

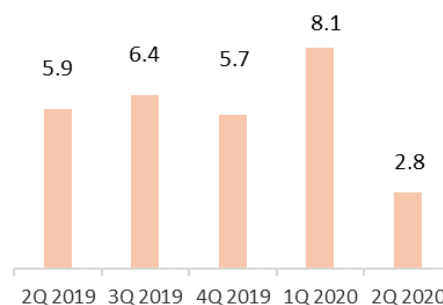
Interim Report January – June 2020

Summary of Results

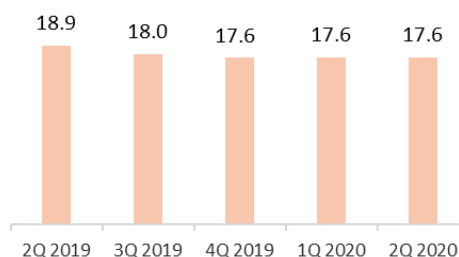
Q2 2020 in comparison with Q1 2020

- Net profit EUR 2.8 m (8.1 mln euro), of which EUR 2.2 m (EUR 7.7 m) is attributable to owners of the parent
- Net income EUR 19.6 m (EUR 20.6 m)
- Operating expenses EUR 8.8 m (EUR 9.4 m)
- Loan provisions EUR 7.7 m (EUR 1.0 m)
- Income tax expenses EUR 0.2 m (EUR 1.97 m)
- Return on equity 4.8% (18.0%)
- Capital adequacy 17.6% (17.6%)

Profit by quarters



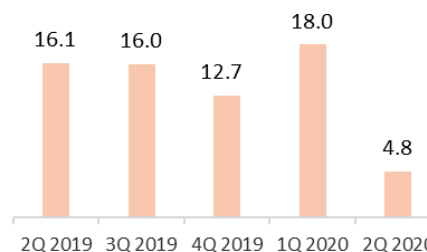
Capital adequacy



Q2 2020 in comparison with Q2 2019

- Net profit EUR 2.8 m (EUR 5.9 m), of which EUR 2.2 m (EUR 5.3 m) is attributable to owners of the parent
- Net income EUR 19.6 m (EUR 15.0 m)
- Operating expenses EUR 8.8 m (EUR 7.7 m)
- Loan provisions EUR 7.7 m (EUR 0.7 m)
- Income tax expenses EUR 0.2 m (EUR 0.7 m)
- Return on equity 4.8% (16.1%)
- Capital adequacy 17.6% (18.9%)

Return on equity



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

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Business activities

The bank's customer numbers grew by 8 000 during the quarter. While the first half of the quarter was characterised by a significant decline in standard customer activity, attributable to the crisis triggered by the coronavirus COVID-19 and the emergency situation declared by the Government of the Republic, the second half of the quarter saw a recovery. By the end of the quarter, we already witnessed record levels in standard customer activity and business volumes. Deposits grew by EUR 146 million and loans by EUR 65 million during the quarter.

Standard customer deposits grew by EUR 160 million, with the deposits of financial intermediaries growing by EUR 34 million. Deposits engaged through deposit platforms shrank by EUR -48 million, as the bank did not actively engage deposits from the platforms during the quarter. To enhance the efficiency of liquid resources, the bank participated in the second Estonian sovereign bond issue, subscribing and receiving EUR 200 million of the total issue volume. At the beginning of June, the bank successfully organised the first issue of covered bonds in the amount of EUR 250 million for a period of 5 years and an annual interest rate of 0.12%. 31 institutional investors from 13 European countries participated in the issue. The interest of central banks and supranational investors contributed 41%, the interest of German institutional investors 20% and the interest of Scandinavian institutional investors 19% of the total issue volume. The international rating agency Moody's assigned the provisional rating of (P)Aa1 to the covered bonds.

