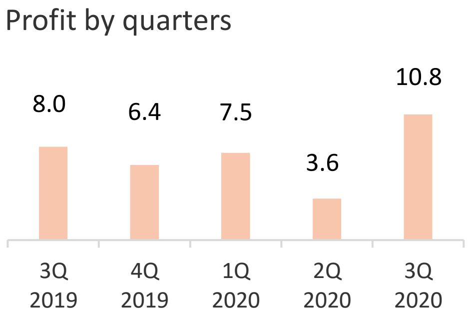
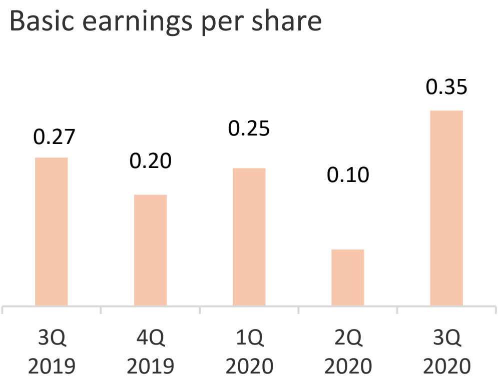
Interim Report January – September 2020
Summary of Results



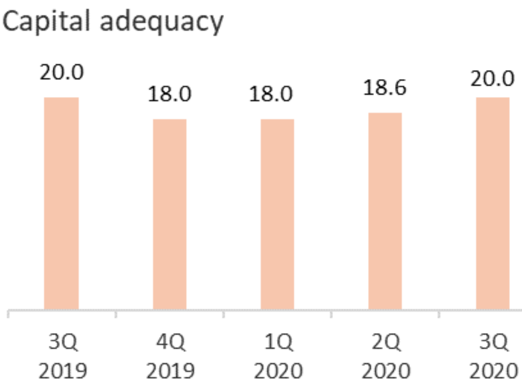
Q3 2020 in comparison with Q2 2020

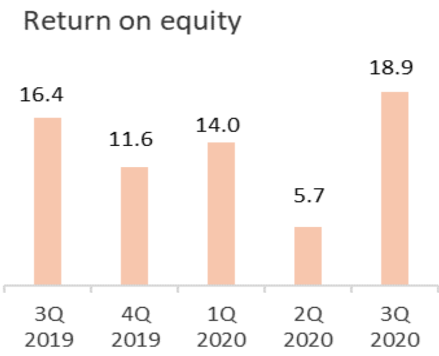
- Net profit EUR 10.8 m (EUR 3.6 m), of which EUR 10.1 m (EUR 2.9 m) is attributable to owners of the parent
- Earnings per share EUR 0.35 (EUR 0.10)
- Net income EUR 23.5 m (EUR 22.1 m)
- Operating expenses EUR 10.7 m (EUR 10.7 m)
- Loan provisions EUR -0.03 m (EUR 7.7 m)
- Income tax expenses EUR 2.12 m (EUR 0.16 m)
- Return on equity 18.9% (5.7%)
- Capital adequacy 20.0% (18.6%)



Q3 2020 in comparison with Q3 2019

- Net profit EUR 10.8 m (EUR 8.0 m), of which EUR 10.1 m (EUR 7.3 m) is attributable to owners of the parent
- Earnings per share EUR 0.35 (EUR 0.27)
- Net income EUR 23.5 m (EUR 18.1 m)
- Operating expenses EUR 10.7 m (EUR 9.4 m)
- Loan provisions EUR -0.03 m (EUR 0.02 m)
- Income tax expenses EUR 2.12 m (EUR 0.7 m)
- Return on equity 18.9% (16.4%)
- Capital adequacy 20.0% (20.0%)





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,

It is hard to currently envy economists who are engaged in forecasting. Aside from the usual input data, they also have to assess the spread of the virus and the respective responses of other countries. Politicians have found a solution and are rounding up and down in billions in their counter-measures. That has created a situation where Estonian enterprises should be preparing for economic growth, if we are to rely solely on financial logic.

We can surmise this if we write the 2 billion euro contraction in the economy on one side of the equation and the EUR 5 billion borrowed in order to cope with the impact of the reduction, along with the additional EUR 1.8 billion from the EU recovery package, on the other side. The real world is, however, more complicated, as the economic decline will result in a decrease in leveraged-impact investments, and the various support funds and received loans must first be productively invested in order to gain any benefits. We must also entirely omit the discussion of the levels at which a loan as an enhancer turns into an impediment to long-term growth.

However, considering the political and central banks' measures, a considerable part of the funds will make it to the real economy via money markets. Let it remain in the discussions of economic theory as whether all of that is good or reasonable, but we should not ignore the mathematics in today's investment decisions. In the short-term, liquidity is still the main virtue and that is an investment recommendation to enterprises whose financial reserves are sufficient or whose access to financing is sound. It should also be taken into account that as major crises enhance changes in the structure of the economy, it is important to carefully contemplate the sustainability of such investments as well as their suitability for the future. This brings to mind a thought presented in an analysis conducted by Boston Consulting: enterprises do not lack opportunities, but imagination.

We at LHV wish to be the best financial service partner for clients with a good imagination. Throughout the crisis, we have continued with the open and local credit policy, financing clients on terms similar to before. Our portfolio has been growing slower, but that has instead characterised a decline in demand, not supply. In that light, a growth of EUR 52 million in the loan portfolio in Q3 can be considered a good result.

The quality of our loan portfolio is good. We gave our existing clients payment holidays to the extent of a loan volume of EUR 350 million. Clients have largely been using the payment holiday as a precautionary measure to ensure liquidity; therefore, we expect that they will resume repayments after their payment holiday ends. September was proof of that, with only EUR 6 million worth of payments postponed out of the EUR 54 million of payment holiday related loans that were scheduled to end. The remaining payment holidays granted during the crisis will end in April next year.

Q3 was very busy for LHV. With regard to major events, the international economic magazine Euromoney named LHV the best Estonian bank for the third year running. The bank's continued rapid growth, innovativeness and good economic performance were the factors behind this success. In addition, LHV's movement towards a more sustainable economy was taken into account.

In August, we were the first bank to introduce a virtual ISIC card for students, while we also added a contact-free payment option for the users of Fitbit and Garmin devices. In cooperation with Alexela, we also introduced a home credit card.

We began to provide a full-service payment collection service from September. This allows merchants to choose the payment methods they prefer to offer clients. In addition, merchants will benefit from the fast receipt of money, a detailed overview of transactions and the ability to use payment terminals throughout the Baltics and in Finland. Within the new service, we have combined card payments in shops, the payment methods necessary in online shops, and the possibility to easily pay bills.

All the pension funds managed by LHV Varahaldus also produced a positive yield in Q3, with funds with a higher equity risk demonstrating the best yields. LHV's Pension Fund Indeks rose by 3% in three months, while the value of shares in the actively managed M, L and XL funds grew by 0.9%, 1.4% and 1.4%, respectively. LHV's Pension Fund Roheline continued to be the fund with the best yield in the market, producing a three-month yield of 20.4%. By the end of September, the yield of Pension Fund Roheline had grown by 53.6% since mid-March, massively outdoing other Estonian pension funds as well as all the major markets.

We also completed the public offering of LHV's subordinated bonds in September. As the initial volume of the issue – EUR 25 million – was 3.4 times over-subscribed, we increased the volume of the issue to the maximum allowed extent, to EUR 35 million.

After the quarter, at the beginning of October, we completed a transaction in the course of which we acquired Danske Bank's credit portfolio related to Estonian enterprises and the public sector. The final volume of the transaction amounted to EUR 273 million and LHV Pank's loan portfolio grew by EUR 254 million as a result of the transaction. We took over 346 business clients, 252 apartment associations and 80 public sector clients. As a result of the transaction, our loan portfolio grew by approximately 14% and for the first time exceeded 2 billion euros.

In order to increase the volume of apartment association loans included in the acquired portfolio, we introduced a loan specifically intended for apartment associations, which can be used for renovating, refurbishing and designing dwellings. It is intended for apartment associations for construction and renovation works, as well as for energy-efficiency projects or, for instance, the installation of solar panels – which the first apartment associations have already undertaken.

We are still applying for an activity licence for LHV Kindlustus and hope to obtain the activity licence from the Financial Supervision Authority by the end of the year. In parallel, we are working on preparing information systems, recruiting people and preparing the services to be launched to the market.

With regard to profit, we are ahead of the new financial plan published in April by EUR 8.3 million. The predicted crisis has been milder than expected and the payment holidays gave our clients an opportunity to collect the necessary reserves. The planned provisions have therefore been EUR 6.4 million lower than planned. We shall update our financial plan for this year in October.

Madis Toomsalu

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Financial Summary

The Group's 2020 Q3 consolidated profit was EUR 10.8 million, having grown by EUR 7.2 million from 2020 Q2 and by EUR 2.8 million compared to the third quarter in the previous year. After the extensive loan discounts of Q2, discounts in Q3 remained closed to zero. The Group's 2020 Q3 profit for its shareholders was EUR 2.8 million higher than in the previous year.

The yield on equity held by LHV's shareholders was 18.9% in 2020 Q3, having grown by 13.2 percentage points from 2020 Q2 (5.7%).

The Group's consolidated net loan portfolio grew by EUR 52 million in the quarter (EUR 65 million in 2020 Q2) and consolidated deposits grew by EUR 129 million (for comparison: growth in 2020 Q2 was EUR 134 million). Deposits related to payment intermediaries grew by EUR 57 million (EUR 41 million in 2020 Q2).

The Group's own funds increased by EUR 19.6 million from the previous quarter and risk-weighted assets grew by EUR 50 million, with the Tier1 and total capital adequacy ratios being 14.9% and 20.0%, respectively, at the end of the quarter. The increase in own funds was mainly due to the inclusion of the new issued subordinated bonds in the Group's own funds.

The bank's Q3 consolidated profit was EUR 10.7 million, which is EUR 7.8 million higher than the profit of the previous quarter (EUR 2.8 million in 2020 Q2). The number of the bank's clients grew by over 11,000 in the quarter (8 000 in 2020 Q2), with the total number of the bank's clients now more than 235,000.

The bank's loan portfolio grew by EUR 52 million in Q3 (EUR 65 million in 2020 Q2), reaching EUR 1 856 million. Among the loans, business loans and home loans grew the most. The loan discount expense was close to zero in Q3, which is EUR 7.7 million better than in the previous quarter.

The deposits of the bank's clients grew by EUR 153 million in Q3, while the balance of the deposits of payment intermediaries grew by EUR 57 million and the deposits of the remaining clients grew by EUR 96 million. By the end of Q3, the total volume of deposits amounted to EUR 3 257 million.

LHV Varahaldus's Q3 profit amounted to EUR 0.8 million (EUR 1.9 million in 2020 Q2). LHV Varahaldus's income from service fees grew by EUR 0.1 million from the previous quarter, amounting to EUR 2.2 million. The operating expenses of LHV Varahaldus decreased by EUR 0.1 million in the quarter.

The aggregate volume of the funds managed by LHV grew by EUR 56 million in the quarter (a growth of EUR 96 million in 2020 Q2). The number of active second pillar clients grew by 4 072 in the quarter (a growth of 1 219 in 2020 Q2).

