

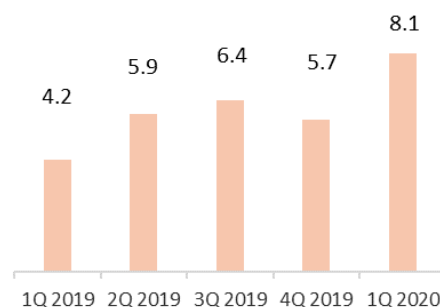
Interim Report January – March 2020

Summary of Results

Q1 2020 in comparison with Q4 2019

- Net profit EUR 8.1 m (5.7 mln euro), of which EUR 7.7 m (EUR 4.9 m) is attributable to owners of the parent
- Net income EUR 20.6 m (EUR 17.4 m)
- Operating expenses EUR 9.4 m (EUR 9.6 m)
- Loan provisions EUR 1.0 m (EUR 1.55 m)
- Income tax expenses EUR 1.97 m (EUR 0.6 m)
- Return on equity 18.0% (12.7%)
- Capital adequacy 17.6% (17.6%)

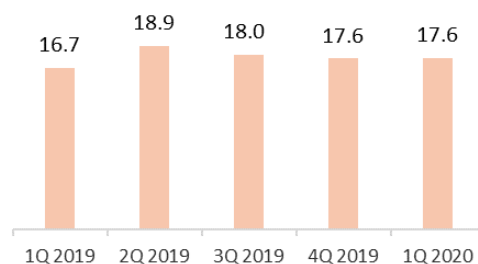
Profit by quarters



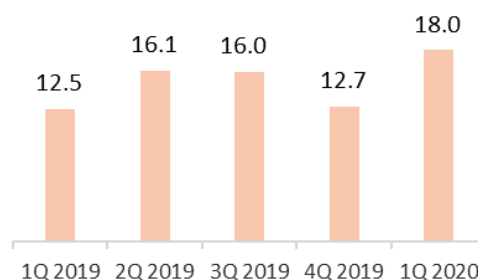
Q1 2020 in comparison with Q1 2019

- Net profit EUR 8.1 m (EUR 4.2 m), of which EUR 7.7 m (EUR 3.9 m) is attributable to owners of the parent
- Net income EUR 20.6 m (EUR 13.9 m)
- Operating expenses EUR 9.4 m (EUR 7.5 m)
- Loan provisions EUR 1.0 m (EUR 1.0 m)
- Income tax expenses EUR 1.97 m (EUR 1.3 m)
- Return on equity 18.0% (12.5%)
- Capital adequacy 17.6% (16.66%)

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.

Table of Contents

Business activities	3
Financial Summary	4
Liquidity and capitalisation	6
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	7
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	8
Condensed Consolidated Interim Statement of Financial Position	9
Condensed Consolidated Interim Statement of Cash Flows	10
Condensed Consolidated Interim Statement of Changes in Equity.....	11
Notes to the Condensed Consolidated Interim Financial Statements	12
NOTE 1 Accounting Policies	12
NOTE 2 Breakdown of Financial Assets and Liabilities by Countries.....	12
NOTE 3 Breakdown of Assets and Liabilities by Contractual Maturity Dates	13
NOTE 4 Open Foreign Currency Positions.....	14
NOTE 5 Breakdown of Loan Portfolio by Economic Sectors	15
NOTE 6 Fair Value of Financial Assets and Liabilities	15
NOTE 7 Net Interest Income.....	16
NOTE 8 Net Fee and Commission Income	17
NOTE 9 Operating Expenses.....	18
NOTE 10 Balances with the Central Bank, Credit Institutions and Investment Companies	18
NOTE 11 Deposits of Customers and Loans Received	18
NOTE 12 Assets Under management	19
NOTE 13 Contingent Liabilities	19
General information	20

Business activities

The year started out successfully and at a good pace, until the international crisis brought on by the new type of coronavirus COVID-19 and the emergency situation announced by the Government of the Republic on March 12 lay their burden on the bank's quarterly results.

The bank's customer numbers grew by 14,400 during the quarter. By the end of the quarter, the increase in customer numbers dropped to a monthly 4,300. While a bulk of the bank's staff worked from home, client offices maintained their regular business offices. Standard client activity dropped by nearly 30% by the end of the quarter. Nonetheless, the activities of financial intermediaries saw a record-breaking growth.