Corporate loans grew by EUR 39 million and retail loans by EUR 26 million. Loan demand declined significantly in the first half of the quarter but recovered by the end of the quarter, with the demand for consumer financing resuming the pre-crisis level. In April, the bank adopted the grace period procedure agreed between Estonian banks. The customers' interest in a grace period was significant in April, but started to wane in May and dropped to a minimum by the end of the quarter. As regards loans

issued, grace periods had been granted to nearly 2,900 customers (67% private customers and 33% business customers) in the total amount of EUR 349 million (14% private customers and 86% business customers) as at the end of the quarter. At the beginning of June, the bank entered into a contract with Danske Bank for the purchase of the Estonia corporate loan and public-sector loan portfolio for a total of EUR 312 million (a write-down of EUR 19 million). 54% of the portfolio consists of local governments' loans, 42% of corporate loans, 3% of apartment associations' loans and 1% of non-profit associations' loans. The transaction is scheduled to be completed at the beginning of October.

Net profit for the quarter amounted to EUR 2.8 million. Net profit was negatively affected by the increase in loan write-downs triggered by the deterioration in macro-economic indicators and the credit rating of certain large corporate loans. Total loan write-downs amounted to EUR 7.7 million during the quarter. At the same time, the quality of the bank's loan portfolio has remained strong, with the proportion of overdue loans remaining small.

In May, the bank resumed the provision of USD payments to Estonian-resident customers. As regards new products, the bank launched the name-based payment service, which allows to effect payments (including interbank payments) based on the telephone number. We also added the alternative investment service to the internet bank, for both private and business customers. The contactless payment limit was raised to EUR 50 during the quarter, and the flash payment limit to EUR 100 000. The remote identification option was introduced by notaries, allowing to apply and formalise the home loan and enter into the notarised transaction contact-free. As regards intrabank systems, we started using the next-generation global HR software Hibob. We also filed an application with the UK supervisory authority for establishing the UK branch of a third-country bank.

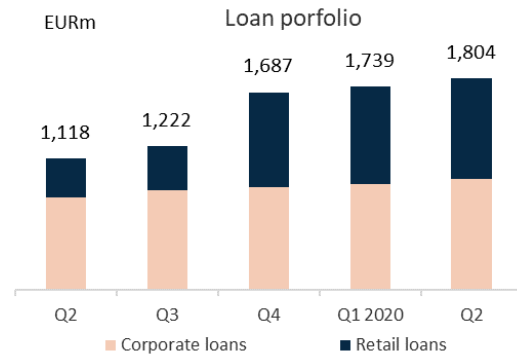
Financial Summary

Q2 was successful in terms of business volumes. LHV Pank generated EUR 15.5 million in net interest income and EUR 4.1 million in net fee and commission income. In total, the bank's net income amounted to EUR 19.6 million and expenditure to EUR 8.8 million. Net operating income increased by 30% year-on-year, while expenses increased by 14%. Loan provisions amounted to EUR 7.7 million of which more than two-thirds are forward looking model-based macro indicators provision. The share of indebtedness in the loan portfolio is very low. However, we monitor developments in the credit portfolio very closely and, if possible, use the mitigation measures offered by the state to reduce credit risk.

Financial expense was 0.2 million in Q2. LHV Pank is accounting from Q1 14% advance income tax, which generated corporate income tax in amount of EUR 0.2 million. The net profit of LHV Pank amounted to EUR 2.8 million in Q2. This constitutes a 66% decrease from Q1 (8.1) and a 52% decrease from Q2 2019 (5.9).

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 1 804 million (Q1 2020: EUR 1 739 million). The volume of portfolios grew 4% over the quarter. Retail loans portfolio grew 3% within quarter and has reached EUR 869 million (Q1 2020: EUR 844 million). Loan portfolio increased by EUR 65 million in Q2 (Q1 2020: EUR 52 million).



Banks deposits increased 5% within a quarter and reached EUR 3 104 million by end of quarter (Q1 2020: EUR 2 958 million). Financial intermediates deposits increased by EUR 34.4 million. EUR 2 529 million were demand deposits and EUR 575 million were term deposits. Private individuals deposits reached EUR 1 033 million decreasing 1% q-t-q.

The bank earned only 2.5 million euros in profit in the quarter, which is 52% less than in the second quarter of the previous year. The main factor was loan provisions. The bank's cost / income ratio improved significantly, reaching 44.9% in the second quarter, being 7 percentage points lower than in the second quarter of 2019 (51.9%).

