

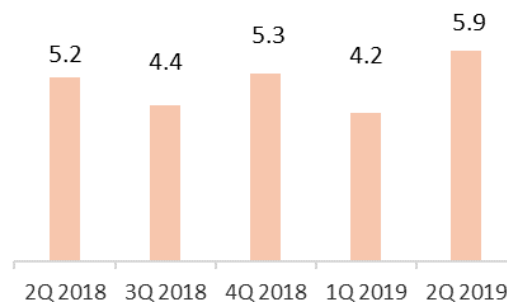
Interim Report January – June 2019

Summary of Results

Q2 2019 in comparison with Q1 2019

- Net profit EUR 5.9 m (EUR 4.2 m), of which EUR 5.3 m (EUR 3.9 m) is attributable to owners of the parent
- Net income EUR 15 m (EUR 13.9 m)
- Operating expenses EUR 7.7 m (EUR 7.5 m)
- Loan provisions EUR 0.7 m (EUR 1.0 m)
- Income tax expenses EUR 0.7 m (EUR 1.3 m)
- Return on equity 16.1% (12.5%)
- Capital adequacy 18.9% (16.7%)

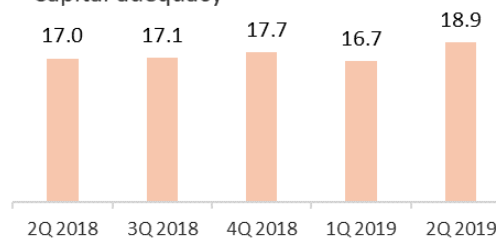
Profit by quarters



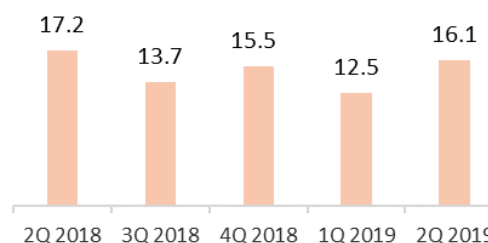
Q2 2019 in comparison with Q2 2018*

- Net profit EUR 5.9 m (EUR 5.2 m), of which EUR 5.3 m (EUR 4.7 m) is attributable to owners of the parent
- Net income EUR 15 m (EUR 13.7 m)
- Operating expenses EUR 7.7 m (EUR 6.3 m)
- Loan provisions EUR 0.7 m (EUR 1.6 m)
- Income tax expenses EUR 0.7 m (EUR 0.6 m)
- Return on equity 16.1% (17.2%)
- Capital adequacy 18.9% (17.0%)

Capital adequacy



Return on equity



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.

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Financial operation

The bank's business volumes continued rapid growth in the second quarter. Over the quarter, the number of bank customers increased by 8,600, reaching 179,000. New record levels were achieved in customer activity. The volume of deposits and loans reached a record high level. The deposit volume grew by EUR 507 million and the loan volume by EUR 127 million. The deposit volume reached EUR 2.1 billion and the loan volume EUR 1.1 billion by the end of the quarter. The deposits of regular customers grew by EUR 268 million, those of the financial intermediaries by EUR 8 million and deposits involved through deposit marketplaces by EUR 231 million. The bank has launched cooperation with both of the bigger deposit marketplaces in Europe - Raisin and Deposit Solution, through which EUR 242 million of term deposits were involved as at the end of the quarter. The number of deposits involved during the quarter was higher than usual, to ensure the availability of sufficient funding for purchasing the Danske Bank private loan portfolio. As at the end of the quarter, the bank held funds exceeding EUR 1.0 billion with the European Central Bank. Corporate loans grew by EUR 78 million and retail loans by EUR 49 million. The quarterly profit before taxes was EUR 6.6 million and net profit EUR 5.9 million. At the end of the quarter, the bank prematurely redeemed the subordinated bonds in the amount of EUR 8 million and increased its share capital by EUR 10 million, issued bonds belonging to Tier I own funds (AT1) in the amount of EUR 14.5 million and subordinated bonds of EUR 20.5 million in order to strengthen the bank's capital base for the increase of business volumes and purchase of the private loan portfolio of Danske Bank.