The virus-induced economic shutdown was completely unexpected. Depending on the restoration of the status quo, the economic decline for the year is estimated between 5% and 20%. A systemic risk has materialised. As a result, nearly all businesses have to deal with a partner's inability to fulfil obligations. Upon materialisation of a systemic risk, the only reasonable course of action for banks is to provide its loan clients with flexible solutions, including grace periods. Any other course of action would trigger a chain reaction, with the struggle to serve the loan causing default in payment to employees, suppliers and partners, undermining the entire economy, including banking as the mirror of economy. LHV was the first bank to announce grace periods for business clients in the first half of March. Private credit products soon followed. Thereby there will be no change in other terms and conditions of loan agreements during the grace period. For private clients, the grace period will be provided without an agreement fee. The temporary solution will contribute to economic recovery.

Deposits grew by EUR 245 million and loans by EUR 52 million during the quarter. Deposits of standard customers grew by EUR 70 million, deposits of financial intermediaries by 129 million and deposits engaged through deposit platforms by EUR 45 million. To enhance the efficiency of liquid resources, the bank participated in the Estonian sovereign bond issue, subscribing and receiving the total issue volume of EUR 200 million. Corporate loans grew by EUR 20 million and retail loans by EUR 32 million. The demand for corporate loans dropped to minimum by the end of the quarter. In retail loans, the demand for leasing dropped by more than 80% and the demand for consumer financing contracts by more than 50%. With regard to loans granted, a grace period had been given to nearly a thousand clients by the end of the quarter, with companies contributing 30% and private persons 70%.

Net profit for the quarter amounted to EUR 8.1 million. Net profit doubled, compared to the same period last year. Net profit was negatively affected by the increase in loan write-down triggered

by the grace periods, as well as deterioration in macro-economic indicators and the credit rating of certain large corporate loans. Upon announcement of the emergency situation, the bank suspended all recruitments and reduced the costs on various events, training and business trips, as well as the budget allocated for marketing, repairs and certain projects.

New products launched during the quarter included the option of opening a child account via the Internet Bank, as well as Apple Pay. Apple Pay is a payment solution for iPhone and other Apple smart devices, allowing a contactless payment at a POS, as well as on the Internet and in various apps. With Apple Pay, there is no need for a bankcard. Alongside other banks, the bank temporarily raised the contactless payment limit to EUR 50 for the duration of the emergency situation.

We also made transactions with Baltic shares free of charge. With this step, the bank made investing available to everyone. The bank's mobile app allows to conveniently open an account, enter into the investment agreement and effect the first stock transactions with Baltic shares without any charge. The change in service charges, along with the volatile stock markets, significantly boosted the volume of securities transactions, generating larger-than-planned revenues for the bank.

Real-time GBP payments were opened for financial intermediaries. By launching the option of making GBP payments, the bank gained a unique advantage - the opportunity to offer financial intermediaries real-time EUR and GBP payments via the LHV Connect application programming interface. LHV Connect is the bank's first API, which provides such options. The first clients have already used the GBP payment service, with several larger clients currently interfacing.

On the proposal of the Financial Supervision Authority, the European Central Bank granted the bank permission to issue covered bonds so as to allow the bank to engage longer-term financing secured by mortgage loans, reducing the cost of money intended for lending. As the next step, the bank plans to secure a rating for the covered bond prospectus and carry out a covered bond issue. We plan to sell the covered bonds to institutional investors, such as pension funds or investment banks. With the issue of the covered bonds, the bank's financing structure will be further reinforced. This can be considered a stable source of funding, making the issue of long-term loans more favourable for the bank.

At the beginning of the year, Moody's maintained the bank's investment-grade credit rating at Baa1. The bank was also declared the bank with the best service in Estonia. LHV also published the "Pangasaladus" book, giving an overview of the first twenty years of operation.

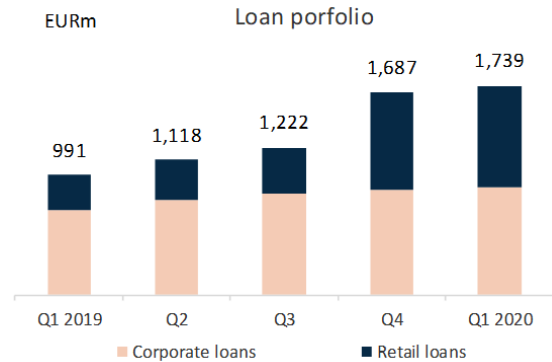
Financial Summary

Q1 was successful in terms of business volumes. LHV Pank generated EUR 16.3 million in net interest income and EUR 4.3 million in net fee and commission income. In total, the bank's net income amounted to EUR 20.6 million, expenditure to EUR 9.4 million and loan provisions to EUR 1.0 million. Financial income was 0.09 million in Q1. LHV Pank is accounting from Q1 14% advance income tax, which generated corporate income tax in amount of EUR 0.8 million.