Income statement	Q2	Q1	Quarter	Q2	Year
EUR million	2020	2020	over quarter	2019	over year
Net interest income	15.54	16.25	-4%	11.84	31%
Net fee and commission income	4.09	4.33	-6%	3.01	36%
Other financial income	-0.19	-0.09	111%	0.13	-247%
Total net operating income	19.44	20.49	-5%	14.98	30%
Other income	0.01	0.06	-90%	0.05	-88%
Operating expenses	-8.81	-9.43	-7%	-7.74	14%
Loan losses	-7.67	-1.01	660%	-0.70	999%
Income tax expenses	-0.16	-1.97	-92%	-0.70	-78%
Net profit	2.81	8.14	-66%	5.89	-52%

Business volumes	30.06.2020	31.12.2019	Change
Loan portfolio	1 804.0	1 687.0	3%
Financial investments	414.4	32.9	-577%
Deposits of customers	3 104.0	2 731.0	9%
incl. deposits of financial intermediates	539.8	376.1	34%

Equity (including minority interest)	184.4	171.7	5%
Assets managed by bank	224 596	202 186	7%

Ratios EUR million	Q2 2020	Q1 2020	Quarter over quarter	Q2 2019	Year over year
Net profit	2.8	8.1	-5.3	5.9	-3.1
Net profit attributable to owners of the parent	2.2	7.7	-5.5	5.3	-3.1
Average equity	178.3	171.8	-6.5	132.3	46.0
Return on equity (ROE), %	4.8	18.0	-13.2	16.1	-11.3
Return on assets (ROA), %	0.25	0.99	-0.74	1.14	-0.89
Net interest income	15.5	16.2	-0.7	11.8	-3.7
Interest-bearing assets, average	3 457.7	2 992.4	465.3	2 059.2	1 398.5
Net interest margin (NIM) %	1.88	2.08	-0.2	2.30	-0.42
Price spread (SPREAD) %	1.84	2.04	-0.2	2.26	-0.42
Cost/income ratio %	44.9	45.7	-0.8	51.9	-7

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 176.9% as at the end of June (31 December 2019: 142.6%). LCR's growth is due to the issuance of covered bonds in the amount of EUR 250 million and, to a lesser extent, an increase in customer deposits. In the third quarter, the bank intends to continue reducing high-interest deposits from deposit platforms among funding sources. Therefore, excess liquidity is reduced but efficiency is improved.

The bank has a significant amount of financial intermediary deposits, which are fully covered by liquid assets and result in 100% in the LCR calculation. Thus, such deposits bring the LCR arithmetically lower without changing the actual liquidity situation

Excluding the financial intermediaries deposits the LCR is 314.5% (31.12.2019: 218,7%). The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 50% of the balance sheet (31.12.2019: 43%). The ratio of loans to deposits stood at 53% as at the end of the second 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 June were EUR 242.1 million (31.12.2019: 229,0 mln euro).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 17.62% (31.12.2019: 17.61%), calculated according to CRR IV directive. At the time of publishing the report, the Bank has not received permission from the Financial Supervision Authority to include the profit of the second quarter in own funds, therefore in addition to not deducting profit from own funds, increased discounts in the amount of 7.7 million euros are included. Banks capital adequacy exceeds internal capital targets, which is 16.0%.

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)	30.06.2020	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	62 972	45 619
Intangible assets (subtracted)	-747	-685
Net profit for the reporting period	7 735	14 863
Other adjustments	-8 054	-33
Total Tier 1 capital	166 640	158 501
Subordinated debt	28 000	23 000
Total Tier 1 capital	194 640	181 501
Subordinated debt	47 500	47 500
Total Tier 2 capital	47 500	47 500
Net own funds for capital adequacy	242 140	229 001
Capital requirements		
Central governments and central bank under standard method	363	920
Credit institutions and investment companies under standard method	4 302	4 043
Companies under standard method	850 003	819 052
Retail claims under standard method	171 785	167 115
Public sector under standard method	2 646	2
Housing real estate under standard method	222 818	208 693
Overdue claims under standard methods	9 085	5 387
Other assets under standard method	16 346	16 879
Total capital requirements for covering the credit risk and counterparty credit risk	1 277 348	1 222 091

