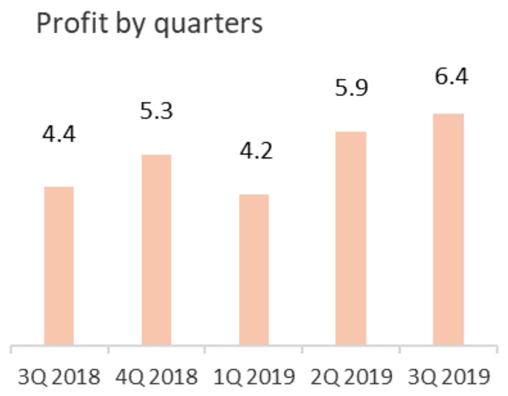
Interim Report January – September 2019
Summary of Results

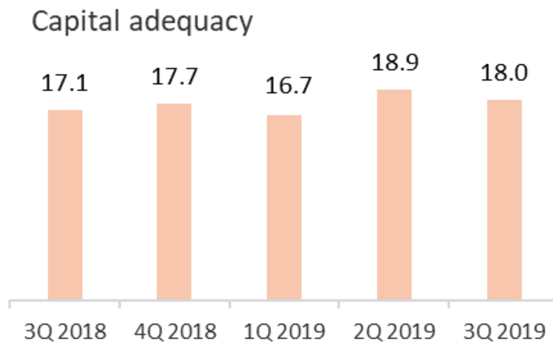
Q3 2019 in comparison with Q2 2019

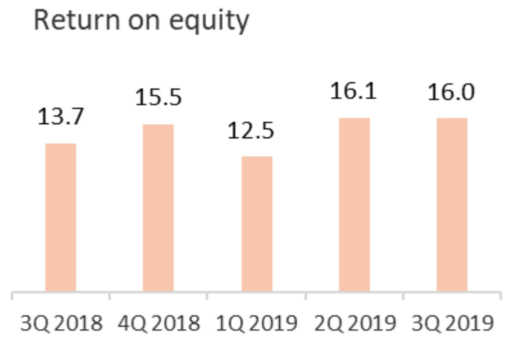
- Net profit EUR 6,4 m (EUR 5,9 m), of which EUR 5,7 m (EUR 5,3 m) is attributable to owners of the parent
- Net income EUR 14,7 m (EUR 15,0 m)
- Operating expenses EUR 7,7 m (EUR 7,7 m)
- Loan provisions EUR 0.02 m (EUR 0.7 m)
- Income tax expenses EUR 0.7 m (EUR 0.7 m)
- Return on equity 16.0% (16,1%)
- Capital adequacy 18.0% (18,9%)



Q3 2019 in comparison with Q3 2018*

- Net profit EUR 6,4 m (EUR 4,4 m), of which EUR 5,7 m (EUR 3,9 m) is attributable to owners of the parent
- Net income EUR 14,7 m (EUR 13,1 m)
- Operating expenses EUR 7,7 m (EUR 6,3 m)
- Loan provisions EUR 0.02 m (EUR 1.9 m)
- Income tax expenses EUR 0.7 m (EUR 0.5 m)
- Return on equity 16.0% (13,7%)
- Capital adequacy 18.0% (17,06%)





Return on equity ratios are based on the profit attributed to the shareholders and equity of AS LHV Pank and do not include non-controlling interest.

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Business activites

In Q3, the number of new customers at the bank increased by more than 9 600 and the total number of clients exceeded the threshold of 189,000. New record levels were achieved in customer activity. During the quarter, the bank’s deposit volume grew by EUR 2,5 billion and the loan volume by EUR 1,2 billion. The growth of the deposit and loan base was very strong. The deposits of regular customers grew by EUR 131 million and those of the financial intermediaries by EUR 184 million.

From the deposit marketplaces, the bank has involved term deposits of 380 million euros. During the first half of the quarter, deposits were involved more than usual in order to provide assurance about the existence of sufficient financing to purchase the loan portfolio of Danske Bank's private clients in the fourth quarter and in the second half of the quarter, the involvement of deposits from deposit marketplaces were essentially terminated. As at the end of the quarter, the bank held EUR 1.4 billion with the European Central Bank. Corporate loans grew by EUR 61 million and retail loans by EUR 44 million.

