 695	1 541	**798 302**
Financial liabilities at fair value	39	0	0	0	0	0	**39**
Accounts payable and other financial liabilities	11 881	1	8 213	362	8 526	1 421	**30 404**
Subordinated debt	30 900	0	0	0	0	0	**30 900**
Total liabilities bearing currency risk	**776 169**	**1 952**	**20 156**	**2 185**	**56 221**	**2 962**	**859 644**
Open gross position derivative assets at contractual value	0	0	13 106	0	7 944	0	**21 050**
Open gross position derivative liabilities at contractual value	20 824	0	0	0	0	226	**21 050**
Open foreign currency position	**107 134**	**46**	**34**	**-8**	**99**	**-517**	**106 787**

31.12.2016	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	278 929	1 994	13 061	3 942	6 668	1 906	**306 500**
Financial assets at fair value	34 505	0	0	1	41 243	441	**76 190**
Loans and advances to customers	535 747	4	4	2	1 873	11	**537 641**
Receivables from customers	3 255	1	43	6	171	3	**3 479**
Other financial assets	211	0	0	0	730	0	**941**
Total assets bearing currency risk	**852 647**	**1 999**	**13 108**	**3 951**	**50 685**	**2 361**	**924 751**
Liabilities bearing currency risk							
Deposits from customers and loans received	700 874	1 983	13 264	3 869	55 924	1 667	**777 581**
Financial liabilities at fair value	0	0	0	0	72	137	**209**
Accounts payable and other financial liabilities	8 116	2	1 226	65	5 341	1 227	**15 977**
Subordinated debt	30 900	0	0	0	0	0	**30 900**
Total liabilities bearing currency risk	**739 890**	**1 985**	**14 490**	**3 934**	**61 337**	**3 031**	**824 667**
Open gross position derivative assets at contractual value	1 675	0	1 398	0	11 548	1 263	**15 884**
Open gross position derivative liabilities at contractual value	13 440	0	0	0	876	1 568	**15 884**
Open foreign currency position	**100 992**	**14**	**16**	**17**	**21**	**-975**	**100 084**

NOTE 7 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	31.03.2017	Level 1	Level 2	Level 3	31.12.2016
Financial assets at fair value through profit and loss								
Shares and fund units*	408	11 032	50	**11 490**	408	10 866	50	**11 324**
Available-for-sale bonds and shares	800	0	0	**800**	799	0	0	**799**
Bonds at fair value through profit and loss	56 105	0	0	**56 105**	63 817	0	0	**63 817**
Interest rate swaps and foreign exchange forwards	0	263	0	**263**	0	250	0	**250**
Total financial assets	**57 313**	**11 295**	**50**	**68 658**	**65 024**	**11 116**	**50**	**76 190**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	39	0	**39**	0	209	0	**209**
Total financial liabilities	**0**	**39**	**0**	**39**	**0**	**209**	**0**	**209**

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 11 032 (31.12.2016: 10 866) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 1% of the number of units in each of the mandatory pension fund managed by it.

Hierarchy levels:

1. Level 1 – the price quoted on active market
2. Level 2 – a technique which uses market information as input (rates and interest curves of arms-length transactions)
3. 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.

As at 31.03.2017 the fair value of corporate loans and overdraft is EUR 1 997 thousand (0.53%) lower than their carrying amount (31.12.2016: 2 354 thousand, 0.63% lower). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of loans does not materially differ from their carrying amount as at 31 March 2017 and 31 December 2016. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

Lease interest rates offered to customers generally correspond to interest rates prevailing in the market for such products. Considering that the interest rate environment has been relatively stable since the Group started to provide leasing, consequently the fair value of lease agreements does not materially differ from their carrying amount. As significant management judgment is required to determine fair value, leases are classified as level 3 in the fair value hierarchy. Leveraged loans, hire-purchase and credit cards granted to customers are of sufficiently short-term nature and they have been issued at market terms, therefore the fair market rate of interest and also the fair value of loans do not change significantly during the loan term. The effective interest rate of consumer loans issued is at the same level as the interest rate of the loan product offered in the market and it can be stated that the carrying amount of loans does not significantly differ from their fair value. The fair value level of leveraged loans, hirepurchase, credit cards and consumer loans is 3 as significant judgmental assumptions are used for the valuation process.

