

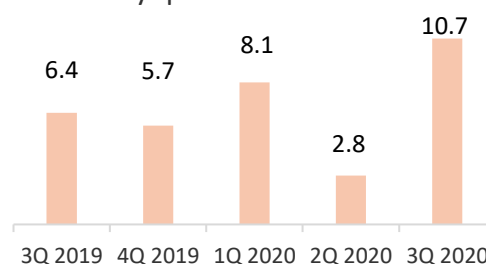
# Interim Report January – September 2020

## Summary of Results

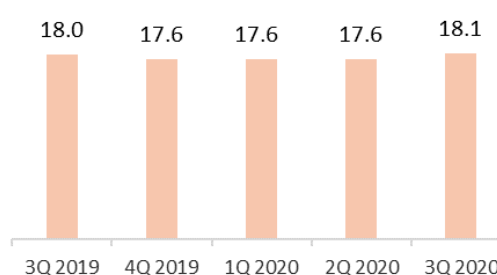
### Q3 2020 in comparison with Q2 2020

- Net profit EUR 10.7 m (2.8 mln euro), of which EUR 9.9 m (EUR 2.2 m) is attributable to owners of the parent
- Net income EUR 21.3 m (EUR 19.6 m)
- Operating expenses EUR 8.8 m (EUR 8.8 m)
- Loan provisions EUR -0.03 m (EUR 7.7 m)
- Income tax expenses EUR 1.9 m (EUR 0.2 m)
- Return on equity 21.5% (4.8%)
- Capital adequacy 18.1% (17.6%)

### Profit by quarters



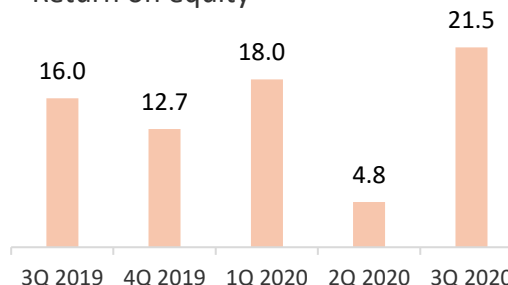
### Capital adequacy



### Q3 2020 in comparison with Q3 2019

- Net profit EUR 10.7 m (EUR 6.4 m), of which EUR 9.9 m (EUR 5.7 m) is attributable to owners of the parent
- Net income EUR 21.3 m (EUR 14.7 m)
- Operating expenses EUR 8.8 m (EUR 7.7 m)
- Loan provisions EUR -0.03 m (EUR 0.02 m)
- Income tax expenses EUR 1.9 m (EUR 0.7 m)
- Return on equity 21.5% (16.0%)
- Capital adequacy 18.1% (18.0%)

### 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 number of the bank's clients grew by 11,000 in a quarter. New record levels were achieved in the activity and business volumes of ordinary clients. Deposits grew by EUR 153 million and loans by EUR 52 million in a quarter.

The deposits of ordinary clients grew by EUR 233 million and the deposits of financial intermediaries by EUR 57 million. Deposits engaged via deposit platforms decreased by EUR 137 million, as the bank is still not active in engaging deposits on platforms. In September, the bank issued EUR 100 million worth of covered bonds and engaged means of financing from the TLTRO III programme of the European Central Bank in the extent of EUR 200 million. As at the end of the quarter, the bank's deposits exceeded 3 billion euros and the balance sheet volume 4 billion euros.

Corporate loans grew by EUR 12 million and retail loans by EUR 39 million. The joint procedure for granting payment holidays agreed between the Estonian banks expired at the end of September. Of the bank's existing loans, approximately 1,800 clients (60% individuals and 40% enterprises) were on payment holiday by the end of the quarter, which is 1,100 fewer clients than at the end of Q2. The total amount of loans on payment holiday was EUR 311 million (10% individuals and 90% enterprises), which is EUR 38 million less than at the end of Q2. At the beginning of October, the bank and Danske Bank completed a transaction under which the bank acquired Danske Bank's credit portfolio related to Estonian enterprises and the public sector in the form of a transfer of an operation. The final volume of the transaction amounted to EUR 273 million. Considering the 19-

million-euro discount from the purchase price, the bank's loan portfolio grew by EUR 254 million as a result of the transaction. More than 346 business clients, 252 apartment associations and 80 public sector clients were taken over from Danske Bank. 56% of the acquired credit portfolio was made up of loans issued to local governments. Since the official conclusion of the transaction, the gains from the portfolio amount to about 4 million euros a year. With the acquisition of the operation, the bank's loans exceeded the line of 2 billion euros.