The quarter posted a net profit of 6.4 million euros. The faster growth of the net profit has been restrained by the increased interest expense in the last quarters for both the deposits involved from deposit marketplaces as well as the money held in the European Central Bank. In essence, the bank has already taken in an interest expense which is accompanied by the purchase of Danske Bank's private clients’ loan portfolio, but the bank will only start earning interest income in the fourth quarter.

Opening accounts, which was more active compared to the previous quarters, was assisted by the updated mobile bank as well as the extended ATM network. Mobile bank was significantly upgraded during the quarter. The possibility to open a ready account, order a card and apply for different loan products in the mobile bank. In order to introduce the mobile bank to clients, the bank arranged a wider marketing campaign in the second half of the quarter. Reconfiguration works of the common network ATMs for connecting to the bank’s network and updating of their appearance were finished during the quarter. From the major settlors, the cash pool account of the treasury launched and accounts were opened for the bank's clients in the Ministry of Finance and Tax and Customs Board for making payments and paying taxes.

In mid-September, a completely new payment service directive entered into force, as a result of which the bank opened access to clients' accounts for making and receiving payments from third parties if prior authorisation is given by the client. First service providers have already interfaced with the bank. As a result of the directive, restrictions were imposed for making contactless payments. It is possible to either make five consecutive contactless payments or make contactless transactions in the amount of 150 euros without strong authentication.

At the end of the quarter, the bank submitted an additional activity licence application of covered bonds to the Financial Supervision Authority. It is planned to reach the issue of covered bonds next year in order to finance the bank's home loan portfolio through a cheaper and more long-term financial instrument.

In the organisational structure of the bank, the compliance function and department was placed under the command of the Chairman of the Management Board from risk management and a money laundering and terrorism financing prevention committee was created.

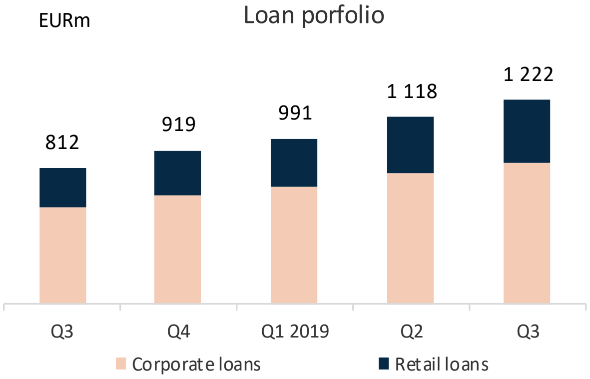
Financial Summary

Q3 was successful in terms of business volumes. LHV Bank generated EUR 11.6 million in net interest income and EUR 3.1 million in net fee and commission income. In total, the bank's net income amounted to EUR 14.7 million, expenditure to EUR 7.7 million and loan provisions to EUR 0.02 million. Financial income was 0.03 million in Q3. LHV Pank is accounting from Q2 14% advance income tax, which generated corporate income tax in amount of 0.7 million euro. The net profit of LHV Pank amounted to EUR 6.4 million in Q3.This constitutes a 8% increase from Q2 (5.9) and a 46% increase from Q3 2018 (4.4).

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 Q3, the total volume of the bank's loan portfolios amounted to EUR 1 222 million (Q2: EUR 1 118 million). The volume of portfolios grew 13% over the quarter.

Retail loans portfolio grow 15% within quarter and has reached EUR 383 million (Q2: EUR 339 million). Loan portfolio increased by EUR 104 million in Q3 (Q2: EUR 127 million).



Banks deposits decreased 22% within a quarter and reached EUR 2 544 million by end of September (Q2 EUR 2 090 million). Financial intermediates deposits decreased by EUR 184 million. EUR 2 015 million were demand deposits and EUR 529 million were term deposits. Private individuals deposits reached EUR 925 million increasing 21% q-t-q.