The net profit of LHV Pank amounted to EUR 8.1 million in Q1. This constitutes a 44% increase from Q4 (5.7) and a 95% increase from Q1 2019 (4.2).

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 Q1, the total volume of the bank's loan portfolios amounted to EUR 1739 million (Q4 2019: EUR 1687 million). The volume of portfolios grew 3% over the quarter. Retail loans portfolio grow 3% within quarter and has reached EUR 844 million (Q4 2019: EUR 816 million). Loan portfolio increased by EUR 52 million in Q1 (Q4 2019: EUR 465 million).



Banks deposits decreased 9% within a quarter and reached EUR 2 958 million by end of March (Q4 2019: EUR 2 713 million). Financial intermediates deposits decreased by EUR 129 million. EUR 2 361 million were demand deposits and EUR 596 million were term deposits. Private individuals deposits reached EUR 1 047 million increasing 11% q-t-q.

Income statement EUR million	Q1	Q4	Quarter over quarter	Q1	Year over year
	2020	2019		2019	
Net interest income	16,524	13,23	23%	11,24	45%
Net fee and commission income	4,33	3,99	9%	2,70	60%
Other financial income	-0,09	0,06	NA	-0,01	NA
Total net operating income	20,49	17,28	19%	13,93	47%
Other income	0,06	0,08	-25%	-0,01	NA
Operating expenses	-9,43	-9,58	-2%	-7,51	26%
Loan losses	-1,01	-1,55	-35%	-0,95	6%
Income tax expenses	-1,97	-0,59	234%	-1,29	53%
Net profit	8,14	5,65	44%	4,17	95%

Business volumes EUR million	31.03.2020	31.12.2019	Change
Loan portfolio	1 738,9	1 687,0	3%
Financial investments	223,1	32,9	-577%
Deposits of customers	2 958,0	2 731,0	9%
incl. deposits of financial intermediates	505,4	376,1	34%
Equity (including minority interest)	181,2	171,7	5%
Assets managed by bank	216 608	202 186	7%

Ratios EUR million	Q1 2020	Q4 2019	Quarter over quarter	Q1 2019	Year over year
Net profit	8,1	5,7	2,4	4,2	3,9
Net profit attributable to owners of the parent	7,7	4,9	2,8	3,9	3,8
Average equity	171,8	155,8	16,6	123,5	48,3
Return on equity (ROE), %	18,0	12,7	5,3	12,5	5,5
Return on assets (ROA), %	0,99	0,68	0,31	0,97	0,02
Net interest income	16,2	13,2	3,0	11,2	5,0
Interest-bearing assets, average	2 992,4	2 903,3	89,1	1 714,2	1 278,2
Net interest margin (NIM) %	2,08	1,82	0,26	2,64	-0,56
Price spread (SPREAD) %	2,04	1,78	0,26	2,60	-0,56
Cost/income ratio %	45,7	55,1	-9,4	54,0	-8,3

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 151.8% as at the end of March (31 December 2019: 142.6%). Banks liquidity situation changed in Q1 due to high deposit growth. LHV increased the volume of liquid assets in order to be better prepared for a possible increase in volatility in the conditions of the crisis. Financial intermediates deposits in Bank are covered 100% with liquid assets.

Excluding the financial intermediates deposits the LCR is 261.3% (31.12.2019: 218,7%). The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 46% of the balance sheet 46% (31.12.2019: 43%). The ratio of loans to deposits stood at 58% as at the end of the first quarter (31.12.2019: 62%).

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 234.9 million (31.12.2019: 229,0 mln euro).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 17.64% (31.12.2019: 17.61%), calculated according to CRR IV directive. Banks capital adequacy exceeds internal capital targets, which is 15.50%.