In June, the bank and Danske Bank signed an agreement, under which the bank acquires the installation of Danske Bank related to Estonian private persons. In essence, the installation consists of the private loan portfolio amounting to approximately EUR 470 million. With the transaction, the bank will take over the servicing of nearly 10,800 private customers. Home loans comprise ca 97% of the loan portfolio volume to be purchased. According to the bank, it is a well secured and strong credit portfolio. Since the interest rates of the granted home loans were in essence close to the cost price, the transaction was only possible thanks to purchasing the portfolio at a discount. The bank and Danske Bank agreed on the transaction price, according to which a EUR 39 million discount is deducted from the portfolio volume as at the closure of the deal. Considering the continuing amortisation of the loan portfolio as well, the estimated price of transaction will be ca EUR 410 million. The transaction is to be completed this fall. As a result of the transaction, the bank's loan portfolio will increase by ca 40% and the importance of retail banking in the total lending

business of the bank will rise notably. Tehing tähendab panga jaoks märkimisväärses mahus hoiuste kaasamist ja kolme erineva kapitaliinstrumendi kaudu täiendava kapitali kaasamist. Viimane jaguneb nii allutatud võlakirjade kui ka aktsiakapitali vahel. Eesmärgiga finantseerida tulevikus panga eluasemelaenu portfelli pandikirjadega, alustas pank ka pandikirjade täiendava tegevusloa taotluse protsessiga.

At the end of the quarter, the bank signed an agreement with Luminor Bank, Danske Bank and Worldline, according to which the bank will step in as the new partner of Luminor Bank in the common AMT network, replacing the former partner, Danske Bank. The common network will be served by the bank. This means, that for the customers of the bank, the ATM network will grow by a factor of five, to 125 ATMs, from the current 25. The expanded network will significantly improve the bank customers' access to cash withdrawal. Previously, the expansion of the ATM network brought new private as well as business customers to the bank. Reconfiguration works of the common network ATMs for connecting to the bank's network and updating of their appearance are to be performed in the third quarter.

This quarter saw the development of several new services for investing customers. An option of conducting transactions besides the Baltic shares, also with those of foreign stock exchanges and ETFs, was added to the Mobile Bank. Convenience and speed are the benefits working in favour of the Mobile Bank, which are very important when it comes to trading. Besides, the customers can view graphs with price information in the Mobile Bank. More than half of the bank's investing customers hold foreign shares or index funds and therefore, development of the new service was important for a lot of customers. Another important innovation was displaying the information of alternative placements in the consolidated view of Internet Bank. First, the investment information of EstateGuru and Coinbase investments was displayed to customers. Adding alternative investments to the summary view, that is investments in crowdfunding and cryptocurrencies, means that the customer is able to conveniently view their stock exchange and OTC transactions, while also having a quick and comprehensive overview of their investment portfolio. In addition, the customer is able to see their available cash balance on the platform. In the near future, the opportunity to view information about other bigger alternative investment platform accounts will also be added.

For the third time, the bank won the innovation award of the Banking Association, this time for the Entrepreneur Account. Also, Euromoney named the bank as the best bank in Estonia for the second year in a row.

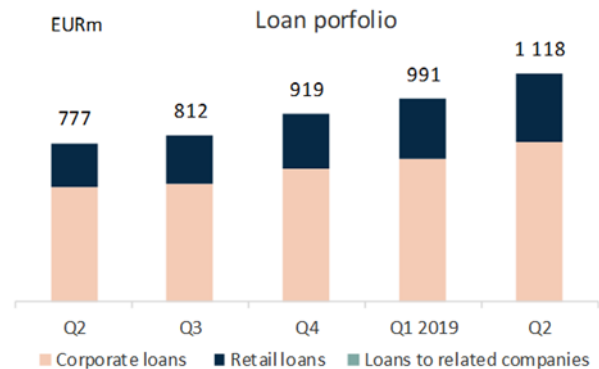
Financial results

Q2 was successful in terms of business volumes. LHV Bank generated EUR 11.8 million in net interest income and EUR 3.0 million in net fee and commission income. In total, the bank's net income amounted to EUR 15.0 million, expenditure to EUR 7.7 million and loan provisions to EUR 0.7 million. In Q2 other financial income amounted to EUR 0.1 million (Q1: 0.01 million).