Income statement EUR million	**Q3 2019**	**Q2 2019**	**Quarter over quarter**	**Q3 2018**	**Year over year**
Net interest income	11,60	11,84	-2%	9,65	20%
Net fee and commission income	3,11	3,01	3%	2,59	20%
Other financial income /(-expences)	0,03	0,13	-78%	0,05	-48%
Net operating expenses total	14,74	14,98	-2%	12,29	20%
Other income /(-expenses)	0,06	0,05	17%	0,77	-93%
Operating expenses	-7,69	-7,74	-1%	-6,32	22%
Loan losses	-0,02	-0,70	-98%	-1,86	-99%
Income tax expenses	-0,70	-0,70	1%	-0,50	40%
Net profit	6,39	5,89	8%	4,38	46%

Business volumes EUR million	**9M 2019**	**9M 2018**	**Year over year**
Loan portfolio	1 222,1	918,8	33%
Financial investments	116,1	39,0	196%
Deposits of customers	2 544,0	1 448,0	76%
incl. deposits of financial intermediates	419,0	193,9	116%
Equity (including minority interest)	149,5	125,6	19%
Assets managed by bank	189 083	161 357	17%

Ratios EUR million	Q3 2019	Q2 2019	Quarter over quarter	Q3 2018	Year over year
Net profit	6,4	5,9	0,5	4,4	2,0
Net profit attributable to owners of the parent	5,7	5,3	0,4	3,9	1,8
Average equity	142,0	132,3	9,7	114,4	27,6
Return on equity (ROE), %	16,0	16,1	-0,1	13,7	2,3
Return on assets (ROA), %	0,88	1,14	-0,26	0,89	-0,01
Net interest income	11,6	11,8	-0,2	9,6	2,0
Interest-bearing assets, average	2 575,5	2 059,2	516,3	1 766,4	809,1
Net interest margin (NIM) %	1,80	2,30	-0,50	2,18	-0,38
Price spread (SPREAD) %	1,75	2,26	-0,51	2,15	-0,40
Cost/income ratio %	52,0	51,9	0,1	48,4	3,6

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

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

Liquidity, Capitalisation and Asset Quality

The Bank's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 181.7% at the end of March (31 December 2018: 143.9%). Banks liquidity situation changed in Q3 due to high deposit growth. Financial intermediates deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Bank's LCR in 362,3%. (31.12.2018: 223,9%). Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 56% of the balance sheet (31 December 2018: 44%). The ratio of loans to deposits stood at 48% as at the end of the third quarter (31 December 2018: 64%).

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

In assessment bank follows both regulative and internal liquidity ratios dynamics and fulfillment of limits. In dynamic assessment Central governments and central bank under standard method bank is following its own risk scenario.

Banks own funds at end of September were EUR 200 million (31.12.2018 EUR 148.6 million).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 18,01% (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)*	**30.09.2019**	**31.12.2018**
Paid-in share capital	79 500	69 500
Statutory reserves transferred from net profit	3 103	2 269
Accumulated profit/deficit	45 619	31 442
Intangible assets (subtracted)	-1 221	-1 286
Net profit for the reporting period	9 182	16 642
Other adjustments	-116	0
Tier 1 capital	**136 067**	**118 567**
Additional Tier 1 capital	21 000	0
Total Tier 1 capital	**157 067**	**118 567**
Subordinated debt	42 500	30 000
Total Tier 2 capital	**42 500**	**30 000**
Net own funds for capital adequacy	**199 567**	**148 567**
Capital requirements		
Central governments and central bank under standard method	945	939
Credit institutions and investment companies under standard method	5 179	5 213
Companies under standard method	784 744	579 886
Retail claims under standard method	150 256	133 053
Public sector under standard method	2	125
Housing real estate under standard method	66 596	39 903
Overdue claims under standard methods	2 197	10 381
Other assets under standard method	20 461	9 055
Total capital requirements for covering the credit risk and counterparty credit risk	**1 030 380**	**778 555**
Capital requirement against foreign currency risk under standard method	220	305
Capital requirement against interest position risk under standard method	0	32
Capital requirement against equity portfolio risks under standard method	965	704
Capital requirement against credit valuation adjustment risks under standard method	26	41
Capital requirement for operational risk under base method	76 766	59 434
Total capital requirements for adequacy calculation	**1 108 357**	**839 071**
Capital adequacy (%)	**18,01**	**17,71**
Tier 1 capital ratio (%)	**14,17**	**14,13**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q3 2019	9M 2019	Q3 2018	9M 2018
Interest income		16 028	43 205	11 355	33 425
Interest expense		-4 428	-8 524	-1 709	-4 985
Net interest income	7	**11 600**	**34 681**	**9 646**	**28 440**
Fee and commission income		6 142	16 606	4 615	14 152
Fee and commission expense		-3 032	-7 785	-2 028	-5 514
Net fee and commission income	8	**3 110**	**8 821**	**2 587**	**8 638**
Net gains/losses from financial assets measured at fair value		15	138	-23	166
Foreign exchange gains/losses		13	8	77	71
Net gains from financial assets		**28**	**144**	**54**	**237**
Other income/(expense)		56	95	770	828
Total other income		**56**	**95**	**770**	**828**
Staff costs	9	-4 076	-12,441	-3 279	-10 068
Administrative and other operating expenses	9	-3 616	-10,500	-3 039	-8 633
Total expenses		**-7 692**	**-22 941**	**-6 318**	**-18 701**
Profit before impairment losses on loans and advances		**7 102**	**20 800**	**6 739**	**19 442**
Income tax expense		-701	-2 691	-501	-1 970
Impairment losses on loans and advances		-15	-1 664	-1 859	-4 337
Net profit for the reporting period		**6 386**	**16 445**	**4 379**	**13 135**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of available-for-sale financial assets		0	0	76	-36
Total profit for the reporting period		**6 386**	**16 445**	**4 455**	**13 099**
Total profit of the reporting period attributable to:					
Owners of the parent		5 680	14 862	3 924	12 046
Non-controlling interest		706	1 583	455	1 089
Total profit for the reporting period		**6 386**	**16 445**	**4 379**	**13 135**
Total comprehensive income attributable to:					
Owners of the parent		5 680	14 862	4 000	12 010
Non-controlling interest		706	1 583	455	1 089
Total comprehensive income for the reporting period		**6 386**	**16 445**	**4 455**	**13 099**

