

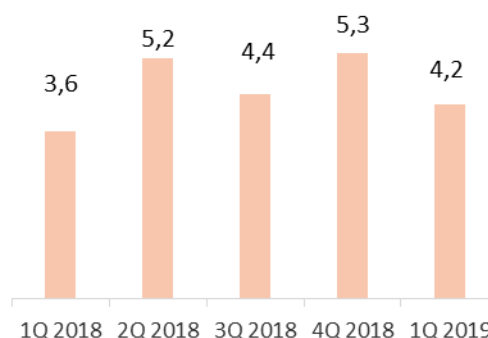
Interim Report January – March 2019

Summary of Results

Q1 2019 in comparison with Q4 2018

- Net profit EUR 4.2 m (5.3 mln euro), of which EUR 3.9 m (EUR 4.6 m) is attributable to owners of the parent
- Net income EUR 13.9 m (EUR 13.4 m)
- Operating expenses EUR 7.5 m (EUR 7.0 m)
- Loan provisions EUR 1.0 m (EUR 0.5 m)
- Income tax expenses EUR 1.3 m (EUR 0.5 m)
- Return on equity 12.5% (15.5%)
- Capital adequacy 16.66% (17.71%)

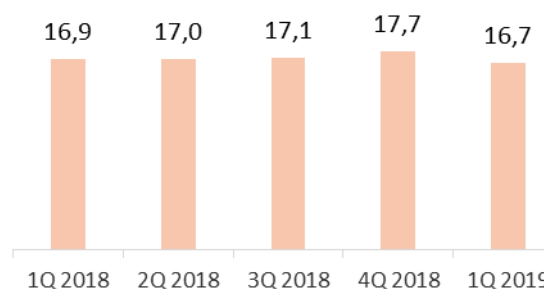
Profit by quarters



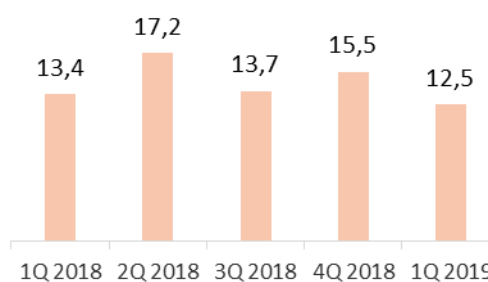
Q1 2019 in comparison with Q1 2018

- Net profit EUR 4.2 m (EUR 3.6 m), of which EUR 3.9 m (EUR 3.4 m) is attributable to owners of the parent
- Net income EUR 13.9 m (EUR 11.4 m)
- Operating expenses EUR 7.5 m (EUR 6.1 m)
- Loan provisions EUR 1.0 m (EUR 0.8 m)
- Income tax expenses EUR 1.3 m (EUR 0.8 m)
- Return on equity 12.5% (13.4%)
- Capital adequacy 16.66% (16.9%)

Capital adequacy



Return on equity



The return on equity ratio is based on the profit and equity attributed to the owners of AS LHV Pank and do not include any non-controlling interest.

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Business activities

The bank had a busy start to the year. The number of clients increased by almost 9,500 during the quarter and new, significantly higher record levels were achieved in client activity. During the quarter, the bank's deposit volume grew by mEUR 135 and the loan volume grew by mEUR 72. The deposit volume exceeded 1.5 mld EUR and the loan volume 1.0 mld EUR by the end of the quarter. The deposits of regular customers grew by EUR 102 million and those of the financial intermediaries by EUR 33 million. Corporate loans grew by EUR 44 million and retail loans by EUR 28 million. In the middle of the quarter, Versobank's loan portfolio was acquired for 12.2 millions of euros in the total value of 13.2 mln EUR, including 20 business clients, 10.4 mln EUR and 47 private clients, 2.8 mln EUR. The quarterly profit before taxes was EUR 5.5 million and net profit EUR 4.2 million. At the end of the quarter, the bank took in additional Tier 1 own resources from AS LHV Group in the amount of 6.5 mln EUR with the purpose of strengthening the bank's capital base for increasing business volumes.

During the quarter, several new products were introduced: Entrepreneur Account, instant payments, virtual IBAN and API. At the beginning of March, new ATMs were installed in Lasnamäe, Narva, Kuressaare and Keila, significantly expanding the

coverage of the ATM network across the country. The bank adopted an internationally acknowledged and widespread information system to observe the principles of knowing the client in opening accounts and monitoring payments. Cooperation agreement was concluded with KredEx to receive sureties on loans granted to young people. Magazine Investeeri is now also issued electronically to make it more available for a larger number of readers.