LHV Bank is accounting from Q2 14% advance income tax, which generated corporate income tax in amount of EUR 0.7 million in Q2 2019. The net profit of LHV Bank amounted to EUR 5.9 million in Q2. This constitutes a 41% increase from Q1 (4.2) and a 14% increase from Q2 2018 (5.2).

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 Q2, the total volume of the bank's loan portfolios amounted to EUR 1 118 million (Q1: EUR 991 million). The volume of portfolios grew 13% over the quarter. Retail loans portfolio grew 15% within quarter and has reached EUR 339 million (Q1: EUR 294 million). Loan portfolio increased by EUR 127 million in Q2 (Q1: EUR 72 million).



Banks deposits decreased 32% within a quarter and reached EUR 2 090 million by end of June (Q1 EUR 1 583 million). Financial intermediates deposits increased by EUR 8 million. EUR 1 679 million were demand deposits and EUR 411 million were term deposits. Private individuals deposits reached EUR 763 million increasing 60% q-t-q.

Income statement	Q2 2019	Q1 2019	Quarter over quarter	Q2 2018	Year over year
EUR million					
Net interest income	11.84	11.24	5%	9.60	23%
Net fee and commission income	3.01	2.70	11%	3.80	-21%
Other financial income	0.13	-0.01	NA	0.25	-48%
Total net operating income	14.98	13.93	8%	13.65	10%
Other income	0.05	-0.01	NA	0.03	55%
Operating expenses	-7.74	-7.51	3%	-6.29	23%
Loan losses	-0.70	-0.95	-27%	-1.60	-56%
Income tax expenses	-0.70	-1.29	-46%	-0.63	10%
Net profit	5.89	4.17	41%	5.16	14%

Business volumes	30.06.2019	31.12.2018	Change
EUR million			
Loan portfolio	1 117.9	918.8	22%
Financial investments	111.7	39.0	185%
Deposits of customers	2 090.0	1 448.0	44%
incl. deposits of financial intermediates	235.1	193.9	21%
Equity (including minority interest)	142.8	125.6	14%
The number of bank customers	179 445	161 357	11%

Ratios					
EUR million	Q2 2019	Q1 2019r	Year over year	Q2 2018*	Year over year
Net profit	5.9	4.2	1.7	5.2	0.7
Attributable to owners of the parent	5.3	3.9	1.4	4.7	0.6
Average equity	132.3	123.5	8.8	109.8	22.5
Return on equity (ROE), %	16.1	12.5	3.6	17.2	-1.1
Return on assets (ROA), %	1.14	0.97	0.17	1.05	0.09
Net interest income	11.8	11.2	0.6	9.6	2.2
Interest-bearing assets, average	2 059.2	1 714.2	34.5	1 791.8	267.2
Net interest margin (NIM) %	2.30	2.64	-0.34	2.14	0.16
Price spread (SPREAD) %	2.26	2.60	-0.34	2.12	0.14
Cost/income ratio %	51.9	54.0	-2.1	46.0	5.9

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

*From the reference data the revenue and expenses of discontinued operations are separated

Liquidity and capitalisation

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 195.8 % as at the end of June (31 December 2018: 143.9%). Reasons behind the increase in LCR ratio are large growth in deposits.

Financial intermediates deposits are covered 100% with liquid assets and these give ratio of 100%. Aritmetically these deposits bring LCR ratio downwards, keeping the liquidity situation unchanged

Excluding the financial intermediates deposits the Banks LCR in 341.1% (31.12.2018: 223.9%). The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 52% of the balance sheet (31 December 2018: 44%). The ratio of loans to deposits stood at 53% as at the end of the second quarter (31 December 2018: 63%).

Bank runs every you internal liquidity assesment process (ILAAP), which is done both on statical and dynamical balance sheet modelling. In assesment bank follows both regulative and

internal liquidity ratios dynamics and fulfillment of limits. In dynamic assesment bank is following its own risk scenario.