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	30.09.2019	31.12.2018
Assets			
Due from central bank	10	1 418 155	639 862
Due from credit institutions	10	32 720	24 979
Due from investment companies	10	17 118	17 005
Equity instruments at fair value through other comprehensive income	6	298	298
Financial assets at fair value through profit or loss	6	115 814	38 913
Loans and advances to customers	5	1 222 064	918 761
Receivables from customers		7 430	2 509
Other financial assets		2 499	2 936
Other assets		1 681	1 341
Tangible assets		5 615	1 122
Intangible assets		1 221	1 286
Total assets		**2 824 615**	**1 649 012**
Liabilities			
Deposits of customers and loans received	11	2 572 606	1 469 561
Financial liabilities at fair value through profit or loss		20	11
Accounts payable and other liabilities		38 946	23 861
Subordinated debt		63 500	30 000
Total liabilities		**2 675 072**	**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		62 435	49 686
Total equity attributable to owners of the parent		**145 038**	**121 456**
Non-controlling interest		4 505	4 123
Total equity		**149 543**	**125 579**
Total liabilities and equity		**2 824 615**	**1 649 012**

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q3 2019	9M 2019	Q3 2018	9M 2018
Cash flows from operating activities					
Interest received		15 737	42 498	11 511	33 195
Interest paid		-3 149	-6 795	-1 971	-4 731
Fees and commissions received		6 142	16 606	4 615	14 152
Fees and commissions paid		-3 032	-7 785	-2 028	-5 514
Other income received		56	95	770	827
Staff costs paid		-3 976	-11 369	-3 735	-9 707
Administrative and other operating expenses paid		-3 947	-8 851	-2 709	-7 790
Income tax		-544	-2 534	-631	-1 469
Cash flows from operating activities before change in operating assets and liabilities		**8 187**	**21 865**	**5 822**	**18 963**
Net increase/decrease in operating assets:					
Net increase/(decrease) in financial assets at fair value through profit or loss		-8	38	-36	-85
Loans and advances to customers		-102 996	-309 193	-37 969	-95 788
Mandatory reserve at central bank		-5 630	-11 214	92	-994
Security deposits		351	437	-340	-398
Other assets		19	-314	30	251
Net increase/decrease in operating liabilities:					
Demand deposits of customers		335 675	684 623	83 173	99 289
Term deposits of customers		117 007	409 865	13 802	1 768
Loans received				6 250	6 250
Repayments of the loans received				0	0
Financial liabilities held for trading at fair value through profit and loss		12	10	-6	-1
Other liabilities		16 511	14 561	10 052	-36 819
Net cash generated from/used in operating activities		**369 128**	**817 735**	**80 870**	**-7 564**
Cash flows from investing activities					
Purchase of non-current assets		-1 011	-6 076	-205	-1 171
Proceeds from disposal and redemption of investment securities available for sale		0	0	631	519
Net change of investments at fair value through profit or loss		-4 396	-76 801	4 404	8 729
Net cash flows from/used in investing activities		**-5 407**	**-82 877**	**4 830**	**8 077**
Cash flows from financing activities					
Paid in share capital		0	0	0	10 000
Subordinated loans received		0	41 500	0	0
Repayments of the subordinated loans received		0	-8 000	0	0
Dividends paid		0	-3 431	0	- 3 350
Net cash flows from/used in financing activities		**0**	**40 069**	**0**	**6 650**
Effect of exchange rate changes on cash and cash equivalents		**13**	**6**	**77**	**71**
Net increase/decrease in cash and cash equivalents		**363 734**	**774 933**	**85 777**	**7 234**
Cash and cash equivalents at the beginning of the period		1 078 765	667 566	861 973	940 516
Cash and cash equivalents at the end of the period	**10**	**1 442 499**	**1 442 499**	**947 750**	**947 750**