Business volumes EUR million	**Q3 2020**	**Q2 2020**	**Quarter over quarter**	**Q3 2019**	**Year over year**
Loan portfolio	1 855.8	1 804.0	3%	1 222.1	52%
Financial investments	430.7	423.1	2%	124.0	247%
Deposits of customers	3 215.5	3 086.9	4%	2 534.7	27%
incl. deposits of financial intermediates	597.0	539.8	11%	419.0	42%
Equity (including minority interest)	224.6	213.3	5%	199.0	13%
Equity (owners' share)	218.7	208.1	5%	194.5	12%
Volume of funds managed	1 495.9	1 440.0	4%	1 327.7	13%
Assets managed by bank	1 494.3	1 486.6	1%	1 334.1	12%

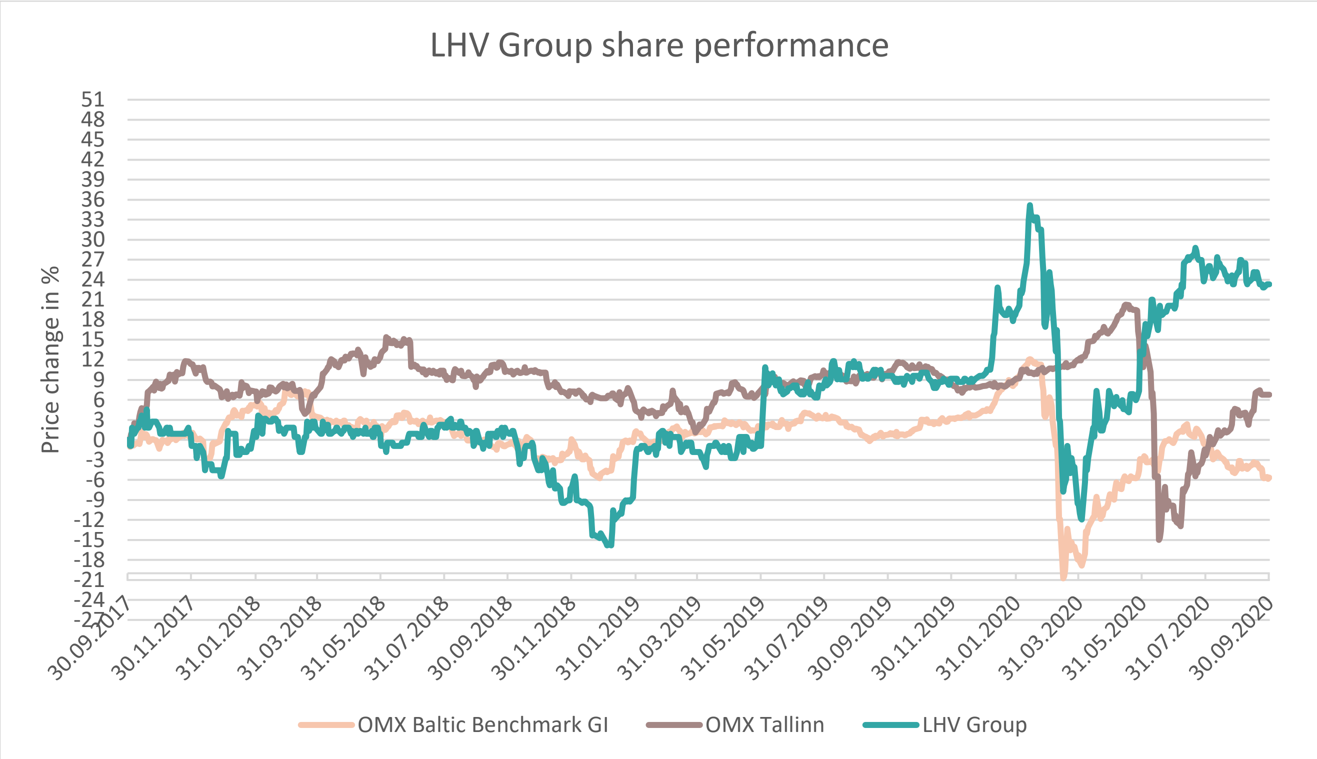
Income statement EUR million	**Q3 2020**	**Q2 2020**	**Quarter over quarter**	**Q3 2019**	**Year over year**	**9M 2020**	**9M 2019**	**Year over year**
Net interest income	16.73	15.55	8%	11.55	45%	48.60	34.13	42%
Net fee and commission income	6.47	6.19	5%	6.41	1%	19.17	19.25	0%
Other financial income	0.34	0.32	6%	0.12	183%	0.27	0.50	-46%
Total net operating income	23.54	22.06	7%	18.08	30%	68.04	53.88	26%
Other income	0.07	-0.02	NA	0.03	133%	0.09	0.03	200%
Operating expenses	-10.75	-10.66	1%	-9.40	14%	-32.59	-27.91	17%
Loan losses	0.03	-7.67	-100%	-0.02	-250%	-8.65	-1.67	418%
Income tax expenses	-2.12	-0.16	1225%	-0.70	203%	-5.09	-3.67	39%
Net profit	10.77	3.55	203%	7.99	35%	21.80	20.66	6%
Including attributable to owners of the parent	10.10	2.94	244%	7.29	39%	20.12	19.08	5%

Ratios EUR million	**Q3 2020**	**Q2 2020**	**Quarter over quarter**	**Q3 2019**	**Year over year**	**9M 2020**	**9M 2019**	**Year over year**
Average equity (attributable to owners of the parent)	213.7	205.5	8.2	177.6	36.1	215.6	174.1	41.6
Return on equity (ROE), %	18.9	5.7	13.2	16.4	2.5	12.8	14.6	-1.8
Return on assets (ROA), %	1.1	0.4	0.7	1.2	-0.1	0.82	1.21	-0.39
Interest-bearing assets, average	3 855.4	3 458.2	397.2	2 576.0	1 279.4	3 518.3	2 231.5	1 286.8
Net interest margin (NIM) %	1.70	1.80	-0.10	1.80	-0.10	1.89	1.96	-0.07
Price spread (SPREAD) %	1.70	1.80	-0.10	1.75	-0.05	1.81	1.99	-0.18
Cost/income ratio %	45.4	48.4	-3.0	52.0	-6.60	47.8	51.8	4.0
Profit attributable to owners before income tax	12.15	3.06	9.09	7.99	4.2	24.8	22.5	2.33

Explanations to ratios (quarterly ratios h

ave 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



There is only one class of shares issued by LHV, each share gives 1 voting right. The shares of LHV Group is traded on NASDAQ Tallinn main list since May 2016. Graph below presents LHV Group share performance against OMX Tallinn index and OMX Baltics banchmark index. LHV Group share has outperformed both indexes and has raised 23%, when comparison indexes have increased by 7 and 6% respectively. LHV Group share price has been 13.50 euros in the end of Q3 and based on the stock price, LHV's market value was EUR 389 million.

Operating Environment

Since March, the corona virus has affected people's lives everywhere and countries have taken rather drastic measures in the interest of saving people's health. The imposed movement and other restrictions have left a deep dent on the economic growth in Europe, the US, and Asia. In the G20 countries in total, the gross product dropped by a record 9.1% in Q2 (-6.9% Q-o-Q)1. The only exception was China where the more extensive economic damage occurred at the beginning of the year and the Q2 gross product grew by 3.2% compared to the same period in the previous year (11.5% Q-o-Q).

Of the European countries, the most damage was suffered by the UK (Q2 GDP -23%) and Spain (-22%), while France (-19%) and Italy (-18%) did just a little bit better2. The economy of Estonia's main trading partners has endured better than average until now and that has helped Estonia recover from the initial shock a bit better. A softer landing was facilitated by a more limited spread of the virus in the entire region, which allowed countries to keep the established movement and business restrictions relatively short-term and mild. In addition, the share of the tourist sector in not as extensive in the economic environment of the Baltic Sea as in the Southern European countries.

As economic difficulties arise, enterprises have inevitably started cutting costs and in many cases that has also meant lay-offs. The unemployment rate decreased in the euro-zone all through the previous year, reaching 7.2% in March this year. As the crisis broke out, unemployment started rapidly growing and reached 8.1% of the active population in August. In total, approximately 1.4 million people have lost their job in the euro-zone since the beginning of the virus outbreak. When we add the UK and the remaining European Union countries to that, the number of the new unemployed amounts to 2 million. As an absolute figure, it seems a scarily large number, but it actually means that the number of the unemployed has grown by approximately 15% in the region. For comparison: the number of the unemployed has grown in Estonia by about 40% in the same period and we are definitely in the lead in Europe by that figure.

The price increase has stopped in the euro-zone after the virus outbreak in spring. During the summer months, inflation stayed positive in the extent of a few basis points, but in August and September prices started to drop in the euro-zone. The prices have been pushed down mainly by a decrease in energy prices. Core inflation, which does not include the more volatile product groups (energy, fresh food), stayed stable at over 1% even during the most acute phase of the crisis. However, core inflation has also decelerated in recent months – the low energy costs have influenced the prices of other industrial products through producer prices and that puts additional deflationary pressure on the economy. The temporary reduction of value added tax in Germany also plays a role, suspending the price increase in the largest European economy since July.

The European Central Bank has not changed the euro-zone monetary policy at its last two monetary policy sessions (in July and August). The measures proposed so far have been effectively implemented and have kept financing conditions in Europe favourable. The third targeted long-term refinancing operations programme (TLTRO-III) has been a particular success, with commercial banks having asked refinancing in the extent of approximately 1.5 trillion euros in the course of the latest operations. When we also take into account other loan measures and the repayments of the earlier TLTROs, more than 700 billion euros have been injected into the economy over the summer, with most of it having been used for financing enterprises through bank loans.

The banks' risk aversion grew steeply in spring and more value was placed on the existence of free liquidity than before. That also caused the EURIBOR rate to essentially triple from -0.45% to -0.15% in a month. After consistent messages from central banks and governments about the incentive packages to be created, the EURIBOR rate has slowly moved back to around 0.5%, which is a rather optimal level considering the base interest rates of the Central Bank. Exiting negative interest rates in the conditions of extraordinarily mild monetary policy has become an increasingly obscure concept and moved even farther into the future.

The Estonian economy decreased by 6.9% in Q2 this year. Across the months, April was the low point of the crisis, with the volume of retail trade dropping by 13% y-o-y and industrial production by 17%. In industry and trade, the slump continued in May, but commerce experienced a fast rebound in May and the volume of retail trade in June was 7% higher than in the same period last year. The receipt of taxes also decreased, but at a pace nearly three times slower than the rest of the economy. Private consumption decreased by 9% and corresponded rather well to LHV's card payment statistics in the quarterly overview. The 15% decrease in investments mainly reflected the behaviour

[1] OECD. http://www.oecd.org/sdd/na/g20-gdp-growth-second-quarter-2020-oecd.htm

[2] Quarterly National Accounts. Eurostat. https://ec.europa.eu/eurostat/data/database

of enterprises, as the investments of the state and the households grew a little.

Although added value was increased compared to the previous year in seven out of 20 fields of activity, the economic decline can still be said to have been broad-based. The largest contribution to the decline came from the processing industry where added value dropped by 19%. That made up more than a third of the entire economic decline. The construction sector brought a positive surprise, with added value growing by 12%, although construction volume already decreased in Q2. The construction sector is probably still about to face problems, as it entered the crisis after the peak of the cycle, or in the cooling-down phase. For instance, the production of building materials has been on the decline already since last October. The Estonian economy is still driven by the ICT sector where added value grew by 8%.

The exporting sector fared better than feared in Q2, as Estonia's main trading partners are countries where the spread of the virus was limited in the European context. The economic decline of all the major trading partners in Q2 was smaller than the average in Europe. Demand for Estonia's products therefore also decreased less than expected. The export of goods decreased by 15%, but core export, i.e. the export of products with at least 50% domestic added value only decreased by 6%. With regard to services (-36%), the export of travel services was practically non-existent, dropping by approximately 90% in a year.