Banks own funds at end of June were EUR 193.0 million (31.12.2018 EUR 148.6 million).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 18.93% (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 (EUR thousand)	30.06.2019	31.12.2018
Paid-in share capital	79 500	69 500
Statutory reserves paid in from net profit	3 103	2 269
Accumulated deficit	45 021	31 442
Intangible assets (subtracted)	-1 268	-1 286
Net profit for the reporting period	3 852	16 642
Other adjustments	-689	0
Tier 1 capital	129 519	118 567
Additional Tier 1 capital	21 000	0
Total Tier 1 capital	150 519	118 567
Subordinated debt	42 500	30 000
Total Tier 2 capital	42 500	30 000
Net own funds for capital adequacy	193 019	148 567
Capital requirements		
Central governments and central bank under standard method	929	939
Credit institutions and investment companies under standard method	6 793	5 213
Companies under standard method	703 515	579 886
Retail claims under standard method	146 393	133 053
Public sector under standard method	147	125
Housing real estate under standard method	56 535	39 903
Overdue claims under standard methods	8 969	10 381
Other assets under standard method	18 438	9 055
Total capital requirements for covering the credit risk and counterparty credit risk	941 719	778 555
Capital requirement against foreign currency risk under standard method	342	305
Capital requirement against interest position risk under standard method	0	32
Capital requirement against equity portfolio risks under standard method	951	704
Capital requirement against credit valuation adjustment risks under standard method	14	41
Capital requirement for operational risk under base method	76 766	59 434
Total capital requirements for adequacy calculation	1 019 792	839 071

Capital adequacy (%)	18.93	17.71
	14.76	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	Q2 2019	6M 2019	Q2 2018	6M 2018
Interest income		14 263	27 177	11 184	22 070
Interest expense		-2 421	-4 096	-1 584	-3 276
Net interest income	7	11 842	23 081	9 600	18 794
Fee and commission income		5 522	10 464	5 734	9 537
Fee and commission expense		-2 514	-4 753	-1 934	-3 486
Net fee and commission income	8	3 008	5 711	3 800	6 051
Net gains/losses from financial assets measured at fair value		117	123	237	189
Foreign exchange gains/losses		12	-7	9	-6
Net gains from financial assets		129	116	246	183
Other income/expense		48	39	531	58
Total other income		48	39	31	58
Staff costs	9	-4 349	-8 365	-3 489	-6 789
Administrative and other operating expenses	9	-3 389	-6 884	-2 797	-5 594
Total expenses		-7 738	-15 249	-6 286	-12 383
Profit before impairment losses on loans and advances		7 289	13 698	7 391	12 703
Income tax expense		-697	-1 990	-631	-1 469
Impairment losses on loans and advances		-698	-1 649	-1 596	-2 478
Profit from discontinued operations		5 894	10 059	5 164	8 756
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	-6	-112
Total profit and other comprehensive income for the reporting period		5 894	10 059	5 158	8 644
Total profit of the reporting period attributable to:					
Owners of the parent		5 329	9 182	4 714	8 122
Non-controlling interest		565	877	450	634
Total profit for the reporting period		5 894	10 059	5 164	8 756
Total comprehensive income attributable to:					
Owners of the parent		5 329	9 182	4 708	8 010
Non-controlling interest		565	877	450	634
Total comprehensive income for the reporting period		5 894	10 059	5 158	8 644

Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	30.06.2019	31.12.2018
Assets			
Due from central bank	10	1 067 924	639 862
Due from credit institutions	10	21 602	24 979
Due from investment companies	10	9 104	17 005
Available-for-sale financial assets	6	298	298
Financial assets at fair value through profit or loss	6	111 396	38 913
Loans and advances to customers	5	1 117 904	918 761
Receivables from customers		8 328	2 509
Other financial assets		2 850	2 936
Other assets		1 703	1 341
Tangible assets		5 126	1 122
Intangible assets		1 268	1 286
Total assets		2 347 503	1 649 012
Liabilities			
Deposits of customers and loans received	11	2 118 822	1 469 561
Financial liabilities at fair value through profit or loss		9	11
Accounts payable and other liabilities		22 355	23 861
Subordinated debt		63 500	30 000
Total liabilities		2 204 686	1 523 433
Owner's equity			
Share capital		79 500	69 500
Statutory reserve capital		3 025	2 191
Other reserves		78	78
Retained earnings / accumulated deficit		56 415	49 686
Total equity attributable to owners of the parent		139 018	121 456
Non-controlling interest		3 799	4 123
Total equity		142 817	125 579
Total liabilities and equity		2 347 503	1 649 012

Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q2 2019	6M 2019	Q2 2018	6M 2018
Cash flow from operating activities					
Interest received		13 917	26 761	11 713	21 684
Interest paid		-2 118	-3 646	-1 909	-2 760
Fees and commissions received		5 522	10 464	5 734	9 537
Fees and commissions paid		-2 514	-4 753	-1 934	-3 486
Other income		48	39	31	57
Staff costs paid		-3 839	-7 393	-3 086	-5 972
Administrative and other operating expenses paid		-2 846	-5 804	-2 522	-5 081
Income tax		-697	-1 990	0	-838
Cash flow from operating activities before change in operating assets and liabilities		7 473	13 678	8 027	13 141
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		1	46	-31	-49
Loans and advances to customers		-129 814	-206 197	-21 003	-57 819
Mandatory reserve at central bank		-4 199	-5 584	748	-1 086
Security deposits		120	86	-111	-58
Other assets		-2 072	-333	142	221
Net increase/decrease in operating liabilities:					
Demand deposits of customers		239 826	348 948	-167 098	16 116
Term deposits of customers		266 727	292 858	-11 526	-12 034
Financial liabilities held for trading at fair value through profit and loss		-25	-2	3	5
Other liabilities		1 957	-1 950	-1 647	-46 871
Net cash generated from/used in operating activities		387 051	448 607	-192 496	-88 434
Cash flow from investing activities					
Purchase of non-current assets		-536	-5 065	-438	-966
Proceeds from disposal and redemption of investment securities available for sale		0	0	-6	-112
Net change of investments at fair value through profit or loss		-93 089	-72 405	3 348	4 325
Net cash flow from investing activities		-93 625	-77 470	2 904	3 247
Cash flows from financing activities					
Contribution in share capital		10 000	0	0	10 000
Subordinated loans received		35 000	41 500	0	0
Repayments of the subordinated loans received		-8 000	-8 000	0	0
Dividends paid		0	-3 431	0	-3 350
Net cash from financing activities		37 000	40 069	0	6 650
Effect of exchange rate changes on cash and cash equivalents					
		12	-7	9	-6
Net decrease/increase in cash and cash equivalents		330 438	411 199	-189 583	-78 543
Cash and cash equivalents at the beginning of the period		748 327	667 566	1 051 556	940 516
Cash and cash equivalents at the end of the period	10	1 078 765	1 078 765	861 973	861 973

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	Non-controlling interest	Total equity
Balance as at 01.01.2018	59 500	1 492	36	34 963	95 991	3 530	99 521
Paid-in share capital	10 000	0	0	0	10 000	0	10 000
<i>Profit for the year</i>	0	699	0	-699	0	0	0
<i>Other comprehensive loss</i>	0	0	0	-2 179	-2 179	-1 172	-3 351
<i>Profit for the year</i>	0	0	0	960	960	0	960
<i>Profit for the year</i>	0	0	0	16 642	16 642	1 765	18 407
<i>Other comprehensive loss</i>	0	0	42	0	42	0	42
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
Paid-in share capital	10 000	0	0	0	10 000	0	10 000
Transfer to statutory reserve capital	0	834	0	-834	0	0	0
Dividends paid	0	0	0	-2 230	-2 230	-1 201	-3 431
Share options	0	0	0	610	610	0	610
<i>Profit for the year</i>	0	0	0	9 182	9 182	877	10 059
<i>Other comprehensive loss</i>	0	0	0	0	0	0	0
Total profit and other comprehensive income for the reporting period	0	0	0	9 182	9 182	877	10 059
Balance as at 30.06.2019	79 500	3 025	78	56 415	139 018	3 799	142 817

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 Group and its subsidiaries AS LHV Finance (65% ownership).