The Financial Supervision Authority issued an activity licence on the branch in the United Kingdom as a branch in a third country, followed by applying for an activity licence from the supervision authority in the United Kingdom. Eesti Pank appointed LHV Bank as a provider of vital services as the fourth bank in Estonia.

LHV continued to be the bank with the best service in Estonia. We were also awarded a Golden Egg in the category of large service campaign for the campaign "tommy cash is in the bank" and our marketing team received the Estonia's Marketing Team of the Year award at the Password conference. The results of an employee satisfaction survey carried out, internally indicated excellent levels of satisfaction with both the employer and jobs.

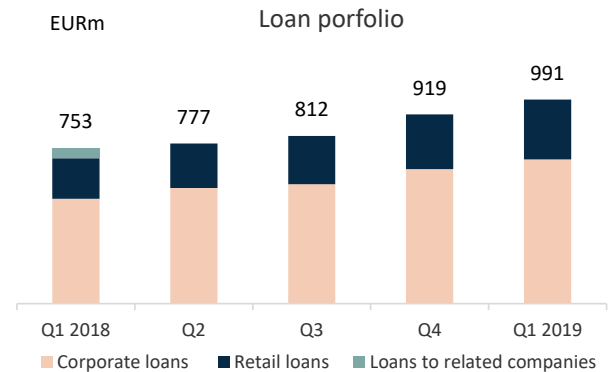
Financial Summary

Q1 was successful in terms of business volumes. LHV Pank generated EUR 11.2 million in net interest income and EUR 2.7 million in net fee and commission income. In total, the bank's net income amounted to EUR 13.9 million, expenditure to EUR 7.5 million and loan provisions to EUR 1.0 million. Financial income was 0.01 million in Q1. LHV Pank is accounting from Q2 14% advance income tax, which generated corporate income tax in amount of EUR 0.5 million.

The net profit of LHV Pank amounted to EUR 4.2 million in Q1. This constitutes a 21% increase from Q4 (5.3) and a 16% increase from Q1 2018 (3.6).

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

The increase in net interest income stems from the growth in business volumes. By the end of Q1, the total volume of the bank's loan portfolios amounted to EUR 991 million (Q4: EUR 919 million). The volume of portfolios grew 8% over the quarter. Retail loans portfolio grew 9% within quarter and has reached EUR 294 million (Q4 2018: EUR 268 million). Loan portfolio increased by EUR 72 million in Q1 (Q4 2018: EUR 107 million).



Banks deposits decreased 9% within a quarter and reached EUR 1 583 million by end of March (Q4 EUR 1 448 million). Financial intermediates deposits decreased by EUR 33 million. EUR 1 439 million were demand deposits and EUR 144 million were term deposits. Private individuals deposits reached EUR 476 million increasing 12% q-t-q. Outstanding bond portfolio was EUR 18.5 million, decreasing 53% comparing to end of Q4.

Income statement	Q1	Q4	Quarter	Q1	Year
EUR million	2019	2018	over quarter	2018	over year
Net interest income	11,24	10,58	6%	9,19	22%
Net fee and commission income	2,70	2,47	10%	2,25	20%
Other financial income	-0,01	0,23	NA	-0,06	NA
Total net operating income	13,93	13,28	5%	11,38	22%
Other income	-0,01	0,12	NA	0,03	NA
Operating expenses	-7,51	-7,04	7%	-6,10	23%
Loan losses	-0,95	-0,54	75%	-0,88	8%
Income tax expenses	-1,29	-0,54	137%	-0,84	54%
Net profit	4,17	5,27	-21%	3,59	16%

Business volumes	31.03.2019	31.12.2018	Change
EUR million			
Loan portfolio	990,7	918,8	8%
Financial investments	18,5	39,0	-53%
Deposits of customers	1 583,0	1 448,0	9%
incl. deposits of financial intermediates	226,8	193,9	17%
Equity (including minority interest)	128,8	125,6	3%
Assets managed by bank	170 826	161 357	6%

Ratios EUR million	Q1 2019	Q4 2018	Quarter over quarter	Q1 2018	Year over year
Net profit	4,2	5,3	-1,1	3,6	0,6
Net profit attributable to owners of the parent	3,9	4,6	-0,7	3,4	0,5
Average equity	123,5	119,0	4,5	101,6	21,9
Return on equity (ROE), %	12,5	15,5	-3,0	13,4	-0,9
Return on assets (ROA), %	0,97	1,21	-0,24	0,75	-0,18
Net interest income	11,2	10,6	0,6	9,2	2,0
Interest-bearing assets, average	1 714,2	1 736,0	-21,8	1 802,8	-88,6
Net interest margin (NIM) %	2,64	2,44	0,2	2,04	0,6
Price spread (SPREAD) %	2,60	2,42	0,18	2,01	0,59
Cost/income ratio %	54,0	52,5	1,5	53,4	0,6