Prices dropped by 1.1% on the average in Q2 and Q3. A decrease in the prices of motor fuels, which is influenced by both the low demand for oil on the world market and the local tax reductions, has made the biggest contribution to the price drop. Low energy prices have also influenced dwelling costs – the stock market price of electricity was a fifth lower in Q3 than a year ago, plus the Government reduced excise duty on electricity in the summer. Extensive tax cuts are one of the main reasons why prices have decreased faster in Estonia in recent months than elsewhere in the euro-zone. The corona pandemic has also caused a drop in rental prices, although the average real estate prices continue to grow compared to the previous year. This situation has been caused by an unusually large proportion of newly developed properties in the structure of transactions, as secondary market prices have remained more or less stable or dropped a few percent compared to the previous year.

The sense of security in economy has grown robustly in recent months compared to Q2, although the pre-crisis level has not yet been reached. With regard to the end of the year, two major question marks are in the air – what will happen with the spread of the virus and how harsh a wave of lay-offs will hit the economy now that the enterprises have been released from the lay-off restrictions imposed by the use of the salary subsidy? The tourist sector has been the loudest speaker on the topic, forecasting that employment will possibly drop by up to 15,000 people in the sector. The Government has implied that the labour market will in the short-term no longer be supported with extensive and urgent back-up measures and thus unemployment is likely to grow at the end of the year.

Financial Results of the Group

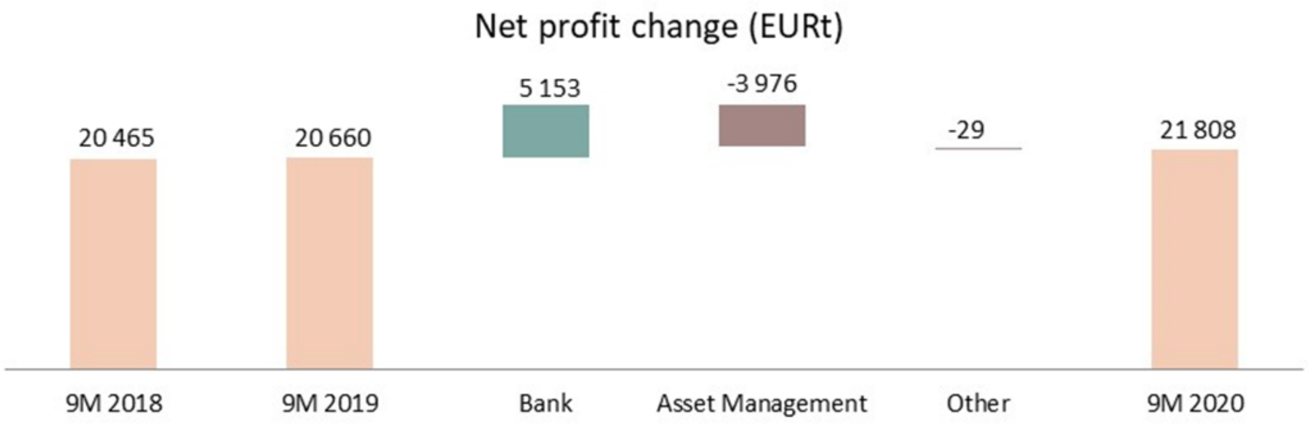
Compared to Q2, the Group's net interest income increased in Q3 2020 by 8%, standing at EUR 16.7 (Q2: 15.6) million. The change in net interest income was largely due to three variables: an increase in the loan portfolio, a decrease in deposits from deposit platforms and the issuance of mortgage bonds. The last two were particularly impressive, where we replaced 250 million deposits from deposit platforms with mortgage bonds, which have an effective interest expense of 1.3% lower.

Fortunately, the negative impact of Covid-19 has been significantly lower than planned in April, so the number of discounts in the third quarter was minimal.

In the third quarter, we became aware of a change in the interpretation of IAS 12, which affects the calculation of income tax on dividends at the consolidated level for future dividend payments by subsidiaries. This resulted in an expense of 0.7 million euros from future periods.

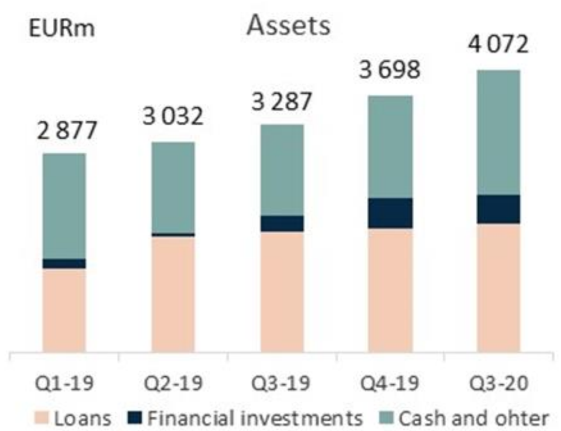
Net fee and commission income increased in Q3 by 5% and stood at EUR 6.5 (Q2: 6.2) million. In total, the net income of the Group increased by 7% in Q3, compared to Q2, amounting to EUR 23.6 (Q2: 22.1) million, with expenses increasing 1% and amounting to EUR 10.8 (Q2: 10.7) million. The Group's operating profit for Q3 amounted to EUR 12.9 (Q2: 3.7) million. The gain from loan impairments mounted to EUR 0.03 million in Q3 (Q2: loss 7.7). The Group's total profit for Q3 amounted to EUR 10.8 million (Q2: 3.6). Compared to Q3 2019, the Group's net interest income increased by 45% and net fee and commission income increased by 1%.

In terms of business entities, AS LHV Pank posted in Q3 a consolidated profit of EUR 10.7 million and AS LHV Varahaldus a profit of EUR 0.84 million. LHV Kindlustus posted a loss of EUR 0.2 million. The AS LHV Group on solo bases posted a loss of EUR 0.32 million.



The Group's volume of deposits as at the end of Q3 amounted to EUR 3 215 (Q2: 3 087) million, of which demand deposits formed EUR 2 756 (Q2: 2 512) million and term deposits EUR 459 (Q2: 575) million.

As at the end of Q3, the volume of loans granted by the Group amounted to EUR 1 856 (Q2: 1 804) million, increasing in Q3 by 3%. Compared to Q3 2019, the volume of the Group's deposits has increased by 27% and the volume of loans by 52%.



The Group's Liquidity, Capitalisation and Asset Quality

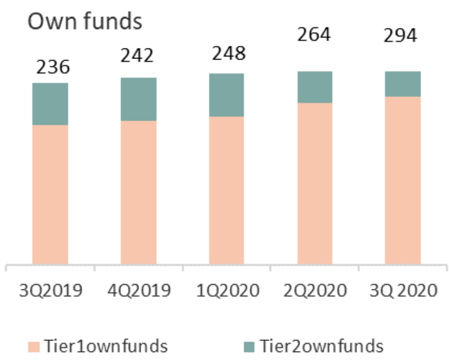
As at 30 September 2020, the Group's own funds stood at EUR 293.6 million (31 December 2019: EUR 241.8 million). LHV Group own funds are calculated based on regulative requirements. In Q3 the level of own funds changed by including the Q2 profit to own funds and a EUR 35 million subordinated bond issue in September.

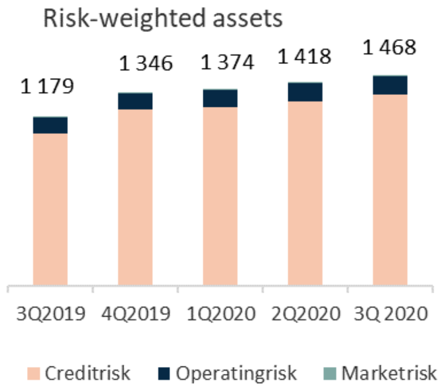
Compared to Group's internal capital adequacy ratio target 16.0%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio amounting to 20.0% (31 December 2019: 18.0%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10.63% and Tier 1 capital adequacy ratio to 12.46%.

The minimum requirement for own funds and eligible liabilities (MREL) is valid from 1st of January 2018. This ratio is included into resolution plan and LHV has to keep enough own funds and qualifying liabilities which can be used to cover losses in resolution planning. Minimum requirement was set at 5.79% and will be reviewed annually by Estonian Financial Supervision Authority. Group has set internal MREL minimal target at 6.08%. As of September 30 the MREL ratio was 8,42% (31st of December 2019 8.94%). Estonian FSA informed LHV in January 2020 that MREL requirement will change from end of Q2 2021 to the level of 10.15%, as LHV is treated as systematic bank and will and bank has to keep sizable amount of suitable liabilities which could be converted to own funds in case of resolution process.

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 182.7 % as at the end of September (31 December 2019: 144.8%). LHV increased the volume of liquid assets in order to be better prepared for a possible increase in volatility in the conditions of the crisis and partially prefinancing the purchase of the Danske portfolio in October 2020. Financial intermediates deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 326.2% (31.12.2019: 223.7%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 53% of the balance sheet (31 December 2019: 43%). The ratio of loans to deposits stood at 51% as at the end of the third quarter (31 December 2019: 62%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of September, provisions for estimated loan losses amounted to EUR 14.5 million in the balance sheet, i.e. approximately 0.8% of the loan portfolio (31 December 2019: EUR 6.1 million, 0.4%). Estimated loan losses make up 297.5% (31 December 2019: 149.8%) of the portfolio of loans overdue for more than 90 days.





EUR thousand	30.09.2020	Proportion	31.12.2019	Proportion
Loans to customers	1 870 335		1 693 138	
including overdue loans:	28 700	1.7%	39 145	2.3%
1-30 days	20 280	1.3%	26 273	1.6%
31-60 days	2 174	0.2%	7 142	0.4%
61-90 days	1 367	0.0%	1 655	0.1%
91 and more days	4 879	0.2%	4 074	0.2%
Impairment of loans	-14 512	-0.8%	-6 104	-0.4%
Impairment % of loans overdue for more than 90 days	297.5%		149.8%	

Capital base	30.09.2020	31.12.2019	31.12.2018
Paid-in share capital	28 819	28 454	26 016
Share premium	71 468	70 136	46 653
Statutory reserves transferred from net profit	4 713	4 713	3 451
Other reserves	212	212	78
Retained earnings	90 434	69 452	50 193
Intangible assets (subtracted)	-18 407	-18 319	-19 084
Net profit for the reporting period (COREP)	6 770	12 186	13 605
Other adjustments	-425	-33	-194
Tier 1 capital	**183 584**	**166 801**	**120 718**
Additional Tier 1 capital	35 000	20 000	0
Total Tier 1 capital	**218 584**	**186 801**	**120 718**
Subordinated debt	75 000	55 000	50 900
Total Tier 2 capital	**75 000**	**55 000**	**50 900**
Net own funds for capital adequacy	**293 584**	**241 801**	**171 618**
Capital requirements			
Central governments and central bank under standard method	364	920	938
Credit institutions and investment companies under standard method	8 780	4 183	5 376
Companies under standard method	884 906	818 918	579 836
Retail claims under standard method	175 801	167 276	133 250
Public sector under standard method	4	2	125
Housing real estate under standard method	233 313	208 693	39 903
Overdue claims under standard methods	10 964	5 242	10 142
Investment funds’ shares under standard method	6 527	8 052	7 963
Other assets under standard method	17 552	17 875	10 557
Total capital requirements for covering the credit risk and counterparty credit risk	**1 338 211**	**1 231 161**	**788 090**
Capital requirement against foreign currency risk under standard method	3 259	4 211	3 957
Capital requirement against interest position risk under standard method	0	0	32
Capital requirement against equity portfolio risks under standard method	1 667	959	704
Capital requirement against credit valuation adjustment risks under standard method	44	22	41
Capital requirement for operational risk under base method	124 638	109 546	91 575
Total capital requirements for adequacy calculation	**1 467 819**	**1 345 899**	**884 399**