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, considerable management judgements are used. Customer deposits are thus categorised under hierarchy level 3.

From all the subordinated loans received, EUR 15 000 thousand were received in October 2015 and the rest in 2014. Subordinated loans were issued on market terms and considering the movements in loan and interest market, we can say that the market conditions are similar as they were when issuing the subordinated loans so that the fair value of the loans does not materially differ from their net book value. In determining the fair value of loans, considerable management judgements are used. Loans issued are thus categorised under hierarchy level 3.

NOTE 8 Breakdown of Loan Portfolio by Economic Sectors

	31.03.2017	%	31.12.2016	%
Individuals	129 642	23.5%	125 125	23.0%
Real estate activities	143 135	26.0%	149 145	27.4%
Manufacturing	49 832	9.0%	43 541	8.0%
Arts and entertainment	29 653	5.4%	29 143	5.4%
Financial activities	70 628	12.8%	68 985	12.7%
Wholesale and retail trade	15 322	2.8%	14 721	2.7%
Administrative and support service activities	12 622	2.3%	11 953	2.2%
Transportation and storage	12 382	2.2%	12 835	2.4%
Agriculture	8 310	1.5%	8 341	1.5%
Other service activities	15 483	2.8%	15 021	2.8%
Construction	9 122	1.7%	11 688	2.2%
Information and communication	8 320	1.5%	9 611	1.8%
Professional, scientific and technical activities	15 030	2.7%	12 451	2.3%
Education	2 229	0.4%	1 297	0.2%
Other sectors	29 522	5.4%	29 525	5.4%
Total	**551 232**	**100%**	**543 382**	**100%**
Provision	-5 571		-5 741	
Total loan portfolio	**545 661**	**100%**	**537 641**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q1 2017**	**3M 2017**	**Q1 2016**	**3M 2016**
Balances with credit institutions and investment companies	4	4	32	32
Bonds	62	62	109	109
Leasing	464	464	365	365
Leverage loans and lending of securities	86	86	118	118
Consumer loans	1 439	1 439	1 134	1 134
Hire purchase	1 831	1 831	1 995	1 995
Business loans	4 742	4 742	3 924	3 924
Creditcard loans	163	163	120	120
Other loans	460	460	272	272
Total	**9 251**	**9 251**	**8 069**	**8 069**
Interest expense				
Deposits of customers and loans received	-280	-280	-605	-605
Balances with the central bank	-274	-274	-146	-146
Subordinated liabilities	-533	-533	-530	-530
including loans between related parties	-84	-84	-114	-114
Total	**-1 087**	**-1 087**	**-1 281**	**-1 281**
Net interest income	**8 164**	**8 164**	**6 788**	**6 788**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q1 2017**	**3M 2017**	**Q1 2016**	**3M 2016**
Estonia	7 737	7 737	6 199	6 199
Latvia	0	0	11	11
Lithuania	1 448	1 448	1 718	1 718
Total	**9 185**	**9 185**	**7 928**	**7 928**

NOTE 10 Net Fee and Commission Income

Fee and commission income	Q1 2017	3M 2017	Q1 2016	3M 2016
Security brokerage and commissions paid	1 030	1 030	633	633
Asset management and similar fees	3 691	3 691	2 548	2 548
Currency conversion revenues	337	337	274	274
Fees from cards and payments	1 156	1 156	772	772
Fee from Snoras's portfolio management*	0	0	45	45
Other fee and commission income	436	436	241	241
Total	**6 650**	**6 650**	**4 513**	**4 513**
Fee and commission expense				
Security brokerage and commissions paid	-250	-250	-176	-176
Expenses related to cards	-444	-444	-200	-200
Expenses related to acquiring	-386	-386	-295	-295
Other fee and commission expense	-286	-286	-188	-188
Total	**-1 366**	**-1 366**	**-859**	**-859**
Net fee and commission income	**5 284**	**5 284**	**3 654**	**3 654**

* Mokilizingas was providing till Q2 2016 portfolio administration services to Snoras Bank, to whom the portfolio was sold in 2011.