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

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

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

Return on assets (ROA) = net profit for the quarter (share of owners of the parent) / average assets * 100

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

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

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

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

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

Liquidity and capitalisation

The Bank's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 148.3% as at the end of March (31 December 2018: 143.9%). Banks liquidity situation remained same in Q1, change in LCR levels are related to significantly higher financial intermediates deposits what Bank covers 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR in 235.8%. The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 44% of the balance sheet (31 December 2018: 44%). The ratio of loans to deposits stood at 62% as at the end of the first quarter (31 December 2018: 63%).

Bank runs every year internal liquidity assessment process (ILAAP), which is done both on static and dynamical balance sheet modelling.

In assessment bank follows both regulative and internal liquidity ratios dynamics and fulfillment of limits. In dynamic assessment bank is following its own risk scenario.

Banks own funds at end of March were EUR 154.3 million (31.12.2018 EUR 148.6 million).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 16.66% (31.12.2018: 17.71%), calculated according to CRR IV directive. Banks capital adequacy exceeds internal capital targets, which is 15.50%.

Both AS LHV Pank and its subsidiary AS LHV Finance are included into capital adequacy calculation Bank uses standard methodology for calculating credit and market risk capital charges and basic indicator approach calculating operational risk capital requirement. Bank has fulfilled all capital requirement in current reporting period.

Each year, an internal capital adequacy assessment process (ICAAP) is performed, the goal of which is to identify potential capital needs in addition to regulatory capital requirements.

Capital base (in thousands of euros)	31.03.2019	31.12.2018
Paid-in share capital	69 500	69 500
Statutory reserves paid in from net profit	3 103	2 269
Accumulated profit/deficit	47 250	31 442
Intangible assets (subtracted)	-1 239	-1 286
Net profit for the reporting period	0	16 642
Other adjustments	-839	0
Total Tier 1 capital	117 775	118 567
Subordinated debt	6 500	0
Total Tier 1 capital	124 275	118 567
Subordinated debt	30 000	30 000
Total Tier 2 capital	30 000	30 000
Net own funds for capital adequacy	154 275	148 567
Capital requirements		
Central governments and central bank under standard method	933	939
Credit institutions and investment companies under standard method	5 092	5 213
Companies under standard method	629 836	579 886
Retail claims under standard method	135 408	133 053
Public sector under standard method	87	125
Housing real estate under standard method	46 869	39 903
Overdue claims under standard methods	10 217	10 381
Other assets under standard method	19 383	9 055
Total capital requirements for covering the credit risk and counterparty credit risk	847 825	778 555
Capital requirement against foreign currency risk under standard method	118	305
Capital requirement against interest position risk under standard method	0	32
Capital requirement against equity portfolio risks under standard method	989	704
Capital requirement against credit valuation adjustment risks under standard method	58	41
Capital requirement for operational risk under base method	76 766	59 434
Total capital requirements for adequacy calculation	925 756	839 071
Capital adequacy (%)	16,66	17,71
Tier 1 capital ratio (%)	13,42	14,13

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

<i>(in thousands of euros)</i>	Note	Q1 2019	3M 2019	Q1 2018	3M 2018
Interest income		12 914	12 914	10 886	10 886
Interest expense		-1 675	-1 675	-1 692	-1 692
Net interest income	7	11 239	11 239	9 194	9 194
Fee and commission income		4 942	4 942	3 803	3 803
Fee and commission expense		-2 239	-2 239	-1 552	-1 552
Net fee and commission income	8	2 703	2 703	2 251	2 251
Net gains/losses from financial assets measured at fair value		6	6	-48	-48
Foreign exchange gains/losses		-19	-19	-15	-15
Net gains from financial assets		-13	-13	-63	-63
Other income/ Other expense		-9	-9	27	27
Total other income		-9	-9	27	27
Staff costs	9	-4 016	-4 016	-3 300	-3 300
Administrative and other operating expenses	9	-3 495	-3 495	-2 797	-2 797
Total expenses		-7 511	-7 511	-6 097	-6 097
Profit before impairment losses on loans and advances		6 409	6 409	5 312	5 312
Income tax expense		-1 293	-1 293	-838	-838
Impairment losses on loans and advances		-951	-951	-882	-882
Net profit for the reporting period		4 165	4 165	3 592	3 592
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
Revaluation of available-for-sale financial assets		0	0	-106	-106
Total profit and other comprehensive income for the reporting period		4 165	4 165	3 486	3 486
Total profit of the reporting period attributable to:					
Owners of the parent		3 853	3 853	3 408	3 408
Non-controlling interest		312	312	184	184
Total profit for the reporting period		4 165	4 165	3 592	3 592
Total comprehensive income attributable to:					
Owners of the parent		3 853	3 853	3 302	3 302
Non-controlling interest		312	312	184	184
Total comprehensive income for the reporting period		4 165	4 165	3 486	3 486

Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	31.03.2019	31.12.2018
Assets			
Due from central bank	10	732 688	639 862
Due from credit institutions	10	24 785	24 979
Due from investment companies	10	6 520	17 005
Available-for-sale financial assets		298	298
Financial assets at fair value through profit or loss		18 190	38 913
Loans and advances to customers	5	990 747	918 761
Receivables from customers		6 061	2 509
Other financial assets		2 970	2 936
Other assets		1 852	1 341
Tangible assets		5 162	1 122
Intangible assets		1 239	1 286
Total assets		1 790 512	1 649 012
Liabilities			
Deposits of customers and loans received	11	1 604 927	1 469 561
Financial liabilities at fair value through profit or loss		34	11
Accounts payable and other liabilities		20 237	23 861
Subordinated debt		36 500	30 000
Total liabilities		1 661 698	1 523 433
Owner's equity			
Share capital		69 500	69 500
Statutory reserve capital		3 025	2 191
Other reserves		78	78
Retained earnings / accumulated deficit		52 977	49 686
Total equity attributable to owners of the parent		125 580	121 456
Non-controlling interest		3 234	4 123
Total equity		128 814	125 579
Total liabilities and equity		1 790 512	1 649 012

Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q1 2019	3M 2019	Q1 2018	3M 2018
Cash flow from operating activities					
Interest received		12 844	12 844	9 971	9 971
Interest paid		-1 528	-1 528	-851	-851
Fees and commissions received		4 942	4 942	3 803	3 803
Fees and commissions paid		-2 239	-2 239	-1 552	-1 552
Other income		-9	-9	26	26
Staff costs paid		-3 554	-3 554	-2 886	-2 886
Administrative and other operating expenses paid		-2 958	-2 958	-2 559	-2 559
Income tax		-1 293	-1 293	-838	-838
Cash flow from operating activities before change in operating assets and liabilities		6 205	6 205	5 114	5 114
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		45	45	-18	-18
Loans and advances to customers		-76 383	-76 383	-36 816	-36 816
Mandatory reserve at central bank		-1 385	-1 385	-1 685	-1 685
Security deposits		-34	-34	53	53
Other assets		1 739	1 739	79	79
Net increase/decrease in operating liabilities:					
Demand deposits of customers		109 122	109 122	183 214	183 214
Term deposits of customers		26 131	26 131	-508	-508
Financial liabilities held for trading at fair value through profit and loss		23	23	2	2
Other liabilities		-3 907	-3 907	-45 224	-45 224
Net cash generated from/used in operating activities		61 556	61 556	104 211	104 211
Cash flow from investing activities					
Purchase of non-current assets		-4 529	-4 529	-528	-528
Proceeds from disposal and redemption of investment securities available for sale		0	0	-106	-106
Net change of investments at fair value through profit or loss		20 684	20 684	977	977
Net cash flow from investing activities		16 155	16 155	343	343
Cash flow from financing activities					
Contribution in share capital		0	0	10 000	10 000
Subordinated loan received		6 500	6 500	0	0
Dividends paid		-3 431	-3 431	-3 350	-3 350
Net cash from financing activities		3 069	3 069	6 650	6 650
Effect of exchange rate changes on cash and cash equivalents					
		-19	-19	-15	-15
Net decrease/increase in cash and cash equivalents		80 761	80 761	111 040	111 040
Cash and cash equivalents at the beginning of the period		667 566	667 566	940 516	940 516
Cash and cash equivalents at the end of the period	10	748 327	748 327	1 051 556	1 051 556