NOTE 2 Breakdown of Financial Assets and Liabilities by Countries

30.06.2019	Estonia	Latvia	The								Total
			Lit- uania	Finland	Nether- lands	Ger- many	Other EU	USA	UK	Other	
Due from banks and investment companies	1 038 637	0	0	0	0	0	11 058	8 616	38 501	1 818	1 098 630
Financial assets at fair value	80 460	770	17 243	0	0	13 202	16	3	0	0	111 694
Loans and advances to customers	1 087 866	165	122	1 439	1	117	26 736	245	0	1 213	1 117 904
Receivables from customers	8 319	1	5	0	0	0	0	0	0	3	8 328
Other financial assets	109	0	0	0	0	0	0	2 741	0	0	2 850
Total financial assets	2 215 391	936	17 370	1 439	1	13 319	37 810	11 605	38 501	3 034	2 339 406
Deposits of customers and loans received	1 537 302	10 714	2 306	3 512	282	239 380	263 907	1 124	0	60 295	2 118 822
Subordinated debt	63 500	0	0	0	0	0	0	0	0	0	63 500
Financial liabilities at fair value	9	0	0	0	0	0	0	0	0	0	9
Accounts payable and other financial liabilities	19 343	0	4	27	0	0	13	3	3	0	19 393
Total financial liabilities	1 620 154	10 714	2 310	3 539	282	239 380	263 920	1 127	3	60 295	2 201 724

Unused loan commitments in the amount of EUR 198 715 thousand are for the residents of Estonia.

31.12.2018	Estonia	Latvia	The								Total
			Lit- uania	Finland	Nether- lands	Ger- many	Other EU	USA	UK	Other	
Due from banks and investment companies	649 509	0	0	0	0	0	13 599	16 541	0	2 197	681 846
Financial assets at fair value	449	772	17 242	0	0	1	20 704	43	0	0	39 211
Loans and advances to customers	886 881	52	10 561	1 524	1	6	18 432	175	0	1 129	918 761
Receivables from customers	2 494	1	5	0	0	0	0	0	0	9	2 509
Other financial assets	111	0	0	0	0	0	0	2 825	0	0	2 936
Total financial assets	1 539 444	825	27 808	1 524	1	7	52 735	19 584	0	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	0	38 256	1 469 561
Subordinated debt	30 000	0	0	0	0	0	0	0	0	0	30 000
Financial liabilities at fair value	11	0	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	0	20 948
Total financial liabilities	1 230 703	10 041	955	3 441	576	13 274	220 186	3 088	0	38 256	1 520 520

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

	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
30.06.2019						
Liabilities by contractual maturity dates						
Deposits from customers and loans received	1 679 004	53 659	365 185	20 711	3 637	2 122 195
Subordinated debt	0	1 189	3 568	19 030	74 483	98 271
Accounts payable and other financial liabilities	0	19 393	0	0	0	19 393
Unused loan commitments	0	198 715	0	0	0	198 715
Financial guarantees by contractual amounts	0	9 888	0	0	0	9 888
Foreign exchange derivatives (gross settled)	0	15 764	0	611	0	16 375
Financial liabilities at fair value	0	9	0	0	0	9
Total liabilities	1 679 004	298 617	368 753	40 352	78 120	2 464 846
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 098 630	0	0	0	0	1 098 630
Financial assets at fair value (debt securities)	0		101 739	7 262	2 223	111 225
Loans and advances to customers	0	74 051	204 768	801 781	204 739	1 285 339
Receivables from customers	0	8 328	0	0	0	8 328
Other financial assets	2 850	0	0	0	0	2 850
Foreign exchange derivatives (gross settled)	0	15 764	0	611	0	16 375
Total financial assets	1 101 480	98 143	306 508	809 654	206 962	2 522 747
Maturity gap from financial assets and liabilities	-577 524	-200 474	-62 245	769 302	128 842	57 902
31.12.2018						
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 (gross settled)	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

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 include all contractual cash flows.