Condensed Consolidated Interim Statement of Changes in Equity

(in thousands of euros)	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	685	685	0	**685**
Profit for the year	*0*	*0*	*0*	*12 046*	*12 046*	*1 089*	***13 135***
Other comprehensive loss	*0*	*0*	*-36*	*0*	*-36*	*0*	***-36***
Total profit and other comprehensive	0	0	-36	12 046	12 010	1 089	**13 099**
Balance as at 31.12.2018	**69 500**	**2 191**	**0**	**44 816**	**116 507**	**3 447**	**119 954**
Balance as at 01.01.2019	**69 500**	**2 191**	**78**	**49 687**	**121 456**	**4 123**	**125 579**
Transfer to statutory reserve capital	10 000	0	0	0	10 000	0	**10 000**
Dividends paid	0	834	0	-834	0	0	**0**
Paid in share capital	0	0	0	-2 230	-2 230	-1 201	**-3 431**
Profit for the year	0	0	0	950	950	0	**950**
Other comprehensive loss	*0*	*0*	*0*	*14 862*	*14 862*	*1 583*	***16 445***
Total profit and other comprehensive	*0*	*0*	*0*	*0*	*0*	*0*	***0***
Balance as at 01.01.2019	0	0	0	14 862	14 862	1 583	**14 862**
Balance as at 31.03.2019	**79 500**	**3 025**	**78**	**62 435**	**145 038**	**4 505**	**149 543**

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

30.09.2019	**Estonia**	**Latvia**	**Lithuania**	**Finland**	**The Netherlands**	**Germany**	**Other EU**	**USA**	**Other**	**Total**
Due from banks and investment companies	1 412 698	0	0	0	0	9 452	16 878	26 066	2 899	**1 467 993**
Financial assets at fair value	80 338	772	20 126	0	11 983	2 769	124	0	0	**116 112**
Loans and advances to customers	1 200 057	64	369	1 468	115	18 604	350	0	1 037	**1 222 064**
Receivables from customers	7 421	1	5	0	0	0	0	0	3	**7 430**
Other financial assets	109	0	0	0	0	0	2 390	0	0	**2 499**
Total financial assets	**2 700 623**	**837**	**20 500**	**1 468**	**12 098**	**30 825**	**19 742**	**26 066**	**3 939**	**2 816 098**
Deposits of customers and loans received	1 656 421	17 026	2 265	21 973	378 046	432 863	1 727	0	62 285	**2 572 606**
Subordinated debt	63 500	0	0	0	0	0	0	0	0	**63 500**
Accounts payable and other financial liabilities	20	0	0	0	0	0	0	0	0	**20**
Financial liabilities at fair value	36 264	0	4	27	0	13	3	3	0	**36 314**
Total financial liabilities	**1 756 205**	**17 026**	**2 269**	**22 000**	**378 046**	**432 876**	**1 730**	**3**	**62 285**	**2 672 440**

Unused loan commitments in the amount of EUR 302 422 thousand are for the residents of Estonia.