Condensed Consolidated Interim Statement of Changes in Equity

<i>(in thousands of euros)</i>	Share capital	Statutory reserve capital	Other reserves	Accumulated deficit/ retained earnings	Total equity attributable to owners	Non-controlling interest	Total equity
Balance as at 01.01.2018	59 500	1 492	36	34 963	95 991	3 530	99 521
Transfer to statutory reserve capital	10 000	0	0	0	10 000	0	10 000
Share options	0	699	0	-699	0	0	0
Dividends paid	0	0	0	-2 179	-2 179	-1 172	-3 351
Paid in share capital	0	0	0	960	960	0	960
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>16 642</i>	<i>16 642</i>	<i>1 765</i>	<i>18 407</i>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>42</i>	<i>0</i>	<i>42</i>	<i>0</i>	<i>42</i>
Total profit and other comprehensive income for the reporting period	0	0	42	16 642	16 684	1 765	18 449
Balance as at 31.12.2018	69 500	2 191	78	49 687	121 456	4 123	125 579
Balance as at 01.01.2019	69 500	2 191	78	49 687	121 456	4 123	125 579
Transfer to statutory reserve capital	0	834	0	-834	0	0	0
Dividends paid	0	0	0	0	0	-1 201	-1 201
Paid in share capital	0	0	0	272	272	0	272
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3 853</i>	<i>3 853</i>	<i>312</i>	<i>4 165</i>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total profit and other comprehensive income for the reporting period	0	0	0	3 853	3 853	312	4 165
Balance as at 31.03.2019	69 500	3 025	78	52 977	125 580	3 234	128 814

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Accounting Policies

The interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted in the European Union and accordance with International Financial Reporting Standards as adopted by European Union. The interim financial statements should be read in conjunction with the group's annual financial statements as at 31 December 2018. The accounting policies adopted are consistent with those of the previous

financial year except for the financial reporting standards that are presented at the end of this report in Note 14.

The financial figures of the interim financial statements have been presented in thousands of euros, unless otherwise indicated. The interim financial statements have been consolidated and include the results of AS LHV Pank and its subsidiaries AS LHV Finance (65% interest).

NOTE 2 Breakdown of Financial Assets and Liabilities by Countries

31.03.2019	Estonia	Latvia	The							Total
			Lit- uania	Finland	Nether- lands	Ger- many	Other EU	USA	Other	
Due from banks and investment companies	741 159	0	0	0	0	0	14 846	6 406	1 582	763 993
Financial assets at fair value	435	776	17 256	0	0	1	15	5	0	18 488
Loans and advances to customers	977 057	48	167	1 713	1	122	10 026	249	1 364	990 747
Receivables from customers	6 055	1	5	0	0	0	0	0	0	6 061
Other financial assets	109	0	0	0	0	0	0	2 861	0	2 970
Total financial assets	1 724 815	825	17 428	1 713	1	123	24 887	9 521	2 946	1 782 259
Deposits of customers and loans received	1 270 519	10 631	947	4 024	1 592	13 137	241 951	3 069	59 057	1 604 927
Subordinated debt	36 500	0	0	0	0	0	0	0	0	36 500
Financial liabilities at fair value	34	0	0	0	0	0	0	0	0	34
Accounts payable and other financial liabilities	16 480	0	4	27	0	0	13	3	0	16 527
Total financial liabilities	1 323 533	10 631	951	4 051	1 592	13 137	241 964	3 072	59 057	1 657 988

Unused loan commitments in the amount of EUR 192 577 thousand are for the residents of Estonia.

31.12.2018	Estonia	Latvia	The							Total
			Lit- uania	Finland	Nether- lands	Ger- many	Other EU	USA	Other	
Due from banks and investment companies	649 509	0	0	0	0	0	13 599	16 541	2 197	681 846
Financial assets at fair value	449	772	17 242	0	0	1	20 704	43	0	39 211
Loans and advances to customers	886 881	52	10 561	1 524	1	6	18 432	175	1 129	918 761
Receivables from customers	2 494	1	5	0	0	0	0	0	9	2 509
Other financial assets	111	0	0	0	0	0	0	2 825	0	2 936
Total financial assets	1 539 444	825	27 808	1 524	1	7	52 735	19 584	3 335	1 645 263
Deposits of customers and loans received	1 179 791	10 041	951	3 414	576	13 274	220 173	3 085	38 256	1 469 561
Subordinated debt	30 000	0	0	0	0	0	0	0	0	30 000
Financial liabilities at fair value	11	0	0	0	0	0	0	0	0	11
Accounts payable and other financial liabilities	20 901	0	4	27	0	0	13	3	0	20 948

Total financial liabilities	1 230 703 10 041	955 3 441	576 13 274	220 186	3 088 38 256	1 520 520
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Unused loan commitments in the amount of EUR 188 841 thousand are for the residents of Estonia.