Capital requirement against foreign currency risk under standard method	350	476
Capital requirement against interest position risk under standard method	0	0
Capital requirement against equity portfolio risks under standard method	1 678	960
Capital requirement against credit valuation adjustment risks under standard method	118	22
Capital requirement for operational risk under base method	95 104	76 766
Total capital requirements for adequacy calculation	1 374 598	1 300 315
Capital adequacy (%)	17.62	17.61
Tier 1 capital ratio (%)	14.16	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	Q2 2020	6M 2020	Q2 2019	6M 2019
Interest income		20 509	41 488	14 263	27 177
Interest expense		-4 968	-9 698	-2 421	-4 096
Net interest income	7	15 541	31 790	11 842	23 081
Fee and commission income		7 030	14 319	5 522	10 464
Fee and commission expense		-2 942	-5 897	-2 514	-4 753
Net fee and commission income	8	4 088	8 422	3 008	5 711
Net gains/losses from financial assets measured at fair value		-197	-267	117	123
Foreign exchange gains/losses		7	-16	12	-7
Net gains from financial assets		-190	-283	129	116
Other income/ Other expense		6	63	48	39
Total other income		6	63	48	39
Staff costs		-5 431	-10 589	-4 349	-8 365
Administrative and other operating expenses		-3 383	-7 657	-3 389	-6 884
Total expenses	9	-8 814	-18 246	-7 738	-15 249
Profit before impairment losses on loans and advances		10 631	21 746	7 289	13 698
Income tax expense		-155	-2 120	-697	-1 990
Impairment losses on loans and advances		-7 671	-8 682	-698	-1 649
Net profit for the reporting period		2 805	10 944	5 894	10 059
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		2 805	10 944	5 894	10 059
Total profit of the reporting period attributable to:					
Owners of the parent		2 158	9 893	5 329	9 182
Non-controlling interest		647	1 051	565	877
Total profit for the reporting period		2 805	10 944	5 894	10 059
Total comprehensive income attributable to:					
Owners of the parent		2 158	9 893	5 329	9 182
Non-controlling interest		647	1 051	565	877
Total comprehensive income for the reporting period		2 805	10 944	5 894	10 059

Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	30.06.2020	31.12.2019
Assets			
Due from central bank	10	1 329 434	1 232 733
Due from credit institutions	10	103 613	32 247
Due from investment companies	10	5 012	5 473
Available-for-sale financial assets	6	652	432
Financial assets at fair value through profit or loss	6	413 716	32 499
Loans and advances to customers	5	1 804 036	1 687 034
Receivables from customers		2 370	2 745
Other financial assets		2 253	2 246
Other assets		1 565	1 857
Tangible assets		6 574	6 680
Intangible assets		748	685
Total assets		3 669 994	3 004 631
Liabilities			
Deposits of customers and loans received	11	3 375 226	2 738 601
Financial liabilities at fair value through profit or loss		19	8
Accounts payable and other liabilities		34 853	23 774
Subordinated debt		75 500	70 500
Total liabilities		3 485 598	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		74 825	67 793
Total equity attributable to owners of the parent		179 559	166 530
Non-controlling interest		4 837	5 218
Total equity		184 396	171 748
Total liabilities and equity		3 669 994	3 004 631

Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q2 2020	6M 2020	Q2 2019	6M 2019
Cash flow from operating activities					
Interest received		20 457	41 346	13 917	26 761
Interest paid		-7 079	-10 315	-2 118	-3 646
Fees and commissions received		7 030	14 319	5 522	10 464
Fees and commissions paid		-2 942	-5 897	-2 514	-4 753
Other income		6	63	48	39
Staff costs paid		-4 741	-9 184	-3 839	-7 393
Administrative and other operating expenses paid		-2 772	-6 289	-2 846	-5 804
Income tax		-1 139	-2 550	-697	-1 990
Cash flow from operating activities before change in operating assets and liabilities		8 820	21 493	7 473	13 678
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		12	-39	1	46
Loans and advances to customers		-72 992	-125 137	-129 814	-206 197
Mandatory reserve at central bank		-1 492	-4 553	-4 199	-5 584
Security deposits		47	-7	120	86
Other assets		975	286	-2 072	-333
Net increase/decrease in operating liabilities:					
Demand deposits of customers		166 999	327 417	239 826	348 948
Term deposits of customers		-19 428	63 970	266 727	292 858
Loans received		248 834	248 834	10 000	10 000
Repayments of loans received		-2 943	-2 943	-2 943	-2 943
Financial liabilities held for trading at fair value through profit and loss		-37	10	-25	-2
Other liabilities		11 096	10 819	1 957	-1 950
Net cash generated from/used in operating activities		-339 891	540 150	387 051	448 607
Cash flow from investing activities					
Purchase of current and non-current assets		-168	-853	-536	-5 065
Proceeds from disposal and redemption of investment securities at fair value through other comprehensive income		-220	-220	0	0
Net change of investments at fair value through profit or loss		-191 173	-381 445	-93 089	-72 405
Net cash flow from investing activities		-191 660	-382 518	-93 625	-77 470
Cash flow from financing activities					
Contribution in share capital		0	5 000	10 000	0
Subordinated loan received		5 000	5 000	35 000	41 500
Repayments of subordinated loans received		0	0	-8 000	-8 000
Repayments of the subordinated loans received		0	-4 091	0	-3 431
Dividends paid		-239	-472	0	0
Net cash from financing activities		4 761	5 437	37 000	40 069
Effect of exchange rate changes on cash and cash equivalents					
		7	-16	12	-7
Net decrease/increase in cash and cash equivalents		152 999	163 053	330 438	411 199
Cash and cash equivalents at the beginning of the period		1 254 081	1 244 027	748 327	667 566
Cash and cash equivalents at the end of the period	10	1 408 572	1 407 080	1 078 765	1 078 765

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
Share options	0	0	0	794	794	0	797
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>9 893</i>	<i>9 893</i>	<i>1 051</i>	<i>10 944</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	9 893	9 893	1 051	10 944
Balance as at 30.06.2020	100 500	4 022	212	74 825	179 559	4 837	184 396

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

30.06.2020	Estonia	Latvia	Lit- huania	Finland	Ger- many	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 327 313	0	0	0	0	81 619	7 016	21 942	169	1 438 059
Financial assets at fair value	403 071	755	8 571	0	1	1 956	13	0	1	414 368
Loans and advances to customers	1 763 945	1 536	210	5 955	839	5 664	372	21 597	3 918	1 804 036
Receivables from customers	2 370	0	0	0	0	0	0	0	0	2 370
Other financial assets	110	0	0	0	0	0	2 143	0	0	2 253
Total financial assets	3 496 809	2 291	8 781	5 955	840	89 239	9 544	43 539	4 088	3 661 086
Deposits of customers and loans received	2 352 226	20 624	2 344	37 804	372 310	70 150	1 838	476 456	41 474	3 375 226
Subordinated debt	75 500	0	0	0	0	0	0	0	0	75 500
Financial liabilities at fair value	19	0	0	0	0	0	0	0	0	19
Accounts payable and other financial liabilities	30 752	0	0	0	0	0	0	0	0	30 752
Total financial liabilities	2 458 497	20 624	2 344	37 804	372 310	70 150	1 838	476 456	41 474	3 481 497

Unused loan commitments in the amount of EUR 384 702 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

30.06.2020	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	2 529 138	230 474	347 297	270 392	2 175	3 379 476
Subordinated debt	0	1 437	4 311	22 990	85 201	113 939
Accounts payable and other financial liabilities	0	30 752	0	0	0	30 752
Unused loan commitments	0	384 702	0	0	0	384 702
Financial guarantees by contractual amounts	0	10 994	0	0	0	10 994
Foreign exchange derivatives (gross settled)	0	44 819	0	629	0	45 448
Financial liabilities at fair value	0	19	0	0	0	19
Total liabilities	2 529 138	703 197	351 608	294 011	87 376	3 965 330
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 438 059	0	0	0	0	1 438 059
Financial assets at fair value (debt securities)	0	0	401 411	12 098	0	413 509
Loans and advances to customers	0	92 018	275 685	1 133 575	633 657	2 134 935
Receivables from customers	0	2 370	0	0	0	2 370
Foreign exchange derivatives (gross settled)	0	44 819	0	629	0	45 448
Other financial assets	2 253	0	0	0	0	2 253
Total financial assets	1 440 312	139 207	677 096	1 146 302	633 657	4 036 574
Maturity gap from financial assets and liabilities	-1 088 826	-563 990	325 488	852 291	546 281	71 244