Capital adequacy (%)	**20.00**	**17.97**	**19.41**
Tier 1 capital ratio (%)	**14.89**	**13.88**	**13.65**
Core Tier 1 capital ratio (%)	**12.51**	**12.39**	**13.65**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 52 million
- Net profit EUR 10.7 million
- (Net) growth in deposits EUR 153 million

EUR million	Q3 2020	Q2 2020	Change %	Q3 2019	Change %	From the beginning of 2020	From the beginning of 2019	Change %
Net interest income	16.84	15.54	8%	11.60	45%	48.63	34.68	40%
Net fee and commission income	4.24	4.09	4%	3.11	36%	12.66	8.82	44%
Other financial income	0.16	-0.19	NA	0.03	475%	-0.12	0.15	NA
Total net operating income	21.24	19.44	9%	14.74	44%	61.17	43.65	40%
Other income	0.06	0.01	833%	0.06	18%	0.14	0.09	51%
Operating expenses	-8.76	-8.81	-1%	-7.69	14%	-27.00	-22.94	18%
Loan losses	0.03	-7.67	NA	-0.02	NA	-8.65	-1.66	419%
Income tax expenses	-1.92	-0.16	1 139%	-0.70	174%	-4.05	-2.69	50%
Net profit	10.65	2.81	280%	6,39	67%	21.61	16.45	31%
Loan portfolio	1 856	1 804	3%	1 222	52%			
Financial investments	424	414	2%	116	265%			
Deposits of customers	3 257	3 104	5%	2 544	28%			
incl. deposits of financial intermediates	597	540	11%	419	42%			
Subordinated liabilities	86	76	13%	64	34%			
Equity	196	184	31%	150	31%			

Q2 was successful in terms of business volumes. LHV Bank generated EUR 16.8 million in net interest income and EUR 4.2 million in net fee and commission income. In total, the bank's net income amounted to EUR 21.3 million, expenditure to EUR 8.8 million and loan provisions to EUR -0.03 million. The net profit of LHV Pank amounted to EUR 10.7 million in Q3. This constitutes a 280% increase from Q2 (2.8) and a 67% increase from Q3 2019 (6.4). Net interest income increased 8% compared to previous quarter. Net fee and commission income increased 4% compared to Q1. Net operating income increased by 10% compared to previous quarter. In Q3 other financial income amounted to EUR 0.2 million (Q2: expenses 0.2 million).

Securities brokerage fees, transaction fees and fees from cards are greatest contributor to fee and commission income. The quarterly profit before taxes was EUR 12.6 million and net profit EUR 10.7 million. As at the end of the quarter, the net profit exceeded the financial plan by EUR 8.3 million.

The increase in net interest income stems from the growth in business volumes. By the end of Q3, the total volume of the bank's loan portfolios amounted to EUR 1 856 million (Q2: EUR 1 804 million). The volume of portfolios grew 3% over the quarter.

The corporate credit portfolio, which contains loans and guarantees, grew by EUR 135.4 million (+15%) in a year, or by EUR 37.4 million (+4%) compared to the previous quarter. Most of the growth came from loans for real estate activities, which is an area traditionally most financed by commercial banks and grew by EUR 55.7 million (+18%). Commercial property projects with a strong rental flow were the main source of growth. That was followed by loans granted to the sector of other service activities, which grew by EUR 26.2 million (+122%) in a year. Loans granted to the agricultural, forestry and fisheries sectors grew by EUR 20.8 million (+47%) compared to the previous year.

Compared to the second quarter of 2020, the growth of the portfolio was most influenced by the loans and guarantees issued to the sector of service activities (EUR 24.4 million; +105%), followed by real estate activities (EUR 14.8 million; +4%) and the sector engaged in the supply of electricity, gas, steam and conditioned air (EUR 13.2 million; +55%).

The largest number of corporate loans has been granted to the real estate sector which forms 37% of the bank's corporate loan portfolio. The main part of real estate loans has been issued to projects with a high-quality rental flow, while real estate developments form a considerably smaller part. The majority of the financed real estate developments are located in Tallinn, while projects located in other major Estonian cities and in the vicinity of Tallinn made up 19% of the development projects. In financing new developments in Tallinn, LHV's estimated market share was about a fourth at the end of the third quarter of 2020. LHV's real estate development portfolio is very well positioned also if market trends should change – the financed developments are in good locations and the projects' risk and reward ratio is about 55% on the average.

Besides the real estate sector, the bank has issued the most credit to enterprises in the processing industry (13%) and in the financing and insurance industry (8%). Of sectors with a higher-than-usual credit risk, accommodation and catering makes up 4%, construction 2% and transport and storage 1% of the total volume of the portfolio.

The number of the bank's clients grew by 11,000 in a quarter. New record levels were achieved in the activity and business volumes of ordinary clients. Deposits grew by EUR 153 million and loans by EUR 52 million in a quarter.

The deposits of ordinary clients grew by EUR 233 million and the deposits of financial intermediaries by EUR 57 million. Deposits engaged via deposit platforms decreased by EUR 137 million, as the bank is still not active in engaging deposits on platforms. In September, the bank issued EUR 100 million worth of covered bonds and engaged means of financing from the TLTRO III programme of the European Central Bank in the extent of EUR 200 million. As at the end of the quarter, the bank's deposits exceeded 3 billion euros and the balance sheet volume 4 billion euros.

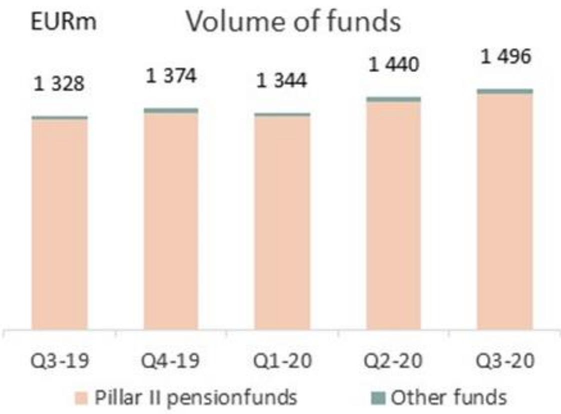
Corporate loans grew by EUR 12 million and retail loans by EUR 39 million. The joint procedure for granting payment holidays agreed between the Estonian banks expired at the end of September. Of the bank's existing loans, approximately 1,800 clients (60% individuals and 40% enterprises) were on payment holiday by the end of the quarter, which is 1,100 fewer clients than at the end of Q2. The total amount of loans on payment holiday was EUR 311 million (10% individuals and 90% enterprises), which is EUR 38 million less than at the end of Q2. At the beginning of October, the bank and Danske Bank completed a transaction under which the bank acquired Danske Bank's credit portfolio related to Estonian enterprises and the public sector in the form of a transfer of an operation. The final volume of the transaction amounted to EUR 273 million. Considering the 19-million-euro discount from the purchase price, the bank's loan portfolio grew by EUR 254 million as a result of the transaction. More than 346 business clients, 252 apartment associations and 80 public sector clients were taken over from Danske Bank. 56% of the acquired credit portfolio was made up of loans issued to local governments. Since the official conclusion of the transaction, the gains from the portfolio amount to about 4 million euros a year. With the acquisition of the operation, the bank's loans exceeded the line of 2 billion euros.

The net profit for the quarter amounted to EUR 10.7 million. The results of the quarter include the advance income tax expense of the coming year in the amount of EUR 0.5 million payable on the expected future dividends, which has to be accounted for in accordance with the amended accounting rules. Loan discounts did not increase during the quarter. Although the credit rating of some corporate banking loan clients who have been directly affected by the crisis has declined and that has resulted in an additional discount, the overall quality of the bank's loan portfolio has remained strong and the share of overdue loans has remained small.

New payment services which the bank released during the quarter included the Alexela credit card, the virtual ISIC student card, Fitbit and Garmin smart watch swipe payments, and the option to order the PIN code to the mobile bank. From the beginning of October, the bank started offering apartment associations loans. For the third consecutive year, Euromoney selected LHV Pank as the best bank in Estonia.

Overview of AS LHV Varahaldus

- Net profit for Q3: EUR 838 thousand
- The number of clients grew by nearly 4 000 in the quarter, with 183 000 active second pillar clients
- The volume of the assets of the second pillar funds amounted to EUR 1 468 million, having grown by EUR 54 million in a quarter
- The resolution of the Supreme Court with regard to pension reform is expected in October



EUR million	Q3 2020	Q2 2020	Change %	Q3 2019	Change %	9M 2020	9M 2019	Change %
Net fee and commission income	2.2	2.10	5%	3.30	-33%	6.47	10.43	-38%
Net financial income	0.15	0.48	-69%	0.06	150%	0.31	0.24	29%
Operating expenses	-1.03	-1.11	-7%	-0.99	3%	-3.23	-3.07	5%
Depreciation of non-current assets	-0.48	-0.48	0%	-0.48	0%	-1.44	-1.39	4%
Profit	0.84	0.99	-15%	1.89	-55%	2.11	6.21	-66%
Financial investments	6.2	8.4	-26%	7.9	-22%			
Subordinated liabilities	0.6	1.6	-63%	1.6	-63%			
Equity	26.0	25.0	4%	28.0	-7%			
Assets under management	1 495.9	1 440.0	4%	1 327.7	13%			

The Q3 operating income of LHV Varahaldus was EUR 2.2 million and net profit amounted to EUR 838,000. Operating profit was EUR 180,000 higher than in Q2, thanks to the higher management fees earned on the volume of funds as well as a somewhat lower cost compared to Q2. Net profit in Q3 was also positively influenced by earnings from own shares amounting to more than EUR 150,000 resulting from the positive yield of the funds. Compared to the financial plan, LHV Varahaldus exceeds the net profit forecast by EUR 400,000.

The main equity markets continued to rise in Q3, but results remained more modest compared to Q2. Measured in euros, S&P 500 increased by 4.0%, MSCI World by 3.4% and Nasdaq, which mainly includes technology enterprises, by 6.5%. The third quarter was also characterised by the dollar weakening towards the euro – while in euros the yields of S&P500 and MSCI World are still negative as at the end of the first nine months of 2020, though these indexes in dollars are out of the red by 1.6% and 4.1%, respectively.

All the pension funds managed by LHV Varahaldus also produced a positive yield in Q3, whereas funds with a higher equity risk demonstrated the best yields. LHV Pension Fund Indeks grew by 3.0% in three months, while the values of shares in actively managed M, L and XL funds grew by 0.9%, 1.4% and 1.4%, respectively. LHV Pension Fund Roheline continued to be the one with the best yield in the market, producing a three-month yield of 20.4%. By the end of September, the yield of Pension Fund Roheline had grown by 53.6% since mid-March, massively outdoing other Estonian pension funds as well as all the major markets.

No investments were made in alternative asset classes in Q3. Local enterprises continue to be cautious due to the coronavirus, making limited investments. The negative impact on the economy has so far been more modest than feared in spring. There are many offers on the real estate market, but no actual notable transactions have substantively been made in the market in the past quarter. Of liquid assets, we primarily focused on previously assumed gold-linked positions and Scandinavian medicine technology enterprises in making additional investments.

The number of LHV's active second pillar clients grew by nearly four thousand pension-savers over the quarter, reaching a record 183,000 by the end of September. The last season was also the best with regard to share movements, with nearly EUR 17 million net moving to LHV's pension funds in September as a result of fund-changing.

The increased number of clients and the positive yield of the funds have also caused the volume of pension fund assets to grow. As at the end of the quarter, LHV Varahaldus managed EUR 1,468 million in second pillar funds, with the volume having grown by EUR 54 million over the past three months. The growth was somewhat curbed by the state's decision to temporarily withhold 4% of the payments that previously went to the second pillar from social tax, but the movement of clients and the yield was more important from the viewpoint of fund volumes.