NOTE 3 Breakdown of Assets and Liabilities by Contractual Maturity Dates

31.03.2019	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	1 439 156	31 559	113 597	16 875	4 371	1 605 558
Subordinated debt	0	503	1 511	8 055	34 830	44 899
Accounts payable and other financial liabilities	0	16 527	0	0	0	16 527
Unused loan commitments	0	192 577	0	0	0	192 577
Financial guarantees by contractual amounts	0	10 641	0	0	0	10 641
Foreign exchange derivatives (gross settled)	0	57 413	0	610	0	58 023
Financial liabilities at fair value	0	34	0	0	0	34
Total liabilities	1 439 156	309 254	115 108	25 540	39 201	1 928 259
Financial assets by contractual maturity dates						
Due from banks and investment companies	763 993	0	0	0	0	763 993
Financial assets at fair value (debt securities)	0	0	4 663	11 169	2 187	18 019
Loans and advances to customers	0	81 861	172 544	703 881	177 538	1 135 824
Receivables from customers	0	6 061	0	0	0	6 061
Other financial assets	0	57 413	0	610	0	58 023
Foreign exchange derivatives (gross settled)	2 970	0	0	0	0	2 970
Total financial assets	766 963	145 335	177 207	715 660	179 725	1 984 890
Maturity gap from financial assets and liabilities	-672 193	-163 919	62 099	690 120	140 524	56 631

31.12.2018	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	1 330 018	24 949	94 113	16 780	4 390	1 470 250
Subordinated debt	0	504	1 510	8 055	35 333	45 402
Accounts payable and other financial liabilities	0	20 948	0	0	0	20 948
Unused loan commitments	0	188 841	0	0	0	188 841
Financial guarantees by contractual amounts	0	9 314	0	0	0	9 314
Foreign exchange derivatives (gross settled)	0	18 559	0	610	0	19 169
Financial liabilities at fair value	0	11	0	0	0	11
Total liabilities	1 330 018	263 126	95 623	25 445	39 723	1 753 935
Financial assets by contractual maturity dates						
Due from banks and investment companies	681 846	0	0	0	0	681 846
Financial assets at fair value (debt securities)	0	20 690	0	15 845	2 161	38 696
Loans and advances to customers	0	63 584	198 293	634 077	154 853	1 050 807
Receivables from customers	0	2 509	0	0	0	2 509
Other financial assets	0	18 559	0	610	0	19 169
Foreign exchange derivatives	2 936	0	0	0	0	2 936
Total financial assets	684 782	105 342	198 293	650 532	157 014	1 795 963

Maturity gap from financial assets and liabilities	-645 236	-157 784	102 670	625 087	117 291	42 028
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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 4 Open Foreign Currency Positions

31.03.2019	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	741 679	2 521	10 276	2 491	1 241	5 785	763 993
Financial assets at fair value	13 812	0	0	1	4 672	3	18 488
Loans and advances to customers	983 309	0	6 340	220	828	49	990 747
Receivables from customers	4 709	4	934	33	0	381	6 061
Other financial assets	834	0	0	0	2 136	0	2 970
Total assets bearing currency risk	1 744 343	2 525	17 551	2 745	8 878	6 218	1 782 259
Liabilities bearing currency risk							
Deposits from customers and loans received	1 512 212	2 530	41 629	7 485	31 410	9 661	1 604 927
Accounts payable and other financial liabilities	14 959	-4	1 693	82	17	477	17 224
Interest rate swaps	0	0	0	0	3	31	34
Subordinated debt	36 500	0	0	0	0	0	36 500
Total liabilities bearing currency risk	1 563 671	2 526	43 322	7 567	31 430	10 169	1 658 685
Open gross position derivative assets at contractual value	610	0	25 642	4 809	22 980	3 982	58 023
Open gross position derivative liabilities at contractual value	57 413	0	0	0	610	0	58 023
Open foreign currency position	123 868	-2	-129	-13	-182	31	123 574

31.12.2018	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	650 363	2 224	18 319	2 536	1 430	6 973	681 846
Financial assets at fair value	14 807	0	1 174	1	23 230	0	39 211
Loans and advances to customers	902 843	0	14 707	220	957	34	918 761
Receivables from customers	1 590	0	374	42	0	503	2 509
Other financial assets	840	0	0	0	2 096	0	2 936
Total assets bearing currency risk	1 570 443	2 224	34 574	2 799	27 713	7 511	1 645 263
Liabilities bearing currency risk							
Deposits from customers and loans received	1 382 450	2 194	41 600	6 363	29 297	7 657	1 469 561
Financial liabilities at fair value	14 819	50	2 238	410	120	3 311	20 948
Interest rate swaps	0	0	0	0	3	8	11
Subordinated debt	30 000	0	0	0	0	0	30 000
Total liabilities bearing currency risk	1 427 269	2 244	43 838	6 773	29 420	10 976	1 520 520
Open gross position derivative assets at contractual value	610	0	9 166	3 973	2 186	3 234	19 169
Open gross position derivative liabilities at contractual value	18 559	0	0	0	610	0	19 169