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

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

30.06.2020	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 399 257	1 008	22 481	1 003	5 857	8 452	1 438 059
Financial assets at fair value	414 312	0	0	1	20	34	414 368
Loans and advances to customers	1 781 300	2	20 751	246	1 409	327	1 804 036
Receivables from customers	1 355	115	361	34	1	504	2 370
Other financial assets	110	0	0	0	2 143	0	2 253
Total assets bearing currency risk	3 596 334	1 126	43 594	1 284	9 430	9 318	3 661 086
Liabilities bearing currency risk							
Deposits from customers and loans received	3 274 673	8 470	38 760	10 856	26 908	15 558	3 375 226
Accounts payable and other financial liabilities	5	0	0	1	1	12	19
Interest rate swaps	21 652	86	5 106	147	2 606	1 155	30 752
Subordinated debt	75 500	0	0	0	0	0	75 500
Total liabilities bearing currency risk	3 371 830	8 557	43 866	11 004	29 515	16 725	3 481 497
Open gross position derivative assets at contractual value	627	7 417	0	9 719	20 271	7 414	45 448
Open gross position derivative liabilities at contractual value	44 821	0		0	627	0	45 448
Open foreign currency position	180 310	-14	-271	-2	-442	8	179 589

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

	30.06.2020	%	31.12.2019	%
Individuals	783 891	43.1%	738 152	43.6%
Real estate activities	374 822	20.6%	353 405	20.9%
Financial activities	74 016	4.1%	71 690	4.2%
Manufacturing	125 397	6.9%	114 104	6.7%
Professional, scientific and technical activities	50 601	2.8%	47 368	2.8%
Wholesale and retail trade	95 922	5.3%	80 767	4.8%
Other service activities	16 973	0.9%	7 290	0.4%
Arts and entertainment	58 034	3.2%	42 638	2.5%
Transportation and storage	16 050	0.9%	15 337	0.9%
Agriculture	59 529	3.3%	59 657	3.5%
Administrative and support service activities	66 388	3.7%	67 064	4.0%
Construction	32 139	1.8%	38 951	2.3%
Education	1 873	0.1%	1 976	0.1%
Information and communication	11 340	0.6%	7 017	0.4%
Other sectors	51 669	2.8%	47 722	2.8%
Total	1 818 644	100%	1 693 138	100%
Provision	-14 608		-6 104	
Total loan portfolio	1 804 036	100%	1 687 034	100%

Loans to related parties were 30.06.2020 EUR 3 270 thousand (31.12.2019: 3 290). Loans have been given out on market terms.

The Bank has decided to continue calculating loan discounts on market terms and not to use the options offered by the regulator to defer discounts. Impairment losses on the retail portfolio are formed according to a prudent model of macro indicators and on

corporate loans on a customer-by-customer basis according to changes in ratings. In the second quarter, 7.7 million euros of the planned discounts were realized.

Impairments (in thousand of euros)	Realized impairments		The projected special impairments
	Q1 2020	Q2 2020	Q3-Q4 2020
Total	1 011	7 671	10 675

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	30.06.2020	Level 1	Level 2	Level 3	31.12.2019
Financial assets at fair value through profit and loss								
Shares and fund units	173	0	0	173	164	0	0	164
Available-for-sale bonds and shares	0	0	652	652	0	0	432	432
Bonds at fair value through profit and loss	413 509	0	0	413 509	32 331	0	0	32 331
Interest rate swaps and foreign exchange forwards	0	34	0	34	0	4	0	4
Total financial assets	413 682	34	652	414 368	32 495	4	432	32 931
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange forwards	0	19	0	19	0	8	0	8
Total financial liabilities	0	19	0	19	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 30 June 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 2015-2020. 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 2020	6M 2020	Q2 2019	6M 2019
Business loans	10 886	21 881	8 938	16 776
including loans between related parties	6	11	8	16
Hire purchase	926	1 909	973	1 996
Leasing	915	1 833	663	1 309
including loans between related parties	1	2	1	2
Leverage loans and lending of securities	160	311	113	215
Bonds	-123	-40	63	136
Creditcard loans	203	416	200	399
Consumer loans	2 057	4 160	1 708	3 254
Mortgage loans	4 264	8 673	901	1 637
including loans between related parties	8	16	7	14
Balances with credit institutions and investment companies	-24	5	97	152
Other loans	1 245	2 340	607	1 303
including loans between related parties	2	4	2	4
Total	20 509	41 488	14 263	27 177
Interest expense				
Deposits of customers and loans received	-2 168	-4 280	-952	-1 502
Balances with the central bank	-1 436	-2 736	-821	-1 408
Subordinated liabilities	-1 364	-2 682	-648	-1 186
Total	-4 968	-9 698	-2 421	-4 096
Net interest income	15 541	31 790	11 842	23 081
Interest income on loans by customer location (interest on bank balances and bonds excluded):	Q2 2020	6M 2020	Q2 2019	6M 2019
Estonia	20 656	41 523	14 103	26 889
Total	20 656	41 523	14 103	26 899