Fee and commission income by customer location:	Q1 2017	3M 2017	Q1 2016	3M 2016
Estonia	6 342	6 342	4 216	4 216
Latvia	6	6	17	17
Lithuania	250	250	233	233
Luxembourg	52	52	47	47
Total	**6 650**	**6 650**	**4 513**	**4 513**

NOTE 11 Operating Expenses

	Q1 2017	3M 2017	Q1 2016	3M 2016
Wages, salaries and bonuses	2 733	2 733	2 445	2 445
Social security and other taxes*	858	858	780	780
Total personnel expenses	**3 591**	**3 591**	**3 225**	**3 225**
IT expenses	423	423	443	443
Information services and bank services	187	187	175	175
Marketing expenses	1 123	1 123	1 088	1 088
Office expenses	156	156	145	145
Transportation and communication expenses	92	92	56	56
Staff training and business trip expenses	94	94	92	92
Other outsourced services	813	813	689	689
Other administrative expenses	534	534	419	419
Depreciation of non-current assets	359	359	205	205
Operational lease payments	281	281	238	238
Other operating expenses	43	43	54	54
Total other operating expenses	**4 105**	**4 105**	**3 604**	**3 604**
Total operating expenses	**7 696**	**7 696**	**6 829**	**6 829**

*lump-sum payment of social, health and other insurances

NOTE 12 Balances with the Central Bank, Credit Institutions and Investment Companies

	31.03.2017	31.12.2016
Term deposits with maturity less than 3 months*	56 414	41 373
Legal reserve with the central bank	7 995	7 736
Other receivables from central bank*	284 065	257 391
Total	**348 474**	**306 500**
*Cash and cash equivalents in the Statement of Cash Flows	340 479	298 764

The breakdown of receivables by countries has been presented in Note 4. Demand deposits include receivables from investment companies in the total amount of EUR 35 109 thousand (31 December 2016: EUR 8 073 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 31 March 2017 was 1% (31 December 2016: 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 13 Deposits of Customers and Loans Received

Deposits/loans by type	Individuals	Legal entities	Public sector	31.03.2017
Demand deposits	223 852	435 951	8 488	668 291
Term deposits	60 003	63 411	6 258	129 672
Loans received	0	0	90	90
Accrued interest liability	162	72	15	249
Total	**284 017**	**499 434**	**14 851**	**798 302**

Deposits/loans by type	Individuals	Legal entities	Public sector	31.12.2016
Demand deposits	202 725	413 141	8 260	624 126
Term deposits	63 749	81 945	6 469	152 163
Loans received	0	0	778	778
Accrued interest liability	209	285	20	514
Total	**266 683**	**495 371**	**15 527**	**777 581**

Loans received include loans granted by the Estonian Rural Development Foundation in the amount of EUR 90 thousand (31 December 2016: EUR 778 thousand) for the purpose of financing loans to small companies in rural areas and overdraft received.

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 14 Accounts payable and other liabilities

Financial liabilities	31.03.2017	31.12.2016
Trade payables and payables to merchants	2 544	3 016
Other short-term financial liabilities	85	1 551
Accrued interest on subordinated loans	203	210
Payments in transit	27 460	11 063
Financial guarantee contracts issued	111	137
Subtotal	**30 403**	**15 977**
Non-financial liabilities		

Performance guarantee contracts issued	218	228
Tax liabilities	1 989	886
Payables to employees	1 242	1 020
Other short-term liabilities	1 191	920
Subtotal	**4 640**	**3 054**
Total	**35 043**	**19 031**

Payables to employees consist of unpaid salaries; bonus accruals and vacation pay accrual for the reporting period and the increase in liabilities is caused by the increase in the number of employees during the year. Payments in transit consist of foreign payments and payables to customers related to intermediation of securities transactions. All liabilities, except for financial guarantees, are payable within 12 months and are therefore recognised as current liabilities.