Open foreign currency position	125 225	-20	-98	-2	-130	-232	124 743
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NOTE 5 Breakdown of Loan Portfolio by Economic Sectors

	31.03.2019	%	31.12.2018	%
Individuals	236 870	23,6%	214 702	23,1%
Real estate activities	266 593	26,6%	246 930	26,6%
Financial activities	69 150	6,9%	95 697	10,3%
Manufacturing	119 694	11,9%	98 073	10,6%
Professional, scientific and technical activities	34 111	3,4%	18 779	2,0%
Wholesale and retail trade	42 874	4,3%	24 378	2,6%
Other service activities	6 658	0,7%	25 669	2,8%
Arts and entertainment	37 112	3,7%	34 582	3,7%
Transportation and storage	10 780	1,1%	11 076	1,2%
Agriculture	22 262	2,2%	20 231	2,2%
Administrative and support service activities	49 082	4,9%	39 808	4,3%
Construction	45 478	4,5%	35 808	3,9%
Education	2 574	0,3%	2 391	0,3%
Information and communication	3 844	0,4%	4 115	0,4%
Other sectors	54 881	5,5%	56 798	6,1%
Total	1 001 963	100%	929 037	100%
Provision	-11 216		-10 276	
Total loan portfolio	990 747	100%	918 761	100%

Loans to related parties were 31.03.2019 EUR 3 504 thousand (31.12.2018: 3 328). Loans have been given out on market terms.

NOTE 6 Fair Value of Financial Assets and Liabilities

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

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

	Level 1	Level 2	Level 3	31.03.2019	Level			31.12.2018
					Level 1	Level 2	3	
Financial assets at fair value through profit and loss								
Shares and fund units	158	0	0	158	157	0	0	157
Available-for-sale bonds and shares	0	0	298	298	0	0	298	298
Bonds at fair value through profit and loss	18 019	0	0	18 019	38 697	0	0	38 697
Interest rate swaps and foreign exchange forwards	0	13	0	13	0	59	0	59
Total financial assets	18 177	13	298	18 488	38 854	59	298	39 211
Financial liabilities at fair value through profit and loss								

Interest rate swaps and foreign exchange forwards	0	34	0	34	0	11	0	11
Total financial liabilities	0	34	0	34	0	11	0	11

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.

Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of loans does not materially differ from their carrying amount as at 31 March 2019 and 31 December 2018. 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.

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

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

From all the subordinated loans are received in 2014-2018. Subordinated loans were issued on market terms and considering the movements in loan and interest market, we can say that the market conditions are similar as they were when issuing the subordinated loans so that the fair value of the loans does not materially differ from their net book value. In determining the fair value of loans, considerable management judgements are used. Loans issued are thus categorised under hierarchy level 3.

NOTE 7 Net Interest Income

Interest income	Q1 2019	3M 2019	Q1 2018	3M 2018
Business loans	7 838	7 838	5 886	5 886
including loans between related parties	8	8	6	6
Hire purchase	1 023	1 023	1 029	1 029
Leasing	646	646	565	565
including loans between related parties	1	1	1	1
Leverage loans and lending of securities	102	102	132	132
Bonds	73	73	36	36
Creditcard loans	199	199	186	186
Consumer loans	1 546	1 546	1 195	1 195
Mortgage loans	736	736	313	313
including loans between related parties	7	7	3	3
Balances with credit institutions and investment companies	55	55	15	15
Other loans	696	696	1 529	1 529
including loans between related parties	2	2	3	3
Total	12 914	12 914	10 886	10 886

Interest expense

Deposits of customers and loans received	-550	-550	-382	-382
Balances with the central bank	-587	-587	-970	-970
Subordinated liabilities	-538	-538	-340	-340
Total	-1 675	-1 675	-1 692	-1 692

Net interest income	11 239	11 239	9 194	9 194
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Interest income on loans by customer location

(interest on bank balances and bonds excluded):	Q1 2019	3M 2019	Q1 2018	3M 2018
Estonia	12 786	12 786	10 526	10 526
Lithuania	0	0	309	309
Total	12 786	12 786	10 835	10 835