Both AS LHV Bank 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)	31.03.2020	31.12.2019
Paid-in share capital	100 500	95 500
Statutory reserves paid in from net profit	4 234	3 237
Accumulated profit/deficit	61 769	45 619
Intangible assets (subtracted)	-715	-685
Net profit for the reporting period	0	14 863
Other adjustments	-1 385	-33
Total Tier 1 capital	164 403	158 501
Subordinated debt	23 000	23 000
Total Tier 1 capital	187 403	181 501
Subordinated debt	47 500	47 500
Total Tier 2 capital	47 500	47 500
Net own funds for capital adequacy	234 903	229 001
Capital requirements		
Central governments and central bank under standard method	0	920
Credit institutions and investment companies under standard method	4 482	4 043
Companies under standard method	818 554	819 052
Retail claims under standard method	170 560	167 115
Public sector under standard method	2 800	2
Housing real estate under standard method	216 410	208 693
Overdue claims under standard methods	5 287	5 387
Other assets under standard method	16 634	16 879
Total capital requirements for covering the credit risk and counterparty credit risk	1 234 727	1 222 091
Capital requirement against foreign currency risk under standard method	505	476
Capital requirement against interest position risk under standard method	0	0
Capital requirement against equity portfolio risks under standard method	1 276	960
Capital requirement against credit valuation adjustment risks under standard method	49	22
Capital requirement for operational risk under base method	95 104	76 766

Total capital requirements for adequacy calculation	1 331 661	1 300 315
Capital adequacy (%)	17,64	17,61
Tier 1 capital ratio (%)	14,07	13,96

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 2020	3M 2020	Q1 2019	3M 2019
Interest income		20 979	20 979	12 914	12 914
Interest expense		-4 730	-4 730	-1 675	-1 675
Net interest income	7	16 249	16 249	11 239	11 239
Fee and commission income		7 289	7 289	4 942	4 942
Fee and commission expense		-2 955	-2 955	-2 239	-2 239
Net fee and commission income	8	4 334	4 334	2 703	2 703
Net gains/losses from financial assets measured at fair value		-70	-70	6	6
Foreign exchange gains/losses		-23	-23	-19	-19
Net gains from financial assets		-93	-93	-13	-13
Other income/ Other expense		57	57	-9	-9
Total other income		57	57	-9	-9
Staff costs		-5 158	-5 158	-4 016	-4 016
Administrative and other operating expenses		-4 274	-4 274	-3 495	-3 495
Total expenses	9	-9 432	-9 432	-7 511	-7 511
Profit before impairment losses on loans and advances		11 115	11 115	6 409	6 409
Income tax expense		-1 965	-1 965	-1 293	-1 293
Impairment losses on loans and advances		-1 011	-1 011	-951	-951
Net profit for the reporting period		8 139	8 139	4 165	4 165
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	0	0
Total profit and other comprehensive income for the reporting period		8 139	8 139	4 165	4 165
Total profit of the reporting period attributable to:					
Owners of the parent		7 735	7 735	3 853	3 853
Non-controlling interest		404	404	312	312
Total profit for the reporting period		8 139	8 139	4 165	4 165
Total comprehensive income attributable to:					
Owners of the parent		7 735	7 735	3 853	3 853
Non-controlling interest		404	404	312	312
Total comprehensive income for the reporting period		8 139	8 139	4 165	4 165

Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	31.03.2020	31.12.2019
Assets			
Due from central bank	10	1 247 442	1 232 733
Due from credit institutions	10	31 713	32 247
Due from investment companies	10	4 413	5 473
Available-for-sale financial assets	6	432	432
Financial assets at fair value through profit or loss	6	222 653	32 499
Loans and advances to customers	5	1 738 909	1 687 034
Receivables from customers		2 111	2 745
Other financial assets		2 300	2 246
Other assets		2 559	1 857
Tangible assets		6 810	6 680
Intangible assets		716	685
Total assets		3 260 058	3 004 631
Liabilities			
Deposits of customers and loans received	11	2 983 571	2 738 601
Financial liabilities at fair value through profit or loss		55	8
Accounts payable and other liabilities		24 751	23 774
Subordinated debt		70 500	70 500
Total liabilities		3 078 877	2 832 883
Owner's equity			
Share capital		100 500	95 500
Statutory reserve capital		4 022	3 025
Other reserves		212	212
Retained earnings / accumulated deficit		72 257	67 793
Total equity attributable to owners of the parent		176 991	166 530
Non-controlling interest		4 190	5 218
Total equity		181 181	171 748
Total liabilities and equity		3 260 058	3 004 631

Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q1 2020	3M 2020	Q1 2019	3M 2019
Cash flow from operating activities					
Interest received		20 899	20 889	12 844	12 844
Interest paid		-3 236	-3 236	-1 528	-1 528
Fees and commissions received		7 289	7 289	4 942	4 942
Fees and commissions paid		-2 955	-2 955	-2 239	-2 239
Other income		57	57	-9	-9
Staff costs paid		-4 443	-4 443	-3 554	-3 554
Administrative and other operating expenses paid		-3 517	-3 517	-2 707	-2 707
Income tax		-1 411	-1 411	-1 293	-1 293
Cash flow from operating activities before change in operating assets and liabilities		12 673	12 673	6 456	6 456
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		-51	-51	45	45
Loans and advances to customers		-52 145	-52 145	-76 383	-76 383
Mandatory reserve at central bank		-3 061	-3 061	-1 385	-1 385
Security deposits		-54	-54	-34	-34
Other assets		-689	-689	1 739	1 739
Net increase/decrease in operating liabilities:					
Demand deposits of customers		160 418	160 418	109 122	109 122
Term deposits of customers		83 398	83 398	26 131	26 131
Financial liabilities held for trading at fair value through profit and loss		47	47	23	23
Other liabilities		-277	-277	3 907	3 907
Net cash generated from/used in operating activities		200 259	200 259	61 807	61 807
Cash flow from investing activities					
Purchase of current and non-current assets		- 685	- 685	-4 529	-4 529
Net change of investments at fair value through profit or loss		-190 173	-190 173	20 684	20 684
Net cash flow from investing activities		-190 858	-190 858	16 155	16 155
Cash flow from financing activities					
Contribution in share capital		5 000	5 000	0	0
Subordinated loan received		0	0	6 500	6 500
Repayments of the subordinated loans received		-233	-233	-251	-251
Dividends paid		-4 091	-4 091	-3 431	-3 431
Net cash from financing activities		675	675	2 818	2 818
Effect of exchange rate changes on cash and cash equivalents					
		-23	-23	-19	-19
Net decrease/increase in cash and cash equivalents		10 054	10 054	80 761	80 761
Cash and cash equivalents at the beginning of the period		1 244 027	1 244 027	667 566	667 566
Cash and cash equivalents at the end of the period	10	1 254 081	1 254 081	748 327	748 327

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 01.01.2019	69 500	2 191	78	49 687	121 456	4 123	125 579
Paid in share capital	26 000	0	0	0	26 000	0	26 000
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	1 366	1 366	0	1 366
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>19 804</i>	<i>19 804</i>	<i>2 296</i>	<i>22 100</i>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>134</i>	<i>0</i>	<i>134</i>	<i>0</i>	<i>134</i>
Total profit and other comprehensive income for the reporting period	0	0	134	19 804	19 938	2 296	22 234
Balance as at 31.12.2019	95 500	3 025	212	67 793	166 530	5 218	171 748
Balance as at 01.01.2020	95 500	3 025	212	67 793	166 530	5 218	171 748
Paid in share capital	5 000	0	0	0	5 000	0	5 000
Transfer to statutory reserve capital	0	997	0	-997	0	0	0
Dividends paid	0	0	0	-2 658	-2 658	-1 432	-4 090
Paid in share capital	0	0	0	384	384	0	384
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>7 735</i>	<i>7 735</i>	<i>404</i>	<i>8 139</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	7 735	7 735	404	8 139
Balance as at 31.03.2019	100 500	4 022	212	72 257	176 991	4 190	181 181

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 2019. 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

31.03.2020	Estonia	Latvia	Lit- huania	Finland	Ger- many	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 256 599	0	0	0	0	9 381	4 228	11 275	2 085	1 283 568
Financial assets at fair value	202 975	757	15 529	0	3 679	137	7	0	1	223 085
Loans and advances to customers	1 707 112	773	243	5 580	874	5 843	374	15 003	3 107	1 738 909
Receivables from customers	2 111	0	0	0	0	0	0	0	0	2 111
Other financial assets	109	0	0	0	0	0	2 191	0	0	2 300
Total financial assets	3 168 906	1 530	15 772	5 580	4 553	15 361	6 800	26 278	5 193	3 249 973
Deposits of customers and loans received	1 960 151	11 700	1 170	39 081	418 209	62 867	895	450 573	38 925	2 983 571
Subordinated debt	70 500	0	0	0	0	0	0	0	0	36 500
Financial liabilities at fair value	55	0	0	0	0	0	0	0	0	34
Accounts payable and other financial liabilities	20 440	0	4	27	0	13	3	0	0	16 527
Total financial liabilities	2 051 146	11 700	1 170	39 081	418 209	62 867	895	450 573	38 925	3 074 566

Unused loan commitments in the amount of EUR 374 232 thousand are for the residents of Estonia.