NOTE 15 Contingent Liabilities

Irrevocable transactions	**Performance guarantees**	**Financial guarantees**	**Unused loan commitments**	**Total**
Liability in the contractual amount as at 31 March 2017	10 185	5 758	167 294	**183 237**
Liability in the contractual amount as at 31 December 2016	12 695	5 442	132 520	**150 657**

NOTE 16 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.

	Q1 2017	**3M 2017**	**Q1 2016**	**3M 2016**
Total profit attributable to owners of the parent (EUR thousand)	4 469	4 469	3 019	3 019
Weighted average number of shares (in thousands of units)	25 356	25 356	23 356	23 356
Basic earnings per share (EUR)	0.18	0.18	0.13	0.13
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	25 836	25 836	23 836	23 836
Diluted earnings per share (EUR)	0.17	0.17	0.13	0.13

NOTE 17 Capital Management

The goal of the Group's capital management is to:

- ✓ ensure continuity of the Group's business and ability to generate return for its shareholders;
- ✓ maintain a strong capital base supporting the development of business;
- ✓ comply with capital requirements as established by supervision authorities.

The amount of capital that the Group managed as of 31.03.2017 was 119 255 thousand euros (31.12.2016: 123 907 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.

The Group follows the general principles in its capital management:

- The Group must be adequately capitalized at all times, ensuring the necessary capital to ensure economic preservation and enables financing of new profitable growth opportunities;
- The main focus of the capital management is on tier 1 own funds, because only tier 1 own funds can absorb losses. All other capital layers in use are dependent of tier 1 own funds volume;
- Capital of the Group can be divided in two: 1) regulative minimum capital and 2) capital buffer held by the Group. In order to reach its long-term economic goals the Group must on one hand strive towards proportional lowering of the regulative minimumcapital (through minimizing risks and high transparency). On the other hand, the Group must strive towards sufficient and conservative capital reserve, which will ensure economic preservation even in the event of severe negative risk scenario;
- The risk appetite set by the Group is an important input to capital management planning and capital goal setting. Higher risk appetite requires marinating higher capital buffer.

Capital base	**31.03.2017**	**31.12.2016**
Paid-in share capital	25 356	25 356
Share premium	45 892	45 892
Reserves	2 471	1 580
Other reserves	5	-40
Accumulated loss	22 688	10 517
Intangible assets (subtracted)	-8 057	-8 114
Profit for the reporting period	0	17 816
Total Tier 1 capital	**88 355**	**93 007**
Subordinated liabilities	30 900	30 900
Total Tier 2 capital	**30 900**	**30 900**
Total net own funds	**119 255**	**123 907**

The Group has complied with all capital requirements during the financial year and in previous year.

NOTE 18 Transactions with related parties

In preparing the financial statements of the Group, the following entities have been considered related parties:

- owners that have significant impact on the Group and the entities related to them;
- members of the management board and legal entities controlled by them (together referred to as management);
- members of the supervisory board;
- close relatives of the persons mentioned above and the entities related to them.

Transactions	3M 2017	3M 2016
Interest income	**16**	**15**
incl. management	7	4
incl. shareholders and their related entities that have significant influence	9	11
Fee and commission income	**1**	**0**
Incl. management	0	0
incl. shareholders and their related entities that have significant influence	1	0
Interest expenses from deposits	**10**	**9**
incl. management	0	0
incl. shareholders and their related entities that have significant influence	10	9
Interest expenses from subordinated loans	**84**	**114**
incl. management	2	7
incl. shareholders and their related entities that have significant influence	82	107

Balances	31.03.2017	31.12.2016
Loans and receivables as at the year-end	**2 834**	**2 708**
incl. management	1 753	1 596
incl. shareholders and their related entities that have significant influence	1 081	1 112
Deposits as at the year-end	**17 378**	**7 430**
incl. management	323	236
incl. shareholders and their related entities that have significant influence	17 055	7 194
Subordinated loans as at the year-end	**4 799**	**4 799**
incl. management	104	104
incl. shareholders and their related entities that have significant influence	4 695	4 695

The table provides an overview of the material balances and transactions involving related parties. All other transactions involving the close relatives and the entities related to members of the management board and supervisory board and the minority shareholders of the parent company AS LHV Group have occurred according to the overall price list.