The merger of pension funds Eesti and L was completed in September and own shares in the L, S and Indeks pension funds were sold after the merger to the extent of EUR 2.4 million, with the aim of releasing excess capital from under own shares. In September, the Financial Supervision Authority granted the permission to change Pension Fund Indeks 100% into an equity fund as of January 2021.

The Supreme Court's decision on pension reform is due by 20 October. The content of the decision will determine how active a role LHV's pension funds will assume in making alternative investments and in the further financing of local enterprises.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q3 2020	9M 2020	Q3 2019	9M 2019
Continuing operations					
Interest income		21 316	62 803	16 029	43 206
Interest expense		-4 586	-14 204	-4 483	-9 088
Net interest income	9	**16 730**	**48 599**	**11 546**	**34 118**
Fee and commission income		9 968	28 560	9 445	27 035
Fee and commission expense		-3 496	-9 393	-3 032	-7 785
Net fee and commission income	10	**6 472**	**19 167**	**6 413**	**19 250**
Net gains from financial assets measured at fair value		335	284	106	494
Foreign exchange rate gains/losses		0	-16	13	6
Net gains from financial assets		**335**	**268**	**119**	**500**
Other income		74	118	33	35
Other expense		0	-25	0	-9
Total other income		**74**	**93**	**33**	**26**
Staff costs		-5 629	-17 543	-4 595	-14 030
Administrative and other operating expenses		-5 113	-15 035	-4 805	-13 877
Total expenses	11	**-10 742**	**-32 578**	**-9 400**	**-27 907**
Profit before impairment losses on loans and advances		**12 869**	**35 549**	**8 711**	**25 987**
Impairment losses on loans and advances	21	27	-8 655	-15	-1 664
Profit before income tax		**12 896**	**26 894**	**8 696**	**24 323**
Income tax expense		-2 122	-5 086	-701	-3 663
Net profit for the reporting period	2	**10 774**	**21 808**	**7 995**	**20 660**
Other comprehensive income/loss:					
Items that may be reclassified subsequently to profit or loss:					
Changes in the fair value of debt instruments measured at FVOCI		0	0	0	0
Total profit and other comprehensive income for the reporting period		**10 774**	**21 808**	**7 995**	**20 660**
Total profit of the reporting period attributable to:					
Owners of the parent		10 096	20 111	7 290	19 078
Non-controlling interest		678	1 697	705	1 582
Total profit for the reporting period	2	**10 774**	**21 808**	**7 995**	**20 660**
Total profit and other comprehensive income attributable to:					
Owners of the parent		10 096	20 111	7 290	19 078
Non-controlling interest		678	1 697	705	1 582
Total profit and other comprehensive income for the reporting period		**10 774**	**21 808**	**7 995**	**20 660**
Basic earnings per share (in euros)	16	0.35	0.70	0.27	0.71
Diluted earnings per share (in euros)	16	0.34	0.69	0.26	0.70

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	30.09.2020	31.12.2019
Assets			
Due from central bank	4, 5, 6, 12	1 641 856	1 232 733
Due from credit institutions	4, 5, 6, 12	106 406	32 947
Due from investment companies	4, 6, 12	5 467	5 473
Equity instruments at fair value through other comprehensive income	4, 6, 7	652	432
Financial assets at fair value through profit or loss	4, 6, 7	430 008	40 530
Loans and advances to customers	4, 6, 8, 21	1 855 823	1 687 034
Receivables from customers		2 444	3 551
Other financial assets		2 165	2 246
Other assets		2 166	1 961
Tangible assets	19	6 479	6 686
Intangible assets	19	14 792	14 705
Goodwill		3 614	3 614
Total assets	2	**4 071 872**	**3 031 912**
Liabilities			
Deposits of customers and loans received	13	3 687 037	2 726 562
Financial liabilities at fair value through profit or loss	6	77	8
Accounts payable and other liabilities	15	35 176	24 314
Subordinated debt	6, 20	125 000	75 000
Total liabilities	2	**3 847 290**	**2 825 884**
Owner's equity			
Share capital		28 819	28 454
Share premium		71 468	70 136
Statutory reserve capital		4 713	4 713
Other reserves		3 115	3 280
Retained earnings		110 546	94 228
Total equity attributable to owners of the parent		**218 661**	**200 811**
Non-controlling interest		5 921	5 217
Total equity		**224 582**	**206 028**
Total liabilities and equity		**4 071 872**	**3 031 912**

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q3 2020	9M 2020	Q3 2019	9M 2019
Cash flows from operating activities					
Interest received		21 211	62 556	15 738	42 499
Interest paid		-5 721	-15 955	-3 204	-7 358
Fees and commissions received		9 968	28 560	9 445	27 035
Fees and commissions paid		-3 496	-9 393	-3 032	-7 785
Other income received		66	40	56	6
Staff costs paid		-5 491	-15 831	-4 495	-12 958
Administrative and other operating expenses paid		-3 517	-11 066	-3 777	-10 817
Income tax		-160	-3 554	-544	-3 506
Cash flows from operating activities before change in operating assets and liabilities		**12 860**	**35 357**	**10 187**	**27 116**
Net increase/decrease in operating assets:					
Net increase/(decrease) in financial assets at fair value through profit or loss		30	-9	-8	38
Loans and advances to customers		-55 999	-176 136	-102 996	-309 193
Mandatory reserve at central bank		-1 473	-6 026	-5 630	-11 214
Security deposits		87	80	351	437
Other assets		4 493	-57	1 853	1 701
Net increase/decrease in operating liabilities:					
Demand deposits of customers		244 156	566 873	333 222	701 104
Term deposits of customers		-114 377	-50 407	117 007	409 865
Loans received		199 896	448 730	0	10 000
Prepayments of loans received		0	-2 943	0	-2 943
Financial liabilities held for trading at fair value through profit and loss		58	68	12	10
Other liabilities		-2 118	8 951	14 909	14 076
Net cash generated from/used in operating activities		**287 613**	**824 481**	**368 907**	**840 997**
Cash flows from investing activities					
Purchase of non-current assets		-1 448	-2 873	-1 302	-7 236
Proceeds from disposal and redemption of investment securities at fair value through other comprehensive income		0	-220	0	0
Net changes of investment securities at fair value through profit or loss		-7 250	-389 195	-4 459	-77 348
Net cash flows from/used in investing activities		**-8 698**	**-392 288**	**-5 761**	**-84 514**
Cash flows from financing activities					
Paid in share capital (incl. share premium)		0	1 697	713	713
Non-controlling interests on acquisition of subsidiary		0	437	0	0
Dividends paid		0	- 6 838	0	-6 664
Subordinated loans received		35 000	50 000	0	40 000
Repayments of the subordinated loans received		-451	-923	0	-15 900
Net cash flows from/used in financing activities		**34 549**	**44 373**	**713**	**18 149**
Effect of exchange rate changes on cash and cash equivalents	6	**0**	**-16**	**13**	**6**
Net increase/decrease in cash and cash equivalents		**313 464**	**476 550**	**363 872**	**774 638**
Cash and cash equivalents at the beginning of the period		1 407 813	1 244 727	1 079 144	668 378
Cash and cash equivalents at the end of the period	12	**1 721 277**	**1 721 277**	**1 443 016**	**1 443 016**

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	**Total equity attributable to owners of LHV Group**	Non-controlling interest	**Total equity**
Balance as at 01.01.2019	**26 016**	**46 653**	**3 451**	**2 090**	**75 430**	**153 640**	**4 123**	**157 763**
Transfer to statutory reserve capital	0	0	1 262	0	-1 262	0	0	**0**
Dividends paid	0	0	0	0	-5 463	-5 463	-1 201	**-6 664**
Share options	0	0	0	469	726	1 195	0	**1 195**
Paid in share capital	2 438	23 575	0	0	0	26 013	0	**26 013**
Profit for the reporting period	0	0	0	*0*	19 078	19 078	1 582	**20 660**
Other comprehensive income/loss	0	0	0	0	*0*	0	*0*	**0**
Total profit and other comprehensive income for the reporting period	0	0	0	0	19 078	19 078	1 582	**20 660**
Balance as at 30.09.2019	**28 454**	**70 228**	**4 713**	**2 559**	**88 509**	**194 463**	**4 504**	**198 967**

Balance as at 01.01.2020	**28 454**	**70 136**	**4 713**	**3 280**	**94 228**	**200 811**	**5 217**	**206 028**
Paid in share capital	365	1 332	0	0	0	1 697	438	**2 135**
Dividends paid	0	0	0	0	-5 406	-5 406	-1 431	**-6 837**
Share options	0	0	0	-165	1 613	1 448	0	**1 448**
Profit for the reporting period	*0*	*0*	*0*	*0*	20 111	*20 111*	*1 697*	***21 808***
Other comprehensive income/loss	*0*	*0*	*0*	0	*0*	0	*0*	0
Total profit and other comprehensive income for the reporting period	0	0	0	0	20 111	20 111	1 697	**21 808**
Balance as at 30.09.2020	**28 819**	**71 468**	**4 713**	**3 115**	**110 546**	**218 661**	**5 921**	**224 582**

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted by the European Union, and consists of condensed consolidated financial statements and selected explanatory notes.

The accounting policies and methods of computation used in the preparation of the interim report are the same as the accounting policies and methods of computation used in the annual report for the year ended 31 December 2019, which comply with the International Financial Reporting Standards, as adopted by the European Union (IFRS EU).

These condensed consolidated interim financial statements have been reviewed, not audited and do not contain the entire range of information required for the preparation of complete financial statements. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report prepared for the year ended 31 December 2019, which has been prepared in accordance with the International Financial Reporting Standards (IFRS EU).

The applicable accounting policies have not changed compared to the previous financial year, except for the financial reporting standards, which are set out in Note 22 at the end of this report.

The financial figures of the condensed consolidated 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) and AS LHV Finance (65% interest) and AS LHV Kindlustus (65% interest).

NOTE 2 Business Segments

The Group divides its business activities into segments according to its legal structure, except LHV Pank divides its business activities by 3 main business segments: retail banking, corporate banking and financial intermediates. 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.

Q3 2020	Retail banking	Corporate banking	Asset manage-ment	Hire-purchase and consumer finance in Estonia	Financial intermediates	Other activities	Intra-segment elimi-nations	Total
Interest income	7 121	10 808	0	2 955	153	2 350	-2 071	21 316
Interest expense	-420	-1 463	-21	-454	0	-4 299	2 071	-4 586
Net interest income	**6 701**	**9 345**	**-21**	**2 501**	**153**	**-1 949**	**0**	**16 730**
Fee and commission income	1 856	131	2 229	179	5 573	0	0	9 968
Fee and commission expense	-276	-13	0	-159	-3 042	-6	0	-3 496
Net fee and commission income	**1 580**	**118**	**2 229**	**20**	**2 531**	**-6**	**0**	**6 472**
Net income	**8 281**	**9 463**	**2 208**	**2 521**	**2 684**	**-1 955**	**0**	**23 202**

Net gains from financial assets	-3	0	174	0	18	146	0	335
Administrative and other operating expenses, staff costs	-3 104	-1 840	-1,544	-413	-2 336	-1 431	0	-10 668
Operating profit	**5 174**	**7 623**	**838**	**2 108**	**366**	**-3 240**	**0**	**12 869**
Impairment losses on loans and advances	177	-173	0	27	-4	0	0	27
Income tax	-538	-777	0	0	-138	0	-669	-2 122
Net profit	**4 813**	**6 673**	**838**	**2 135**	**224**	**-3 240**	**-669**	**10 774**