31.12.2018	**Estonia**	**Latvia**	**Lithuania**	**Finland**	**The Netherlands**	**Germany**	**Other EU**	**USA**	**Other**	**Total**
Due from banks and investment companies	649 509	0	0	0	0	13 599	16 541	0	2 197	**681 846**
Financial assets at fair value	449	772	17 242	0	1	20 704	43	0	0	**39 211**
Loans and advances to customers	886 881	52	10 561	1 524	6	18 433	175	0	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	2 825	0	0	**2 936**
Total financial assets	**1 539 444**	**825**	**27 808**	**1 524**	**7**	**52 736**	**19 584**	**0**	**3 335**	**1 645 263**
Deposits of customers and loans received	1 179 791	10 041	951	3 414	13 274	220 749	3 085	0	38 256	**1 469 561**
Subordinated debt	30 000	0	0	0	0	0	0	0	0	**30 000**
Accounts payable and other financial liabilities	11	0	0	0	0	0	0	0	0	**11**
Financial liabilities at fair value	20 901	0	4	27	0	13	3	0	0	**20 948**
Total financial liabilities	**1 230 703**	**10 041**	**955**	**3 441**	**13 274**	**220 762**	**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 and in the amount of EUR 3 300 thousand for the residents of Lithuania.

NOTE 3 Breakdown of Assets and Liabilities by Contractual Maturity Dates

30.09.2019	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	2 014 690	45 851	488 571	23 689	3 678	**2 576 478**
Subordinated debt	0	1 189	3 568	18 876	73 793	**97 426**
Accounts payable and other financial liabilities	0	36 314	0	0	0	**36 314**
Unused loan commitments	0	302 422	0	0	0	**302 422**
Financial guarantees by contractual amounts	0	12 733	0	0	0	**12 733**
Foreign exchange derivatives (gross settled)	0	8 137	0	631	0	**8 768**
Financial liabilities at fair value	0	20	0	0	0	**20**
Total liabilities	**2 014 690**	**406 666**	**492 139**	**43 195**	**77 470**	**3 034 161**
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 467 993	0	0	0	0	**1 467 993**
Financial assets at fair value (debt securities)	0	80 008	26 226	7 154	2 247	**115 635**
Loans and advances to customers	0	99 323	225 140	841 899	244 624	**1 410 985**
Receivables from customers	0	7 430	0	0	0	**7 430**
Other financial assets	2 499	0	0	0	0	**2 499**
Foreign exchange derivatives (gross settled)	0	8 137	0	631	0	**8 768**
Total financial assets	**1 470 492**	**194 898**	**251 366**	**849 683**	**246 871**	**3 013 310**
Maturity gap from financial assets and liabilities	**-544 198**	**-211 768**	**-240 773**	**806 488**	**169 401**	**-20 851**

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**

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

30.09.2019	**EUR**	**CHF**	**GBP**	**SEK**	**USD**	**Other**	**Total**
Assets bearing currency risk							
Due from banks and investment companies	1 413 543	3 059	41 930	1 759	809	6 893	**1 467 993**
Financial assets at fair value	96 564	0	0	80	19 468	0	**116 112**
Loans and advances to customers	1 220 272	2	156	810	749	75	**1 222 064**
Receivables from customers	1 960	1	5 167	66	0	236	**7 430**
Other financial assets	295	0	0	0	2 204	0	**2 499**
Total assets bearing currency risk	**2 732 634**	**3 062**	**47 253**	**2 715**	**23 231**	**7 204**	**2 816 098**
Valuutariski kandvad kohustused							
Deposits from customers and loans received	2 484 161	3 056	46 447	8 028	21 796	9 118	**2 572 606**
Interest rate swaps	0	0	0	0	0	20	**20**
Accounts payable and other financial liabilities	33 680	-3	969	307	925	436	**36 314**
Subordinated debt	63 500	0	0	0	0	0	**63 500**
Total liabilities bearing currency risk	**2 581 341**	**3 054**	**47 416**	**8 335**	**22 721**	**9 574**	**2 672 440**
Open gross position derivative assets at contractual value	631	0	0	5 675	0	2 462	8 768
Open gross position derivative assets at contractual value	8 137	0	0	0	631	0	8 768
Open foreign currency position	**143 787**	**8**	**-163**	**55**	**-121**	**93**	**143 658**

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 assets 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

	30.09.2019	%	31.12.2018	%
Individuals	310 189	25,1%	214 702	23,1%
Real estate activities	323 358	26,2%	246 930	26,6%
Financial activities	71 574	5,8%	95 697	10,3%
Manufacturing	132 783	10,8%	98 073	10,6%
Professional, scientific and technical activities	47 059	3,8%	18 779	2,0%
Wholesale and retail trade	58 423	4,7%	24 378	2,6%
Other service activities	7 043	0,6%	25 669	2,8%
Arts and entertainment	40 041	3,2%	34 582	3,7%
Transportation and storage	11 036	0,9%	11 076	1,2%
Agriculture	52 030	4,2%	20 231	2,2%
Administrative and support service activities	68 310	5,5%	39 808	4,3%
Construction	57 130	4,6%	35 808	3,9%
Education	2 142	0,2%	2 391	0,3%
Information and communication	4 420	0,4%	4 115	0,4%
Other sectors	48 088	3,9%	56 798	6,1%
Total	**1 233 626**	**100%**	**929 037**	**100%**
Provision	-11 562		-10 276	
Total loan portfolio	**1 222 064**	**100%**	**918 761**	**100%**