NOTE 4 Open Foreign Currency Positions

30.06.2019	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 040 810	2 847	44 511	997	3 708	5 757	1 098 630
Financial assets at fair value	93 838	0	0	1	17 853	2	111 694
Loans and advances to customers	1 116 324	6	0	479	979	116	1 117 904
Receivables from customers	6 556	3	1 286	26	0	457	8 328
Other financial assets	741	0	0	0	2 109	0	2 850
Total assets bearing currency risk	2 258 270	2 856	45 797	1 503	24 649	6 331	2 339 406
Liabilities bearing currency risk							
Assets bearing currency risk	2 023 834	2 801	45 571	7 844	31 103	7 669	2 118 822
Accounts payable and other financial liabilities	17 801	69	354	198	375	533	19 330
Interest rate swaps	0	0	0	0	3	6	9
Subordinated debt	63 500	0	0	0	0	0	63 500
Total liabilities bearing currency risk	2 105 135	2 870	45 925	8 042	31 481	8 209	2 201 661
Open gross position derivative assets at contractual value	611	0	0	6 673	7 205	1 886	16 375
Open gross position derivative liabilities at contractual value	15 764	0	0	0	611	0	16 375
Open foreign currency position	137 982	-14	-127	134	-238	8	137 745
31.12.2018							
	EUR	CHF	GBP	SEK	USD	Muud	Kokku
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
Accounts payable and other financial liabilities	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

NOTE 5 Breakdown of Loan Portfolio by Economic Sectors

	30.06.2019	%	31.12.2018	%
Individuals	273 827	24.2%	214 702	23.1%
Real estate activities	295 766	26.2%	246 930	26.6%
Financial activities	93 375	8.3%	95 697	10.3%
Manufacturing	113 561	10.1%	98 073	10.6%
Professional, scientific and technical activities	37 890	3.4%	18 779	2.0%
Wholesale and retail trade	44 199	3.9%	24 378	2.6%
Other service activities	7 261	0.6%	25 669	2.8%
Arts and entertainment	38 492	3.4%	34 582	3.7%
Transportation and storage	10 419	0.9%	11 076	1.2%
Agriculture	49 804	4.4%	20 231	2.2%
Administrative and support service activities	57 547	5.1%	39 808	4.3%
Construction	57 218	5.1%	35 808	3.9%
Education	2 107	0.2%	2 391	0.3%
Information and communication	2 996	0.3%	4 115	0.4%
Other sectors	45 198	4.0%	56 798	6.1%
Total	1 129 660	100%	929 037	100%
Provision	-11 756		-10 276	
Total loan portfolio	1 117 904	100%	918 761	100%

Loans to related parties were 30.06.2019 EUR 3 283 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:

	30.06.2019				31.12.2018			
	Level 1	Level 2	Level 3	30.06.2019	Level 1	Level 2	Level 3	31.12.2018
Financial assets at fair value through profit and loss								
Shares and fund units*	160	0	0	160	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	111 225	0	0	11 225	38 697	0	0	38 697
Interest rate swaps and foreign exchange forwards	0	11	0	11	0	59	0	59
Total financial assets	111 385	11	298	111 694	38 854	59	298	39 211
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange forwards	0	9	0	9	0	11	0	11
Total financial liabilities	0	9	0	9	0	11	0	11

Hierarchy levels:

- Level 1 – the price quoted on active market
- Level 2 – a technique which uses market information as input (rates and interest curves of arms-length transactions)
- Level 3 – other methods (e.g. discounted cash flow method) with estimations as input

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

Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of loans does not materially differ from their carrying amount as at 30 June 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.

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	Q2 2019	6M 2019	Q2 2018	6M 2018
Business loans	8 938	16 776	6 946	12 832
including loans between related parties	8	16	8	14
Hire purchase	973	1 996	998	2 027
Leasing	663	1 309	733	1 298
including loans between related parties	1	2	1	2
Leverage loans and lending of securities	113	215	110	242
Bonds	63	136	37	73
Creditcard loans	200	399	188	374
Consumer loans	1 708	3 254	1 248	2 443
Mortgage loans	901	1 637	386	699
including loans between related parties	7	14	3	6
Balances with credit institutions and investment companies	97	152	43	58
Other loans	607	1 303	495	2 024
including loans between related parties	2	4	2	5
Total	14 263	27 177	11 184	22 070
Interest expense				
Deposits of customers and loans received	-952	-1 502	-418	-800
Balances with the central bank	-821	-1 408	-826	-1 796
Subordinated liabilities	-648	-1 186	-340	-680
Total	-2 421	-4 096	-1 584	-3 276
Net interest income	11 842	23 081	9 600	18 794
Interest income on loans by customer location (interest on bank balances and bonds excluded):	Q2 2019	6M 2019	Q2 2018	6M 2018
Estonia	14 103	26 889	10 890	21 416
Lithuania	0	0	214	523
Total	14 103	26 899	11 104	21 939