9M 2020	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Other activities**	**Intra-segment elimi-nations**	**Total**
Interest income	22 228	31 566	0	9 025	753	7 352	-8 121	62 803
Interest expense	-3 395	-4 151	-83	-1 439	0	-13 257	8 121	-14 204
Net interest income	**18 833**	**27 415**	**-83**	**7 586**	**753**	**-5 905**	**0**	**48 599**
Fee and commission income	5 866	716	6 502	524	14 952	0	0	28 560
Fee and commission expense	-828	-62	0	-451	-8 040	-12	0	-9 393
Net fee and commission income	**5 038**	**654**	**6 502**	**73**	**6 912**	**-12**	**0**	**19 167**
Net income	**23 871**	**28 069**	**6 419**	**7 659**	**7 665**	**-5 917**	**0**	**67 766**
Net gains from financial assets	-41	-2	390	0	17	6 963	-7 059	268
Administrative and other operating expenses, staff costs	-9 876	-5 803	-4 704	-1 301	-7 166	-3 635	0	-32 485
Operating profit	**13 954**	**22 264**	**2 105**	**6 358**	**516**	**-2 589**	**-7 059**	**35 549**
Impairment losses on loans and advances	-1 001	-7 238	0	-394	-22	0	0	-8 655
Income tax	-992	-1 465	-844	-826	-290	0	-669	-5 086
Net profit	**11 961**	**13 561**	**1 261**	**5 138**	**204**	**-2 589**	**-7 728**	**21 808**
Total assets 30.09.2020	**1 449 574**	**2 174 362**	**27 445**	**63 650**	**402 659**	**235 065**	**-280 884**	**4 071 872**
Total liabilities 30.09.2020	**2 692 470**	**615 422**	**1 325**	**47 607**	**538 495**	**125 757**	**-173 786**	**3 847 290**

Q3 2019	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Other activities**	**Intra-segment elimi-nations**	**Total**
Interest income	4 927	9 070	0	2 888	235	2 277	-3 368	16 029
Interest expense	-785	-1 596	-31	-452	0	-4 987	3 368	-4 483
Net interest income	**4 142**	**7 474**	**-31**	**2 436**	**235**	**-2 710**	**0**	**11 546**
Fee and commission income	1 871	157	3 303	155	3 959	0	0	9 445
Fee and commission expense	-135	-36	0	-172	-2 685	-4	0	-3 032
Net fee and commission income	**1 736**	**121**	**3 303**	**-17**	**1 274**	**-4**	**0**	**6 413**

Net income	**5 878**	**7 595**	**3 272**	**2 419**	**1 509**	**-2 714**	**0**	**17 959**
Net gains from financial assets	30	0	91	0	0	-2	0	119
Administrative and other operating expenses, staff costs	-2 538	-1 684	-1 469	-440	-2 065	-1 171	0	-9 367
Operating profit	**3 370**	**5 911**	**1 894**	**1 979**	**-556**	**-3 887**	**0**	**8 711**
Impairment losses on loans and advances	-91	39	0	37	0	0	0	-15
Income tax	-236	-432	0	0	-33	0	0	-701
Net profit	**3 043**	**5 518**	**1 894**	**2 016**	**-589**	**-3 887**	**0**	**7 995**

9M 2019	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Other activities**	**Intra-segment elimi-nations**	**Total**
Interest income	12 631	25 228	0	8 139	485	4 894	-8 171	43 206
Interest expense	-2 077	-4 527	-114	-1 202	0	-9 339	8 171	-9 088
Net interest income	**10 554**	**20 701**	**-114**	**6 937**	**485**	**-4 445**	**0**	**34 118**
Fee and commission income	5 004	769	10 429	436	10 397	0	0	27 035
Fee and commission expense	-361	-56	0	-486	-6 873	-9	0	-7 785
Net fee and commission income	**4 643**	**713**	**10 429**	**-50**	**3 524**	**-9**	**0**	**19 250**
Net income	**15 197**	**21 414**	**10 315**	**6 887**	**4 009**	**-4 454**	**0**	**53 368**
Net gains from financial assets	69	0	356	0	0	4 475	-4 400	500
Administrative and other operating expenses, staff costs	-7 686	-5 459	-4 462	-1 425	-6 361	-2 488	0	-27 881
Operating profit	**7 580**	**15 955**	**6 209**	**5 462**	**-2 352**	**-2 467**	**-4 400**	**25 987**
Impairment losses on loans and advances	-346	-1 119	0	-181	-18	0	0	-1 664
Income tax	-605	-1 268	-972	-760	-58	0	0	-3 663
Net profit from continued operations	**6 629**	**13 568**	**5 237**	**4 521**	**-2 428**	**-2 467**	**-4 400**	**20 660**
Total assets 30.09.2019	**1 630 913**	**920 691**	**30 139**	**61 974**	**258 912**	**179 201**	**-205 030**	**2 876 800**
Total liabilities 30.09.2019	**1 995 546**	**311 152**	**2 038**	**49 060**	**366 863**	**75 480**	**-122 306**	**2 677 833**

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 2019.

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

The impact of COVID-19 on the Group's operations needs to be reported separately. The crisis mainly affects three risks: personnel risk, liquidity risk and credit risk.

Fortunately, the impact on personnel risk has been minimal, LHV was ready to work in home offices and almost all employees worked for two months from home offices. This reduced social interaction and the chances of being exposed to the virus.

The liquidity risk was primarily caused by the planned mortgage bond issuance plan. The bank had already reduced other sources of funding before crises. When the crisis hit, we responded accordingly by attracting large amounts of new deposits and thus reducing the need to issue mortgage bonds. Following a successful issue at the beginning of June, the bank is overliquid.

In terms of credit risk, LHV joined in granting payment holidays to customers' loan payments agreed under the auspices of the Banking Association. At the same time, we offer our customers as much of our own and the state's mitigation measures as possible. In total, we provided payment holidays in the amount of 350 million euros. However, LHV did not join the other part of the memorandum concerning credit impairements. The Group continues to follow the market practice of making credit impairements. Therefore, in the second quarter, we made forward-looking model-based credit impairements of 7.7 million euros.

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

30.09.2020	Estonia	Latvia	Lit-huania	Finland	Ger-many	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 637 050	0	0	0	0	67 511	6 791	42 075	302	**1 753 729**
Financial assets at fair value	419 487	756	8 452	0	1	1 957	4	2	1	**430 660**
Loans and advances to customers	1 828 575	1 830	92	6 245	824	5 980	363	7 946	3 968	**1 855 823**
Receivables from customers	2 444	0	0	0	0	0	0	0	0	**2 444**
Other financial assets	2 165	0	0	0	0	0	0	0	0	**2 165**
Total financial assets	**3 889 721**	**2 586**	**8 544**	**6 245**	**825**	**75 448**	**7 158**	**50 023**	**4 271**	**4 044 821**
Deposits of customers and loans received	2 765 043	28 531	4 278	20 678	235 962	88 202	990	502 028	41 325	**3 687 037**
Subordinated debt	125 000	0	0	0	0	0	0	0	0	**125 000**
Financial liabilities at fair value	77	0	0	0	0	0	0	0	0	**77**
Accounts payable and other financial liabilities	31 182	0	0	0	0	0	0	0	0	**31 182**
Total financial liabilities	**2 921 302**	**28 531**	**4 278**	**20 678**	**235 962**	**88 202**	**990**	**502 028**	**41 325**	**3 843 296**

Unused loan commitments in the amount of EUR 404 979 thousand are for the residents of Estonia.

31.12.2019	Estonia	Latvia	Lit-huania	Finland	Ger-many	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 229 169	0	0	0	0	10 972	4 929	23 041	3 042	**1 271 153**
Financial assets at fair value	8 484	760	19 951	0	9 840	1 907	4	0	16	**40 962**
Loans and advances to customers	1 656 373	445	287	5 574	840	19 951	379	0	3 185	**1 687 034**
Receivables from customers	3 551	0	0	0	0	0	0	0	0	**3 551**
Other financial assets	110	0	0	0	0	0	2 136	0	0	**2 246**
Total financial assets	**2 897 687**	**1 205**	**20 238**	**5 574**	**10 680**	**32 830**	**7 448**	**23 041**	**6 243**	**3 004 946**
Deposits of customers and loans received	1 870 475	12 725	1 503	19 564	372 390	394 310	1 241	0	54 354	**2 726 562**
Subordinated debt	75 000	0	0	0	0	0	0	0	0	**75 000**
Accounts payable and other financial liabilities	20 739	0	4	27	0	13	3	3	0	**20 789**
Financial liabilities at fair value	8	0	0	0	0	0	0	0	0	**8**
Total financial liabilities	**1 966 222**	**12 725**	**1 507**	**19 591**	**372 390**	**394 323**	**1 244**	**3**	**54 354**	**2 822 359**

Unused loan commitments in the amount of EUR 359 230 thousand are for the residents of Estonia.

NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

30.09.2020	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	2 756 569	152 920	307 527	468 636	2 198	**3 687 850**
Subordinated debt	0	2 881	6 375	34 000	143 544	**186 800**
Accounts payable and other financial liabilities	0	31 182	0	0	0	**31 182**
Unused loan commitments	0	404 979	0	0	0	**404 979**
Financial guarantees by contractual amounts	0	34 933	0	0	0	**34 933**
Foreign exchange derivatives (gross settled)	0	43 690	0	609	0	**44 299**
Financial liabilities at fair value	0	77	0	0	0	**77**
Total liabilities	**2 756 569**	**670 662**	**313 902**	**503 245**	**145 742**	**4 390 120**
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 751 316	0	0	0	0	**1 751 316**
Financial assets at fair value (debt securities)	0	100 953	315 989	6 382	0	**423 324**
Loans and advances to customers	0	118 952	268 355	1 145 197	666 455	**2 198 959**
Receivables from customers	0	2 444	0	0	0	**2 444**
Other financial assets	0	43 690	0	609	0	**44 299**
Foreign exchange derivatives (gross settled)	2 165	0	0	0	0	**2 165**
Total financial assets	**1 753 481**	**266 039**	**584 344**	**1 152 188**	**666 455**	**4 422 507**
Maturity gap from financial assets and liabilities	**-1 003 088**	**-404 623**	**270 442**	**648 943**	**520 713**	**32 387**

31.12.2019	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	2 189 665	41 522	476 248	18 721	2 906	**2 729 062**
Subordinated debt	0	1 244	3 731	19 500	85 575	**112 138**
Accounts payable and other financial liabilities	0	20 789	0	0	0	**20 789**
Unused loan commitments	0	359 230	0	0	0	**359 230**
Financial guarantees by contractual amounts	0	14 139	0	0	0	**14 139**
Foreign exchange derivatives (gross settled)	0	14 942	0	615	0	**15 557**
Financial liabilities at fair value	0	8	0	0	0	**8**
Total liabilities	**2 189 665**	**451 874**	**479 979**	**38 836**	**88 481**	**3 250 923**
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 271 153	0	0	0	0	**1 271 153**
Financial assets at fair value (debt securities)	0	10 883	13 018	8 429	0	**32 330**
Loans and advances to customers	0	113 590	251 806	1 029 520	582 889	**1 977 805**
Receivables from customers	0	3 551	0	0	0	**3 551**
Other financial assets	2 246	0	0	0	0	**2 246**
Foreign exchange derivatives (gross settled)	0	14 942	0	615	0	**15 557**
Total financial assets	**1 273 399**	**142 966**	**264 824**	**1 038 564**	**582 889**	**3 302 642**
Maturity gap from financial assets and liabilities	**-916 266**	**-308 908**	**-215 155**	**999 728**	**494 408**	**51 720**