Loans to related parties were 30.09.2019 EUR 3 230 (31.12.2018: 3 328) thousand euros. 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	30.09.2019	Level 1	Level 2	Level 3	31.12.2018
Financial assets at fair value through profit and loss								
Shares and fund units	168	0	0	**168**	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	115 635	0	0	**115 635**	38 697	0	0	**38 697**
Interest rate swaps and foreign exchange forwards	0	11	0	**11**	0	59	0	**59**
Total financial assets	**115 803**	**11**	**298**	**116 112**	**38 854**	**59**	**298**	**39 211**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange forwards	0	20	0	**20**	0	11	0	**11**
Total financial liabilities	**0**	**20**	**0**	**20**	**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 30 June 2018 and 31 December 2017. 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 2014-2016. From all the subordinated loans were received in October 2015 and the rest in 2014. Subordinated loans were issued on market terms and considering the movements in loan and interest market, we can say that the market conditions are similar as they were when issuing the subordinated loans so that the fair value of the loans does not materially differ from their net book value. In determining the fair value of loans, considerable management judgements are used. Loans issued are thus categorised under hierarchy level 3

NOTE 7 Net Interest Income

Interest income	**Q3 2019**	**9M 2019**	**3Q 2018**	**9M 2018**
Business loans	9 533	26 309	7 073	19 905
including loans between related parties	6	22	8	22
Hire purchase	972	2 968	999	3 026
Leasing	1 101	2 410	543	1 841
including loans between related parties	0	2	1	3
Leverage loans and lending of securities	112	327	111	353
Bonds	126	262	32	105
Creditcard loans	205	604	194	568
Consumer loans	1 916	5 170	1 377	3 820
Balances with credit institutions and investment companies	1 118	2 755	477	1 176
Other loans	9	26	6	14
including loans between related parties	84	236	45	103
Business loans	861	2 164	504	2 528
including loans between related parties	1	5	2	7
Total	**16 028**	**43 205**	**11 355**	**33 425**

Interest expense				
Deposits of customers and loans received	-1 993	-3 495	-483	-1 283
Balances with the central bank	-1 245	-2 653	-886	-2 682
Subordinated liabilities	-1 190	-2 376	-340	-1 020

Total	**-4 428**	**-8 524**	**-1 709**	**-4 985**

Net interest income	**11 600**	**34 681**	**9 646**	**28 440**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**3Q 2019**	**9M 2019**	**3Q 2018**	**9M 2018**
Estonia	15 818	42 707	11 278	32 694
Lithuania	0	0	0	523
Total	**15 818**	**42 707**	**11 278**	**33 217**

NOTE 8 Net Fee and Commission Income

Fee and commission income	**3Q 2019**	**9M 2019**	**3Q 2018**	**9M 2018**
Security brokerage and commissions paid	604	1 911	597	3 152
Asset management and similar fees	777	2 149	576	1 827
Currency conversion revenues	586	1 429	449	1 111
Fees from cards and payments	3 397	8 815	2 406	6 354
Other fee and commission income	778	2 302	587	1 708
Total	**6 142**	**16 606**	**4 615**	**14 152**
Fee and commission expense				
Security brokerage and commissions paid	-113	-357	-142	-417
Expenses related to cards	-1 026	-2 735	-699	-1 911
Expenses related to acquiring	-1 138	-2 907	-759	-2 014
Other fee and commission expense	-755	-1 786	-428	-1 172
Total	**-3 032**	**-7 785**	**-2 028**	**-5 514**
Net fee and commission income	**3 110**	**8 821**	**2 587**	**8 638**

Fee and commission income by customer location:	**3Q 2019**	**9M 2019**	**3Q 2018**	**9M 2018**
Estonia	6 142	16 606	4 615	14 152
Total	**6 142**	**16 606**	**4 615**	**14 152**