31.12.2019	Estonia	Latvia	Lit- huania	Finland	Ger- many	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 228 469	0	0	0	0	10 972	4 929	23 041	3 042	1 270 453
Financial assets at fair value	453	760	19 951	0	9 840	1 907	4	0	16	32 931
Loans and advances to customers	1 656 373	445	287	5 574	840	19 951	379	0	3 185	1 687 034
Receivables from customers	2 745	0	0	0	0	0	0	0	9	2 745
Other financial assets	110	0	0	0	0	0	2 825	0	0	2 246
Total financial assets	2 888 150	1 205	20 238	5 574	10 680	32 830	7 448	23 041	6 243	2 995 409
Deposits of customers and loans received	1 882 514	12 725	1 503	19 564	372 390	394 310	1 241	0	54 354	2 738 601

Subordinated debt	70 500	0	0	0	0	0	0	0	0	70 500
Financial liabilities at fair value	8	0	0	0	0	0	0	0	0	8
Accounts payable and other financial liabilities	20 563	0	4	27	0	13	3	3	0	20 613
Total financial liabilities	1 973 585	12 725	1 507	19 591	372 390	394 323	1 244	3	54 354	2 829 722

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

NOTE 3 Breakdown of Assets and Liabilities by Contractual Maturity Dates

31.03.2020	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	2 362 135	302 807	298 932	18 506	2 903	2 985 283
Subordinated debt	0	1 318	3 954	21 090	80 973	107 335
Accounts payable and other financial liabilities	0	20 440	0	0	0	20 440
Unused loan commitments	0	374 232	0	0	0	374 232
Financial guarantees by contractual amounts	0	11 427	0	0	0	11 427
Foreign exchange derivatives (gross settled)	0	32 804	0	637	0	33 441
Financial liabilities at fair value	0	55	0	0	0	55
Total liabilities	2 362 135	743 083	302 886	40 233	83 876	3 532 213
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 283 568	0	0	0	0	1 283 568
Financial assets at fair value (debt securities)	0	10 642	201 539	10 253	0	222 434
Loans and advances to customers	0	123 435	244 091	1 071 516	610 157	2 049 199
Receivables from customers	0	2 111	0	0	0	2 111
Other financial assets	2 300	0	0	0	0	2 300
Foreign exchange derivatives (gross settled)	0	32 804	0	637	0	33 441
Total financial assets	1 285 868	168 992	445 630	1 082 406	610 157	3 593 053
Maturity gap from financial assets and liabilities	-1 076 267	-574 091	142 744	1 042 173	526 281	60 840

31.12.2019	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	2 201 704	41 522	476 248	18 721	2 906	2 741 101
Subordinated debt	0	1 318	3 954	21 090	81 745	108 107
Accounts payable and other financial liabilities	0	20 613	0	0	0	20 613
Unused loan commitments	0	359 230	0	0	0	359 230
Financial guarantees by contractual amounts	0	14 139	0	0	0	14 139
Foreign exchange derivatives (gross settled)	0	14 942	0	615	0	15 557
Financial liabilities at fair value	0	8	0	0	0	8
Total liabilities	2 201 704	451 772	480 202	40 426	84 651	3 258 755
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 270 453	0	0	0	0	1 270 453
Financial assets at fair value (debt securities)	0	10 883	13 018	8 429	0	32 330
Loans and advances to customers	0	113 590	251 806	1 029 520	582 889	1 977 805

Receivables from customers	0	2 745	0	0	0	2 745
Other financial assets	2 246	0	0	0	0	2 246
Foreign exchange derivatives	0	14 942	0	615	0	15 557
Total financial assets	1 272 699	142 160	264 824	1 038 564	582 889	3 301 136

Maturity gap from financial assets and liabilities	-929 005	-309 612	-215 378	998 138	498 238	42 381
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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

31.03.2020	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 256 692	1 208	12 966	1 985	2 300	8 417	1 283 568
Financial assets at fair value	219 365	0	0	1	3 689	31	223 085
Loans and advances to customers	1 723 717	2	14 159	146	752	133	1 738 909
Receivables from customers	1 480	40	430	28	0	133	2 111
Other financial assets	110	0	0	0	2 191	0	2 300
Total assets bearing currency risk	3 201 363	1 250	27 555	2 160	8 932	8 713	3 249 973
Liabilities bearing currency risk							
Deposits from customers and loans received	2 910 642	6 623	22 680	10 956	21 510	11 160	2 983 571
Accounts payable and other financial liabilities	16 123	13	2 955	27	25	1 297	20 440
Interest rate swaps	5	0	0	1	1	48	55
Subordinated debt	70 500	0	0	0	0	0	70 500
Total liabilities bearing currency risk	2 997 270	6 636	25 635	10 984	21 536	12 505	3 074 566
Open gross position derivative assets at contractual value	637	5 388	0	9 041	12 870	5 505	33 441
Open gross position derivative liabilities at contractual value	30 548	0	2 256	0	637	0	33 441
Open foreign currency position	174 182	2	-336	217	-371	1 713	175 407