Loans granted to related parties are issued at market conditions.

In Q1, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 316 thousand (Q1 2016: EUR 286 thousand), including all taxes. As at 31.03.2017, remuneration for March and accrued holiday pay in the amount of EUR 79 thousand (31.12.2016: EUR 92 thousand) is reported as a payable to management (Note 14). The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 31.03.2017 and 31.12.2016 (pension liabilities, termination benefits, etc.). In Q1 2017, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 9 thousand (Q1 2016: EUR 15 thousand).

Management is related to the share-based compensation plan. In Q1 2017 the share-based compensation to management amounted to EUR 84 thousand (Q1 2016: EUR 33 thousand).

The Group has signed contracts with the members of the Management Board, which do not provide for severance benefits upon termination of the contract. In any matters not regulated by the contract, the parties adhere to the procedure specified in the legislation of the Republic of Estonia.

Shareholders of AS LHV Group

AS LHV Group has a total of 25 356 005 ordinary shares, with a nominal value of 1 euro.

As at 31 March 2017, AS LHV Group has 5 126 shareholders:

- 13 108 473 shares (51.7%) were held by members of the Supervisory Board and Management Board, and related parties.
- 12 247 532 shares (48.3%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 31 March 2017:

Number of	Participation	Name of shareholder
3 357 920	13.2%	AS Lõhmus Holdings
2 628 367	10.4%	Rain Lõhmus
2 052 344	8.1%	Viisemann Investment AG
1 595 620	6.3%	Ambient Sound Investments OÜ
1 210 215	4.8%	OÜ Krenno
999 456	3.9%	AS Genteel
951 978	3.8%	AS Amalfi
701 297	2.8%	OÜ Kristobal
653 165	2.6%	SIA Krugmans
581 718	2.3%	OÜ Merona Systems

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 13 775 shares.
Rain Lõhmus holds 2 628 367 shares, AS Lõhmus Holdings 3 357 920 shares and OÜ Merona Systems 581 718 shares.
Andres Viisemann does not hold shares, Viisemann Holdings OÜ holds 434 925 shares and Viisemann Investment AG holds 2 052 344 shares.
Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 595 620 shares.
Tiina Mõis does not hold shares. AS Genteel holds 999 456 shares.
Heldur Meerits does not hold shares. AS Amalfi holds 951 978 shares.
Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 490 190 shares.
Sten Tamkivi holds 355 shares. OÜ Seikatsu holds 1 825 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, Tauno Tats, Andres Viisemann, Sten Tamkivi
Management board: Madis Toomsalu

AS LHV Varahaldus
Supervisory board: Erki Kilu, Madis Toomsalu, Andres Viisemann
Management board: Mihkel Oja, Joel Kukemelk

AS LHV Pank
Supervisory board: Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Madis Toomsalu, Andres Viisemann, Sten Tamkivi
Management board: Jüri Heero, Erki Kilu, Andres Kitter, Meelis Paakspuu, Indrek Nuume, Martti Singi

AS LHV Finance
Supervisory board: Erki Kilu, Rain Lõhmus, Veiko Poolgas, Jaan Koppel
Management board: Nele Roostalu

OÜ Cuber Tehnology
Management board: Jüri Laur

UAB Mokilizingas
Supervisory board: AS LHV Group, AS LHV Pank, UAB „K2Z", KŪB „RAZFin
Management board: Erki Kilu, Jurgis Rubazevicius, Benas Pavlauskas, Mantas Jonuška
CEO: Benas Pavlauskas

Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to March 2017 period the condensed consolidated interim financial statements of AS LHV Group for the 3-month period ended 31 March 2017.

The management board confirms that according to their best knowledge the interim report presents a fair view of LHV Group AS's assets, liabilities, financial position and profit or loss of the issuer and the entities involved in the consolidation as a whole according to the International Financial Reporting Standards as they are adopted by the European Union and contains a description of the main risks and doubts.

17.04.2017

Madis Toomsalu