NOTE 8 Net Fee and Commission Income

Fee and commission income	Q2 2019	6M 2019	Q2 2018	6M 2018
Security brokerage and commissions paid	779	1 307	1 916	2 555
Asset management and similar fees	718	1 372	743	1 251
Currency conversion revenues	346	843	354	662
Fees from cards and payments	2 906	5 418	2 157	3 948
Other fee and commission income	773	1 524	564	1 121
Total	5 522	10 464	5 734	9 537
Fee and commission expense				
Security brokerage and commissions paid				
Expenses related to cards	-123	-244	-136	-275
Expenses related to acquiring	-935	-1 709	-650	-1 212
Other fee and commission expense	-952	-1 769	-719	-1 255
Total	-504	-1 031	-429	-744
Fee and commission income	-2 514	-4 753	-1 934	-3 486
Net fee and commission income	3 008	5 711	3 800	6 051

Fee and commission income by customer location:	II kv 2019	6 kuud 2019	II kv 2018	6 kuud 2018
Estonia	5 522	10 464	5 734	9 537
Total	5 522	10 464	5 734	9 537

NOTE 9 Operating Expenses

	II kv 2019	6 kuud 2019	II kv 2018	6 kuud 2018
Wages, salaries and bonuses	3 381	6 475	2 696	5 249
Social security and other taxes*	968	1 890	793	1 540
Total personnel expenses	4 349	8 365	3 489	6 789
IT expenses	565	1 133	439	865
Information services and bank services	186	394	151	283
Marketing expenses	392	1 031	334	715
Office expenses	151	285	128	262
Transportation and communication expenses	61	111	46	91
Staff training and business trip expenses	254	365	110	287
Other outsourced services	517	996	544	1 064
Other administrative expenses	665	1 195	437	860
Depreciation of non-current assets	503	1 080	283	519
Operational lease payments	46	112	273	538
Other operating expenses	49	182	52	110
Total other operating expenses	3 389	6 884	2 797	5 594
Total operating expenses	7 738	15 249	6 286	12 383

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

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

	30.06.2019	31.12.2018
Term deposits with maturity less than 3 months*	30 706	41 984
Legal reserve with the central bank	19 865	14 280
Other receivables from central bank*	1 048 059	625 582
Total	1 098 630	681 846
* Cash and cash equivalents in Statement of Cash Flows	1 078 765	667 566

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 9 104 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 30 June 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				30.06.2019
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	474 715	235 057	962 276	6 800	1 678 848
Term deposits	287 996	0	120 423	2 235	410 654
Loans received	0	0	28 586	0	28 586
Accrued interest liability	583	0	150	1	734
Total	763 294	235 057	1 111 435	9 036	2 118 822

	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 30.06.2019, the Bank had utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 1 442 thousand euros. From Nordic Investment Bank possible 20 000 thousand euro loan the Bank had utilized 20 000 thousand euros as of 30.06.2019 and repaid the principal in the amount of EUR 2 222 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.

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:

	30.06.2019	31.12.2018
Cash balance of customers	9 649	9 773
Securities of customers	1 282 756	1 476 257
<i>Incl. parent company</i>	146 050	93 100
<i>Incl. shareholders of the parent company and related entities</i>	188 662	156 961
Total	1 307 745	1 486 030

NOTE 13 Contingent Liabilities

Irrevocable transactions	Performance guarantees	Financial guarantees	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 30 June 2019	14 606	9 888	4	198 715	223 213
Liability in the contractual amount as at 31 December 2018	11 927	9 314	55	188 841	210 137

General information

Legal name	AS LHV Pank
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Web page	www.lhv.ee
Main activities	banking, finance lease and other lending, security brokerage
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