31.12.2019	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 231 088	514	27 690	1 053	1 362	8 745	1 270 453
Financial assets at fair value	16 683	0	0	1	16 241	5	32 931
Loans and advances to customers	1 685 519	4	62	584	788	77	1 687 034
Receivables from customers	1 742	10	601	56	0	335	2 745
Other financial assets	110	0	0	0	2 136	0	2 246
Total assets bearing currency risk	2 935 142	528	28 353	1 695	20 528	9 163	2 995 409
Liabilities bearing currency risk							
Deposits from customers and loans received	2 667 370	4 538	27 138	8 139	20 356	11 061	2 738 601
Financial liabilities at fair value	16 934	62	1 201	345	245	1 826	20 613
Interest rate swaps	5	0	0	1	1	1	8
Subordinated debt	70 500	0	0	0	0	0	70 500
Total liabilities bearing currency risk	2 754 809	4 601	28 339	8 485	20 602	12 888	2 829 722

Open gross position derivative assets at contractual value	615	4 054	0	6 816	713	3 359	15 557
Open gross position derivative liabilities at contractual value	14 942	0	0	0	615	0	15 557
Open foreign currency position	166 006	-19	14	26	25	-366	165 687

NOTE 5 Breakdown of Loan Portfolio by Economic Sectors

	31.03.2020	%	31.12.2019	%
Individuals	762 585	43,7%	738 152	43,6%
Real estate activities	366 161	21,0%	353 405	20,9%
Financial activities	69 235	4,0%	71 690	4,2%
Manufacturing	120 324	6,9%	114 104	6,7%
Professional, scientific and technical activities	56 934	3,3%	47 368	2,8%
Wholesale and retail trade	67 991	3,9%	80 767	4,8%
Other service activities	12 595	0,7%	7 290	0,4%
Arts and entertainment	56 030	3,2%	42 638	2,5%
Transportation and storage	15 894	0,9%	15 337	0,9%
Agriculture	60 328	3,5%	59 657	3,5%
Administrative and support service activities	66 594	3,8%	67 064	4,0%
Construction	30 957	1,8%	38 951	2,3%
Education	1 922	0,1%	1 976	0,1%
Information and communication	11 744	0,7%	7 017	0,4%
Other sectors	46 805	2,8%	47 722	2,8%
Total	1 746 205	100%	1 693 138	100%
Provision	-7 296		-6 104	
Total loan portfolio	1 738 909	100%	1 687 034	100%

Loans to related parties were 31.03.2020 EUR 3 298 thousand (31.12.2019: 3 290). Loans have been given out on market terms.

Impairments (in thousand of euros)	Realized impairments	The projected impact of the IFRS 9 macroscenarios	The projected special impairments
	Q1 2020	Q2 2020	Q2-Q4 2020
Total	1 011	4 861	13 703

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			31.12.2019
					Level 1	Level 2	3	
Financial assets at fair value through profit and loss								
Shares and fund units	189	0	0	189	164	0	0	164
Available-for-sale bonds and shares	0	0	432	432	0	0	432	432
Bonds at fair value through profit and loss	222 434	0	0	222 434	32 331	0	0	32 331
Interest rate swaps and foreign exchange forwards	0	30	0	30	0	4	0	4
Total financial assets	222 623	30	432	223 085	32 495	4	432	32 931
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange forwards	0	55	0	55	0	8	0	8
Total financial liabilities	0	55	0	55	0	8	0	8

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 2020 and 31 December 2019. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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 2015-2019. 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 2020	3M 2020	Q1 2019	3M 2019
Business loans	10 995	10 995	7 838	7 838
including loans between related parties	5	5	8	8
Hire purchase	983	983	1 023	1 023
Leasing	918	918	646	646
including loans between related parties	1	1	1	1

Leverage loans and lending of securities	151	151	102	102
Bonds	83	83	73	73
Creditcard loans	213	213	199	199
Consumer loans	2 103	2 103	1 546	1 546
Mortgage loans	4 409	4 409	736	736
including loans between related parties	8	8	7	7
Balances with credit institutions and investment companies	97	97	55	55
Other loans	1 027	1 027	696	696
including loans between related parties	2	2	2	2
Total	20 979	20 979	12 914	12 914

Interest expense

Deposits of customers and loans received	-2 221	-2 221	-550	-550
Balances with the central bank	-1 846	-1 846	-587	-587
Subordinated liabilities	-772	-772	-538	-538
Total	-4 730	-4 730	-1 675	-1 675