NOTE 8 Net Fee and Commission Income

Fee and commission income	Q2 2020	6M 2020	Q2 2019	6M 2019
Security brokerage and commissions paid	1 246	2 498	779	1 307
Asset management and similar fees	856	1 716	718	1 372
Currency conversion revenues	742	1 478	346	843
Fees from cards and payments	3 198	6 527	2 906	5 418
Other fee and commission income	988	2 100	773	1 524
Total	7 030	14 319	5 522	10 464
Fee and commission expense				
Security brokerage and commissions paid	-294	-565	-123	-244
Expenses related to cards	-1 178	-2 355	-935	-1 709
Expenses related to acquiring	-845	-1 769	-952	-1 769
Other fee and commission income	-625	-1 208	-504	-1 031
Total	-2 942	-5 897	-2 514	-4 753
Net fee and commission income	4 088	8 422	3 008	5 711

Fee and commission income by customer location:	Q2 2020	6M 2020	Q2 2019	6M 2019
Estonia	7 030	14 319	5 522	10 464
Total	7 030	14 319	5 522	10 464

NOTE 9 Operating Expenses

	Q2 2020	6M 2020	Q2 2019	6M 2019
Wages, salaries and bonuses	4 209	8 204	3 381	6 475
Social security and other taxes*	1 222	2 385	968	1 890
Total personnel expenses	5 431	10 589	4 349	8 365
IT expenses	708	1 380	565	1 133
Information services and bank services	244	510	186	394
Marketing expenses	258	657	392	1 031
Office expenses	135	321	151	285
Transportation and communication expenses	52	129	61	111
Staff training and business trip expenses	41	157	254	365
Other outsourced services	711	1 251	517	996
Other administrative expenses	742	2 104	665	1 195
Depreciation of non-current assets	372	896	503	1 080
Operational lease payments	73	134	46	112
Other operating expenses	47	118	49	182
Total other operating expenses	3 383	7 657	3 389	6 884
Total operating expenses	8 814	18 246	7 738	15 249

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

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

	30.06.2020	31.12.2019
Term deposits with maturity less than 3 months*	108 625	37 720
Legal reserve with the central bank	30 979	26 426
Other receivables from central bank*	1 298 455	1 206 307
Total	1 438 059	1 270 453
*Cash and cash equivalents in the Statement of Cash Flows	1 407 080	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 5 012 thousand (31 December 2019: EUR 5 473 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 30 June 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				30.06.2020
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	618 827	539 814	1 129 902	239 916	2 528 459
Term deposits	411 870	0	155 133	5 517	572 520
Loans received	0	0	271 534	0	271 534
Accrued interest liability	2 123	0	588	2	2 713
Total	1 032 820	539 814	1 557 157	245 435	3 375 226

	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 has signed an unsecured 10-year loan agreement with the European Investment Fund (EIF) in the amount of EUR 12.5 million to increase the borrowing possibilities of small and medium-sized enterprises. As at 30.06.2020, the Bank had utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 2 883 thousand euros. From

Nordic Investment Bank possible 20 000 thousand euro loan as at 30.06.2020 the Bank had utilized 20 000 thousand euros repaid the principal in the amount of EUR 6 666 thousand euros.

The nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been implemented.

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:	30.06.2020	31.12.2019
Cash balance of customers	10 239	9 967
Securities of customers	1 656 239	1 554 796
<i>Incl. parent company</i>	179 863	169 050
<i>Incl. shareholders of the parent company and related entities</i>	215 379	195 914
Total	1 666 478	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 30 June 2020	13 385	10 994	11	384 702	409 092
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
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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