NOTE 8 Net Fee and Commission Income

Fee and commission income	Q1 2019	3M 2019	Q1 2018	3M 2018
Security brokerage and commissions paid	528	528	639	639
Asset management and similar fees	654	654	508	508
Currency conversion revenues	497	497	308	308
Fees from cards and payments	2 512	2 512	1 254	1 254
Other fee and commission income	751	751	1 094	1 094
Total	4 942	4 942	3 803	3 803

Fee and commission expense

Security brokerage and commissions paid	-121	-121	-139	-139
Expenses related to cards	-774	-774	-562	-562
Expenses related to acquiring	-817	-817	-536	-536
Other fee and commission income	-527	-527	-315	-315
Total	-2 239	-2 239	-1 552	-1 552

Net fee and commission income	2 703	2 703	2 251	2 251
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Fee and commission income by customer location:	Q1 2019	3M 2019	Q1 2018	3M 2018
Estonia	4 942	4 942	3 803	3 803
Total	4 942	4 942	3 803	3 803

NOTE 9 Operating Expenses

	Q1 2019	3M 2019	Q1 2018	3M 2018
Wages, salaries and bonuses	3 094	3 094	2 553	2 553
Social security and other taxes*	922	922	747	747
Total personnel expenses	4 016	4 016	3 300	3 300
IT expenses	568	568	426	426
Infoteenusused ja pangateenusused	208	208	132	132
Marketing expenses	639	639	381	381
Office expenses	134	134	134	134
Transportation and communication expenses	50	50	45	45
Staff training and business trip expenses	111	111	177	177
Other outsourced services	479	479	520	520

Other administrative expenses	530	530	423	423
Depreciation of non-current assets	577	577	236	236
Operational lease payments	66	66	265	265
Other operating expenses	133	133	58	58
Total other operating expenses	3 495	3 495	2 797	2 797
Total operating expenses	7 511	7 511	6 097	6 097

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

NOTE 10 Balances with the Central Bank, Credit Institutions and Investment Companies

	31.03.2019	31.12.2018
Term deposits with maturity less than 3 months*	31 305	41 984
Legal reserve with the central bank	15 666	14 280
Other receivables from central bank*	717 022	625 582
Total	763 993	681 846
*Cash and cash equivalents in the Statement of Cash Flows	748 327	667 566

The breakdown of receivables by countries has been presented in Note 2. Demand deposits include receivables from investment companies in the total amount of EUR 6 520 thousand (31 December 2018: EUR 17 005 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 31 March 2019 was 1% (31 December 2018: 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 11 Deposits of Customers and Loans Received

	Financial				31.03.2019
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	417 593	226 784	786 640	8 006	1 439 023
Term deposits	58 167	0	80 524	5 235	143 926
Loans received	0	0	21 528	0	21 528
Accrued interest liability	236	0	204	10	450
Total	475 996	226 784	888 896	13 251	1 604 927

	Financial				31.12.2018
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	374 491	193 893	753 582	7 935	1 329 901
Term deposits	57 605	0	54 456	5 734	117 795
Loans received	0	0	21 528	0	21 528
Accrued interest liability	197	0	131	9	337
Total	432 293	193 893	829 697	13 678	1 469 561

LHV Pank 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 31.03.2019, the Bank had utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 722 thousand euros. From Nordic Investment Bank possible 20 000 thousand euro loan the Bank

had utilized 10 000 thousand euros as of 31.03.2019. As at 31.12.2018, the Bank had utilized 10 000 thousand euros of the loan amount.

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.

NOTE 12 Assets Under management

AS LHV Pank, operating as an account manager for its customers, has custody of or intermediates the following customer assets:

	31.03.2019	31.12.2018
Cash balance of customers	9 884	9 773
Securities of customers	1 328 178	1 476 257
<i>Incl. parent company</i>	109 600	93 100
<i>Incl. shareholders of the parent company and related entities</i>	173 141	156 961

Total					1 338 062	1 486 030
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NOTE 13 Contingent Liabilities

Irrevocable transactions	Performance guarantees	Financial guarantees	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 31 March 2019	14 534	19 641	68	192 577	217 820
Liability in the contractual amount as at 31 December 2017	11 927	9 314	55	188 841	210 137

General information

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Web page	www.lhv.ee
Main activities	pangandus, kapitalirent ja muu laenuandmine, väärtpaberite maaklerlus
Auditor	AS PricewaterhouseCoopers
Supervisory board	Madis Toomsalu, Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Andres Viisemann
Management board	Erki Kilu, Jüri Heero, Andres Kitter, Indrek Nuume, Martti Singi, Meelis Paakspuu, Kadri Kiisel