Net interest income	16 249	16 249	11 239	11 239
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Interest income on loans by customer location

(interest on bank balances and bonds excluded):

	Q1 2020	3M 2020	Q1 2019	3M 2019
Estonia	20 799	20 799	12 786	12 786
Total	20 799	20 799	12 786	12 786

NOTE 8 Net Fee and Commission Income

Fee and commission income	Q1 2020	3M 2020	Q1 2019	3M 2019
Security brokerage and commissions paid	1 252	1 252	528	528
Asset management and similar fees	860	860	654	654
Currency conversion revenues	736	736	497	497
Fees from cards and payments	3 329	3 329	2 512	2 512
Other fee and commission income	1 112	1 112	751	751
Total	7 289	7 289	4 942	4 942

Fee and commission expense

Security brokerage and commissions paid	-271	-271	-121	-121
Expenses related to cards	-1 177	-1 177	-774	-774
Expenses related to acquiring	-924	-924	-817	-817
Other fee and commission income	-583	-583	-527	-527
Total	-2 955	-2 955	-2 239	-2 239

Net fee and commission income	4 334	4 334	2 703	2 703
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Fee and commission income by customer location:	Q1 2020	3M 2020	Q1 2019	3M 2019
Estonia	7 289	7 289	4 942	4 942
Total	7 289	7 289	4 942	4 942

NOTE 9 Operating Expenses

	Q1 2020	3M 2020	Q1 2019	3M 2019
Wages, salaries and bonuses	3 995	3 995	3 094	3 094
Social security and other taxes*	1 163	1 163	922	922
Total personnel expenses	5 158	5 158	4 016	4 016
IT expenses	672	672	568	568
Information services and bank services	262	262	208	208
Marketing expenses	399	399	639	639
Office expenses	186	186	134	134
Transportation and communication expenses	77	77	50	50
Staff training and business trip expenses	116	116	111	111
Other outsourced services	544	544	479	479
Other administrative expenses	1 362	1 362	530	530
Depreciation of non-current assets	524	524	577	577
Operational lease payments	61	61	66	66
Other operating expenses	71	71	133	133
Total other operating expenses	4 274	4 274	3 495	3 495
Total operating expenses	9 432	9 432	7 511	7 511

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

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

	31.03.2020	31.12.2019
Term deposits with maturity less than 3 months*	36 126	37 720
Legal reserve with the central bank	29 487	26 426
Other receivables from central bank*	1 217 955	1 206 307
Total	1 283 568	1 270 453
*Cash and cash equivalents in the Statement of Cash Flows	1 254 081	1 244 027

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

The minimum reserve requirement as at 31 March 2020 was 1% (31 December 2019: 1%) of all financial resources (customer deposits and loans received). The reserve requirement is to be fulfilled as a monthly average in euros or in the foreign financial assets approved by the central bank.

NOTE 11 Deposits of Customers and Loans Received

	Financial				31.03.2020
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	585 386	505 386	1 249 538	21 626	2 361 936
Term deposits	457 738	0	128 729	5 480	591 947
Loans received	0	0	25 643	0	25 643
Accrued interest liability	3 782	0	259	4	4 045
Total	1 046 906	505 386	1 404 169	27 110	2 983 571

	Financial				31.12.2019
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	525 938	376 068	1 279 219	20 293	2 201 518
Term deposits	415 349	0	90 100	3 100	508 549

Loans received	0	0	25 643	0	25 643
Accrued interest liability	2 692	0	196	3	2 891
Total	943 979	376 068	1 395 158	23 396	2 738 601

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 31.03.2020, 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 31.03.2020 the Bank had utilized 20 000 thousand euros repaid the principal in the amount of EUR 4 444 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:

	31.03.2020	31.12.2019
Cash balance of customers	12 225	9 967
Securities of customers	1 393 920	1 554 796
<i>Incl. parent company</i>	174 050	169 050
<i>Incl. shareholders of the parent company and related entities</i>	166 566	195 914
Total	1 406 145	1 564 763

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 2020	10 793	11 427	258	374 232	396 710
Liability in the contractual amount as at 31 December 2019	11 078	14 139	10	359 230	384 457

General information

Legal name	AS LHV Pank
Commercial Registry no	10539549
Legal address	Tartu mnt. 2, 10145 Tallinn
Phone	(372) 6800400
Fax	(372) 6800410
BIC / Swift	LHVBEE22
E-mail	lhv@lhv.ee
Web page	www.lhv.ee
Main activities	banking, security brokerage, 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