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

30.09.2020	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 688 624	985	47 444	2 057	6 120	8 498	**1 753 729**
Financial assets at fair value	430 646	0	0	1	10	3	**430 660**
Loans and advances to customers	1 844 721	10	6 999	256	3 641	196	**1 855 823**
Receivables from customers	1 932	5	199	20	0	288	**2 444**
Other financial assets	115	0	0	0	2 050	0	**2 165**
Total assets bearing currency risk	**3 966 038**	**1 000**	**54 642**	**2 334**	**11 822**	**8 985**	**4 044 821**
Liabilities bearing currency risk							
Deposits from customers and loans received	3 577 709	7 489	45 064	9 322	34 870	12 584	**3687 037**
Financial liabilities at fair value	5	0	0	1	1	70	**77**
Accounts payable and other financial liabilities	17 844	242	9 962	574	1 293	1 267	**31 182**
Subordinated debt	125 000	0	0	0	0	0	**125 000**
Total liabilities bearing currency risk	**3 720 558**	**7 731**	**55 026**	**9 897**	**36 164**	**13 921**	**3 843 296**
Open gross position derivative assets at contractual value	609	6 575	0	7 589	24 940	4 586	**44 299**
Open gross position derivative liabilities at contractual value	43 690	0	0	0	609	0	**44 299**
Open foreign currency position	**202 399**	**-156**	**-384**	**26**	**-11**	**-350**	**201 524**

31.12.2019	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 231 788	514	27 690	1 053	1 362	8 745	**1 271 153**
Financial assets at fair value	24 714	0	0	1	16 241	5	**40 962**
Loans and advances to customers	1 685 519	4	62	584	788	77	**1 687 034**
Receivables from customers	2 548	10	601	56	0	335	**3 551**
Other financial assets	110	0	0	0	2 136	0	**2 246**
Total assets bearing currency risk	**2 944 679**	**528**	**28 353**	**1 695**	**20 528**	**9 163**	**3 004 946**
Liabilities bearing currency risk							
Deposits from customers and loans received	2 655 331	4 538	27 138	8 139	20 356	11 061	**2 726 562**
Financial liabilities at fair value	5	0	0	1	1	1	**8**
Accounts payable and other financial liabilities	17 110	62	1 201	345	245	1 826	**20 789**
Subordinated debt	75 000	0	0	0	0	0	**75 000**
Total liabilities bearing currency risk	**2 747 446**	**4 600**	**28 339**	**8 485**	**20 602**	**12 888**	**2 822 359**
Open gross position derivative assets at contractual value	615	4 054	0	6 816	713	3 359	**15 557**
Open gross position derivative liabilities at contractual value	14 942	0	0	0	615	0	**15 557**
Open foreign currency position	**182 906**	**-18**	**14**	**26**	**25**	**-366**	**182 587**

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	30.09.2020	Level 1	Level 2	Level 3	31.12.2019
Financial assets at fair value through profit and loss								
Shares and fund units*	492	6 180	0	**6 672**	500	7 695	0	**8 195**
Equity instruments at fair value through other comprehensive income	0	0	652	**652**	0	0	432	**432**
Bonds at fair value through profit and loss	423 324	0	0	**423 324**	32 331	0	0	**32 331**
Interest rate swaps and foreign exchange forwards	0	12	0	**12**	0	4	0	**4**
Total financial assets	**423 816**	**6 192**	**652**	**430 660**	**32 831**	**7 699**	**432**	**40 962**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	77	0	**77**	0	8	0	**8**
Total financial liabilities	**0**	**77**	**0**	**77**	**0**	**8**	**0**	**8**

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 6 180 (31.12.2019: 7 695) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 0.5% 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 30.09.2020 the fair value of corporate loans and overdraft is EUR 2 843 thousand (0,3%) higher than their carrying amount (31.12.2019: 8 478 thousand, 0.97% higher). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of retail loans does not materially differ from their carrying amount as at 30 September 2020 and 31 December 2019. 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 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 majority of the customer deposits include demand deposits. 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.

Subordinated loans in the amount of EUR 50 000 thousand were received in 2020, subordinated loans in the amount of EUR 40 000 were received in 2109, EUR 20 000 thousand were received in 2018 and EUR 15 000 thousand were received in 2015. 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 carrying value. In determining the fair value of loans, considerable management judgements are used. Subordinated debt are thus categorised under hierarchy level 3.

NOTE 8 Breakdown of Loan Portfolio by Economic Sectors

	30.09.2020	%	31.12.2019	%
Individuals	820 257	43.9%	738 152	43.6%
Real estate activities	386 002	20.6%	353 405	20.9%
Manufacturing	122 316	6.5%	114 104	6.7%
Arts and entertainment	57 510	3.1%	42 638	2.5%
Financial activities	58 448	3.1%	71 690	4.2%
Wholesale and retail trade	96 432	5.2%	80 767	4.8%
Administrative and support service activities	65 223	3.5%	67 064	4.0%
Transportation and storage	16 997	0.9%	15 337	0.9%
Agriculture	69 902	3.7%	59 657	3.5%
Other service activities	20 885	1.1%	7 290	0.4%
Construction	37 533	2.0%	38 951	2.3%
Information and communication	11 290	0.6%	7 017	0.4%
Professional, scientific and technical activities	49 877	2.7%	47 368	2.8%
Education	2 033	0.1%	1 976	0.1%
Other sectors	55 631	3.0%	47 722	2.8%
Total	**1 870 335**	**100%**	**1 693 138**	**100%**
Impairment	-14 512		-6 104	
Total loan portfolio	**1 855 823**	**100%**	**1 687 034**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q3 2020**	**9M 2020**	**Q3 2019**	**9M 2019**
From balances with credit institutions and investment	-1	4	84	236
From debt securities	-231	-271	126	262
Leasing	962	2 795	1 101	2 410
Leverage loans and lending of securities	199	510	112	327
Consumer loans	2 067	6 227	1 916	5 170
Hire purchase	888	2 797	972	2 968
Corporate loans	11 185	33 066	9 533	26 308
Credit card loans	209	625	205	604
Mortgage loans	4 603	13 276	1 118	2 755
Other loans	1 435	3 774	862	2 166
Total	**21 316**	**62 803**	**16 029**	**43 206**
Interest expense				
Deposits of customers and loans received	-1 690	-5 968	-1 993	-3 496
Balances with the central bank	-1 352	-4 088	-1 245	-2 652
Subordinated liabilities	-1 544	-4 148	-1 245	-2 940
including loans between related parties	-98	-256	-90	-183
Total	**-4 586**	**-14 204**	**-4 483**	**-9 088**
Net interest income	**16 730**	**48 599**	**11 546**	**34 118**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q3 2020**	**9M 2020**	**Q3 2019**	**9M 2019**
Estonia	21 548	63 070	15 819	42 708
Total	**21 548**	**63 070**	**15 819**	**42 708**

NOTE 10 Net Fee and Commission Income

Fee and commission income	**Q3 2020**	**9M 2020**	**Q3 2019**	**9M 2019**
Security brokerage and commissions paid	930	3 428	604	1 911
Asset management and similar fees	3 177	9 167	4 080	12 578
Currency exchange fees conversion revenues	*2 227*	6 496	586	1 429
Fees from cards and payments	*790*	2 268	3 397	8 815
Other fee and commission income	914	3 013	778	2 302
Total	**9 968**	**28 560**	**9 445**	**27 035**
Fee and commission expense				
Security brokerage and commissions paid	-283	-848	-113	-357
Expenses related to cards	-1 158	-3 513	-1 026	-2 735
Expenses related to acquiring	-1 399	-3 168	-1 138	-2 907
Other fee and commission expense	-656	-1 864	-755	-1 786
Total	**-3 496**	**-9 393**	**-3 032**	**-7 785**
Net fee and commission income	**6 472**	**19 167**	**6 413**	**19 250**

Fee and commission income by customer location:	**Q3 2020**	**9M 2020**	**Q3 2019**	**9M 2019**
Estonia	9 968	28 560	9 445	26 987
Luxembourg	0	0	0	48
Total	**9 968**	**28 560**	**9 445**	**27 035**

NOTE 11 Operating Expenses

	Q3 2020	**9M 2020**	**Q3 2019**	**9M 2019**
Wages, salaries and bonuses	4 208	13 481	3 472	10 812
Social security and other taxes*	1 421	4 062	1 123	3 218
Total personnel expenses	**5 629**	**17 543**	**4 595**	**14 030**
IT expenses	884	2 424	655	1 952
Information services and bank services	214	742	205	623
Marketing expenses	557	1 348	471	1 647
Office expenses	133	470	148	449
Transportation and communication expenses	69	205	86	203
Staff training and business trip expenses	82	249	126	511
Other outsourced services	944	2 813	835	2 415
Other administrative expenses	1 084	3 476	1 036	2 499
Depreciation of non-current assets	1 137	2 993	1 051	3 040
Operational lease payments	-88	88	81	234
Other operating expenses	97	227	111	304
Total other operating expenses	**5 113**	**15 035**	**4 805**	**13 877**
Total operating expenses	**10 742**	**32 578**	**9 400**	**27 907**

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

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

	30.09.2020	31.12.2019
Demand and term deposits with maturity less than 3 months*	111 873	38 420
Statutory reserve capital with the central bank	32 452	29 426
Demand deposit from central bank*	1 609 404	1 206 307
Total	**1 753 729**	**1 271 153**
*Cash and cash equivalents in the Statement of Cash Flows	1 721 277	1 244 727

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 5 467 thousand (31 December 2019: EUR 5 473 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 30 September 2020 was 1% (31 December 2019: 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	Financial intermediates	Legal entities	Public sector	30.09.2020
Demand deposits	654 791	521 907	1 205 249	374 405	2 756 352
Term deposits	274 607	75 118	102 000	6 417	458 142
Loans received	0	0	271 430	200 000	471 430
Accrued interest liability	921	3	185	4	1 113
Total	**930 319**	**597 028**	**1 578 864**	**580 826**	**3 687 037**

Deposits/loans by type	Individuals	Financial intermediates	Legal entities	Public sector	31.12.2019
Demand deposits	525 938	376 068	1 267 180	20 293	2 189 479
Term deposits	415 349	0	90 100	3 100	508 549
Loans received	0	0	25 643	0	25 643
Accrued interest liability	2 692	0	196	3	2 891
Total	**943 979**	**376 068**	**1 383 119**	**23 396**	**2 726 562**

LHV Pank has signed an unsecured 10-year loan agreement with the European Investment Fund (EIF) in the amount of EUR 12.5 million to increase the borrowing possibilities of small and medium-sized enterprises. As at 30.09.2020, the Bank had utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 2 883 thousand euros. From Nordic Investment Bank possible 20 000 thousand euro loan the Bank had utilized 20 000 thousand euros as of 30.09.2020 and repaid the principal in the amount of EUR 6 666 thousand euros. 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 implemented.

In June 2020, LHV Bank made a successful debut issue of EUR 250 million in covered bonds to international investors. 31 institutional investors participated in the 5-year issue and the interest rate was 0.12%. The issue by LHV Pank was the first debut issue since the beginning of the COVID-19 crisis. The issue received an Aa1 rating from Moodys and was listed on the Dublin Stock Exchange.

In the third quarter, the Bank raised EUR 200 million in negative interest funds through the TLTRO III program offered by the European Central Bank.

NOTE 14 Accounts payable and other liabilities

Financial liabilities	30.09.2020	31.12.2019
Trade payables and payables to merchants	2 641	5 033
Other short-term financial liabilities	4 541	3 067
Lease liabilities	3 749	4 672
Accrued interest on subordinated loans	506	444
Payments in transit	19 473	7 395
Financial guarantee contracts issued	272	178
Subtotal	**31 182**	**20 789**
Performance guarantee contracts issued	269	266
Tax liabilities	1 433	1 230
Payables to employees	2 051	1 705
Other short-term liabilities	241	324
Subtotal	**3 994**	**3 525**
Total	**35 176**	**24 314**

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	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 30 September 2020	13 244	34 933	6	404 979	**453 162**
Liability in the contractual amount as at 31 December 2019	11 078	14 139	10	359 230	**384 457**

NOTE 16 Basic Earnings and Diluted Earnings Per Share

In order to calculate basic earnings per share, net profit attributable to owners of the parent has been divided by the weighted average number of shares issued. The dilution effect when calculating the Diluted earnings per share comes from the share options granted to management and key employees.