NOTE 9 Operating Expenses

	3Q 2019	**9M 2019**	**3Q 2018**	**9M 2018**
Wages, salaries and bonuses	3 058	9 533	2 463	7 712
Social security and other taxes*	1 018	2 908	816	2 356
Total personnel expenses	**4 076**	**12 441**	**3 279**	**10 068**
IT expenses	562	1 695	487	1 352
Information services and bank services	194	588	130	413
Marketing expenses	398	1 429	441	1 156
Office expenses	139	424	127	389
Transportation and communication expenses	82	193	50	141
Staff training and business trip expenses	115	480	144	431
Other outsourced services	503	1 499	466	1 530
Other administrative expenses	887	2 082	518	1 378
Depreciation of non-current assets	569	1 649	323	842
Operational lease payments	61	173	275	813

Other operating expenses	106	288	78	188
Total other operating expenses	**3 616**	**10 500**	**3 039**	**8 633**
Total operating expenses	**7 692**	**22 941**	**6 318**	**18 701**

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

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

	30.09.2019	**31.12.2018**
Term deposits with maturity less than 3 months*	32 720	41 984
Legal reserve with the central bank	17 118	14 280
Other receivables from central bank*	1 418 155	625 582
Total	**1 467 993**	**681 846**
*Cash and cash equivalents in the Statement of Cash Flows	1 442 499	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 17 118 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 September 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

Deposits/loans by type	**Individuals**	**Financial intermediates**	**Legal entities**	**Public sector**	**30.09.2019**
Demand deposits	498 296	419 044	1 078 010	19 174	2 014 524
Term deposits	424 613	0	100 146	2 900	527 659
Loans received	0	0	28 586	0	28 586
Accrued interest liability	1 629	0	206	2	1 837
Total	**924 538**	**419 044**	**1 206 948**	**22 076**	**2 572 606**

	Individuals	**Financial intermediates**	**Legal entities**	**Public sector**	**31.12.2018**
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 30.09.2019, 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 as at 30.09.2019 the Bank had utilized 20 000 thousand euros and repaid the principal in the amount of EUR 2 222. 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:	**30.09.2019**	**31.12.2018**
Cash balance of customers	9 232	9 773
Securities of customers	**1 470 904**	**1 476 257**
Incl. parent company	*146 050*	*93 100*
Incl. shareholders of the parent company and related entities	*189 636*	*156 961*
Total	**1 480 136**	**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 September 2019	11 631	12 733	9	302 422	**326 795**
Liability in the contractual amount as at 31 December 2018	11 927	9 314	55	188 841	**210 137**

NOTE 14 Changes in accounting policies

The Group has adopted IFRS 16, Leases for the first time starting from 01.01.2019. The other new standards that became effective since 1 January 2019 have had no impact on the 6-month interim financial report of the Group. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

Lessees will be required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognised tangible assets and lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

The Group leases various properties. Rental contracts are typically made for fixed periods of up to 5 years but as a rule, include extension and termination options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions.

The Group recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Lease liabilities were recognized as present value of lease payments. The right-of use assets were measured at the amount equal to the lease liability, as no adjustments to right of use assets were necessary. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Lease liabilities include the net present value of the following lease payments:

• fixed payments, less any lease incentives receivable.

• variable lease payment that are based on some kind an index (for example inflation, Euribor).

• amounts expected to be payable by the lessee under residual value guarantees.

• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if it is readily determinable, or the Group’s incremental borrowing rate. The alternative interest rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT-equipment and small items of office furnituure.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The management reviews the assessment if a significant event or a significant change in circumstances occurs which affects the probability of using options and that is within the control of the management. Alternatively, the extension period of the contract has changed (for example, Group has exercised an option, which initially was considered reasonably uncertain or has not exercised an option, which was initially considered reasonably certain).

According to the contracts, Group has not granted any residual value guaratees in the end of the contract.

On applying the standard as at 01.01.2019, the lease payments were discounted at the Group’s incremental borrowing rate of 3,21% on average.

The Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- lease agreements for low value assets are excluded.
- the exclusion of initial direct costs for the measurement of the rightof-use asset at the date of initial application.

The group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4.

As the result of application, the Group’s total assets in the statement of financial position as at 01.01.2019 increased 1 070 thousand euros.

General information

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Main activities	banking, security brokerage, dinancial advisory, finance lease and other lending
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