	Q3 2020	9M 2020	Q3 2019	9M 2019
Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)	10 096	20 111	7 290	19 078
Weighted average number of shares (in thousands of units)	28 819	28 637	27 235	26 829
Basic earnings per share (EUR)	0.35	0.70	0.27	0.71
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	29 447	29 304	27 828	27 421
Diluted earnings per share (EUR)	0.34	0.69	0.26	0.70

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 30.09.2020 was 293 584 thousand euros (31.12.2019: 241 801 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 in all situations;
- 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	**30.09.2020**	**31.12.2019**
Paid-in share capital	28 819	28 454
Share premium	71 468	70 136
Reserves	4 713	4 713
Other reserves	212	212
Accumulated loss	90 434	69 452
Intangible assets (subtracted)	-18 407	-18 319
Profit for the reporting period (COREP)	6 770	12 186
Other adjustments	-425	-33
Total Core Tier 1 capital	**183 584**	**166 801**
Additional Tier 1 capital	35 000	20 000
Total Tier 1 capital	**218 584**	**186 801**
Subordinated liabilities	75 000	55 000
Total Tier 2 capital	**75 000**	**55 000**
Total net own funds	**293 584**	**241 801**

The Group has complied with all regulative 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	Q3 2020	9M 2020	Q3 2019	9M 2019
Interest income	**20**	**50**	**16**	**50**
incl. management	9	27	10	28
incl. shareholders that have significant influence	11	23	6	22
Fee and commission income	**10**	**30**	**10**	**20**
Incl. management	0	0	0	0
incl. shareholders that have significant influence	10	30	10	20
Interest expenses from deposits	**10**	**30**	**10**	**30**
incl. management	0	0	0	0
incl. shareholders that have significant influence	10	30	10	30
Interest expenses from subordinated loans	**98**	**256**	**90**	**283**
incl. management	2	6	2	6
incl. shareholders that have significant influence	96	250	88	277

Balances	30.09.2020	31.12.2019
Loans and receivables as at the year-end	**3 612**	**3 290**
incl. management	2 472	2 399
incl. shareholders that have significant influence	1 140	892
Deposits as at the year-end	**49 783**	**16 063**
incl. management	694	283
incl. shareholders that have significant influence	49 089	15 780
Subordinated loans as at the year-end	**5 495**	**5 054**
incl. management	202	118
incl. shareholders that have significant influence	5 293	4 936

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. The management and shareholders with significant influence include also their related entities and persons.

Loans granted to related parties are issued at market conditions.

In Q3, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 466 thousand (Q3 2019: EUR 400 thousand), including all taxes. As at 30.09.2020, remuneration for September and accrued holiday pay in the amount of EUR 117 thousand (31.12.2019: EUR 73 thousand) is reported as a payable to management. The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 30.09.2020 and 31.12.2019 (pension liabilities, termination benefits, etc.). In Q3 2020, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 21 thousand (Q3 2019: EUR 20 thousand).

Management is related to the share-based compensation plan. In Q3 2020 the share-based compensation to management amounted to EUR 196 thousand (Q3 2019: EUR 168 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.

NOTE 19 Tangible and intangible assets

(in thousands of euros)	**Tangible assets**	**Right of use assets**	**Total tangible assets**	**Intangible assets**	**Costs incurred for the acquisition of customer contracts**	**Total intangible assets**
Balance as at 31.12.2018						
Cost	4 129	0	4 129	15 324	12 436	27 760
Accumulated depreciation and amortisation	-2 994	0	-2 994	-10 859	-1 431	12 290
Carrying amount 31.12.2018	**1 135**	**0**	**1 135**	**4 465**	**11 005**	**15 470**
Changes in accounting policies	0	5 676	5 676	0	0	5 676
Purchase of non-current assets	1 336	0	1 336	864	0	864
Disposal of non-current assets	-15	0	-15	0	0	0
Write-off of on-current assets	-338	0	-338	-1 435	0	-1 435
Depreciation/amortisation charge	-562	-899	-1 461	-1 751	- 1461	-3 213
Balance as at 31.12.2019						
Cost	5 112	5 676	10 788	8 352	14 020	22 372
Accumulated depreciation and amortisation	-3 203	-899	-4 102	-4 775	-2 892	-7 667
Carrying amount 31.12.2019	**1 909**	**4 777**	**6 686**	**3 577**	**11 128**	**14 705**
Purchase of non-current assets	1 053	0	1 053	621	1 199	1 821
Depreciation/amortisation charge	-561	-698	-1 259	-416	-1 317	- 1733
Recalculation	0	-148	-148	0	0	0
Recalculation of the accumulated amortisation	0	148	148	0	0	0
Balance as at 30.09.2020						
Cost	6 165	5 528	11 693	8 973	15 219	24 192
Accumulated depreciation and amortisation	-3 765	-1 449	-5 214	-5 191	-4 209	-9 400
Carrying amount 30.09.2020	**2 400**	**4 079**	**6 479**	**3 782**	**11 010**	**14 792**

NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)

	Year of issue	Amount	Interest rate	Maturity date
Subordinated Tier 2 liabilities	2015	15 000	6.5%	October 29, 2025
Subordinated Tier 2 liabilities	2018	20 000	6.0%	November 28, 2028
Subordinated Tier 2 liabilities	2019	20 000	6.0%	November 28, 2028
Subordinated Tier 2 liabilities	2020	35 000	6.0%	September 30, 2030
Additional subordinated Tier 2 liabilites	2019	20 000	8.0%	Perpetual
Additional subordinated Tier 2 liabilites	2020	15 000	8.0%	Perpetual
Subordinated debt as at 30.09.2019		75 000		
Subordinated debt as at 31.12.2019		75 000		
Subordinated debt as at 30.06.2020		90 000		
Subordinated debt as at 30.09.2020		125 000		

NOTE 21 Loans and advances to customers

(in thousands of euros)	**30.09.2020**	**31.12.2019**
Loans to legal entities	**1 050 123**	**795 986**
incl. corporate loans	889 170	795 924
incl. retail loans	38 270	40 967
incl. leasing	75 170	66 078
incl. overdraft	37 443	42 801
incl. leveraged loans	3 271	3 148
incl. hire-purchase	146	277
incl. credit card loans	374	402
incl. credit letters	6 277	5 389
Loans to individuals	**820 212**	**738 152**
incl. hire-purchase	13 428	16 133
incl. mortgage loans	663 179	587 855
incl. consumer loans	50 750	49 412
incl. private loans	49 061	44 776
incl. leasing	25 579	23 410
incl. leveraged loans	5 109	2 840
incl. credit card loans	6 993	7 263
incl. overdraft	25	34
incl. study loan	830	750
incl. real estate leasing	5 259	5 679
Total	**1 870 335**	**1 693 138**
Impairment provisions	-14 512	-6 104
Total	**1 855 823**	**1 687 034**

Changes in impairments in 9M 2020	**Corpo-rate loans incl. overdraft**	**Retail loans**	**Consumer loans**	**Credit cards**	**Hire-purc-hase**	**Leasing**	**Leveraged loans**	**Other loans incl. mortgage**	**Credit letters**	**Total**
Balance as at 1 January	**-3 666**	**-153**	**-624**	**-53**	**-112**	**-639**	**-6**	**-851**	**0**	**-6 104**
Impairment provisions/reversals set up during the year	-8 694	-103	-211	-81	-30	-1 387	-17	-447	-26	-10 996
Written off during the reporting period	1 401	49	1	53	-29	639	6	466	2	2 588
Balance as at September 30 2020	**-10 959**	**-207**	**-834**	**-81**	**-171**	**-1 387**	**-17**	**-832**	**-24**	**-14 512**

NOTE 22 Changes in accounting policies

In the third quarter, we received confirmation that the IFRS Interpretations Committee (IFRIC) decided not to accept the 20-year income tax deferral logic in Estonia, which is why all IFRS-compliant companies must be recognized in the balance sheet for future dividend payments.

In accordance with paragraph 39 of IAS 12, an enterprise recognizes a deferred tax liability for all investments in subsidiaries, associates, joint ventures and branches that give rise to temporary taxable differences, unless:

(a) the entity is able to control the timing of the reversal of the temporary difference; and
(b) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is not recognized if the investment meets both criteria (a) and (b) above.
To meet criterion (a), an enterprise must have control over its investment. Control generally exists over subsidiaries and branches. In the case of associates and joint ventures, there is generally no control, so the temporary taxable differences in these investments are usually subject to income tax liability.

To meet criterion (b), the company must be able to demonstrate that the temporary difference will not reverse in the foreseeable future. Cancellation refers to transactions such as the distribution of profits, the sale of a business, liquidation or the like. The near future is not explained in the standard, but the common view is that 12 months from the balance sheet date and planned transactions after that date should be taken into account.

In the case of LHV Pank, this change will result in the immediate assumption of the income tax liability associated with the planned dividend from subsidiaries in the following years. As LHV Pank does not have very large amounts, these liabilities are recognized in the 2020 income statement.

Shareholders of AS LHV Group

AS LHV Group has a total of 28 819 092 ordinary shares, with a nominal value of 1 euro.

As at 30 September 2020, AS LHV Group has 9 876 shareholders:

- 13 908 669 shares (48.26%) were held by members of the Supervisory Board and Management Board, and related parties.
- 14 910 423 shares (51.74%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 30 September 2020:

Number of	Participation	Name of shareholder
3 618 920	12.6%	AS Lõhmus Holdings
2 538 367	8.8%	Rain Lõhmus
2 186 432	7.6%	Viisemann Investments AG
1 653 709	5.7%	Ambient Sound Investments OÜ
1 210 215	4.2%	OÜ Krenno
1 082 744	3.8%	AS Genteel
1 031 310	3.6%	AS Amalfi
782 488	2.7%	OÜ Kristobal
688 199	2.4%	SIA Krugmans
638 276	2.2%	OÜ Bonaares

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 53 509 shares.
Rain Lõhmus holds 2 538 367 shares, AS Lõhmus Holdings 3 618 920 shares and OÜ Merona Systems 581 718 shares.
Andres Viisemann holds 34 330 shares. Viisemann Holdings OÜ holds 570 000 shares and Viisemann Investment AG holds 2 186 432 shares.
Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 653 709 shares.
Tiina Mõis does not hold shares. AS Genteel holds 1 082 744 shares.
Heldur Meerits does not hold shares. AS Amalfi holds 1 031 310 shares.
Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 508 109 shares, Astrum OÜ holds 371 shares, Lame Maakera OÜ holds 13 976 shares, Kuu on Päike OÜ holds 7 130, Higgsi Boson OÜ holds 2 260 shares, Kõver Aegruum holds 3 100 shares and Desoksüribonukleiinhape DNA OÜ holds 6 840 shares.
Sten Tamkivi holds 391 shares. OÜ Seikatsu holds 15 143 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: Vahur Vallistu, Joel Kukemelk

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

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

AS LHV Kindlustus
Supervisory board: Madis Toomsalu, Erki Kilu, Veiko Poolgas, Jaan Koppel
Management board: Tarmo Koll, Jaanus Seppa

OÜ Cuber Tehnology
Management board: Jüri Laur

Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to September 2020 period the condensed consolidated interim financial statements of AS LHV Group for the 9-months period ended 30 September 2020.

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 and contains a description of the main risks and doubts. The Condensed Consolidated Interim Financial Statements have been prepared according to the principles of the International Accounting Standard IAS 34 "Interim Financial Reporting".

20.10.2020

Madis Toomsalu