The net profit for the quarter amounted to EUR 10.7 million. The results of the quarter include the advance income tax expense of the coming year in the amount of EUR 0.5 million payable on the expected future dividends, which has to be accounted for in accordance with the amended accounting rules. Loan discounts did not increase during the quarter. Although the credit rating of some corporate banking loan clients who have been directly affected by the crisis has declined and that has resulted in an additional discount, the overall quality of the bank's loan portfolio has remained strong and the share of overdue loans has remained small.

New payment services which the bank released during the quarter included the Alexela credit card, the virtual ISIC student card, Fitbit and Garmin smart watch swipe payments, and the option to order the PIN code to the mobile bank. From the beginning of October, the bank started offering apartment associations loans. For the third consecutive year, Euromoney selected LHV Pank as the best bank in Estonia.

## Financial Summary

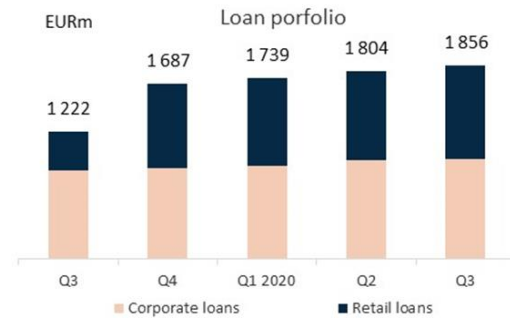
Q3 was successful in terms of business volumes. LHV Pank generated EUR 16.8 million in net interest income and EUR 4.2 million in net fee and commission income. In total, the bank's net income amounted to EUR 21.3 million and expenditure to EUR 8.8 million. Net operating income increased by 44% year-on-year, while expenses increased by 14%. Significant write-downs were made in the second quarter due to uncertainties arising from COVID. At the same time, the economic situation has been significantly better.

Loan provisions amounted to EUR -0.03 million. 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 income was 0.2 million in Q3. LHV Pank is accounting from Q1 14% advance income tax, which generated corporate income tax in amount of EUR 0.2 million. In the third quarter, we became aware of a change in the interpretation of IAS 12, which affects the calculation of income tax on dividends at the consolidated level for future dividend payments by subsidiaries. This resulted in an expense of EUR 0.5 million from this period in future years.

The net profit of LHV Pank amounted to EUR 10.7 million in Q3. This constitutes a 280% increase from Q2 (2.8) and a 67% increase from Q3 2019 (6.4).

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 1 856 million (Q2 2020: EUR 1 804 million). The volume of portfolios grew 3% over the quarter. Retail loans portfolio grow 4% within quarter and has reached EUR 908 million (Q2 2020: EUR 869 million). Loan portfolio increased by EUR 52 million in Q3 (Q2 2020: EUR 65 million).



Banks deposits increased 5% within a quarter and reached EUR 3 257 million by end of quarter (Q2 2020: EUR 3 104 million). Financial intermediates deposits increased by EUR 57.2 million. EUR 2 798 million were demand deposits and EUR 459 million were term deposits. Private individuals deposits reached EUR 930 million decreasing 10% q-t-q. The decline was due to the replacement of deposits from more expensive deposit platforms with cheaper sources of financing. A total of 166.2 million euros of deposits raised through the platforms were repaid.

The bank earned 10.7 million euros in profit in the quarter, which is 67% less than in the third quarter of the previous year. The main factor was loan provisions. The bank's cost / income ratio improved significantly, reaching 41.4% in the third quarter, being 10.6 percentage points lower than in the third quarter of 2019 (52%).

Income statement	Q3	Q2	Quarter	Q3	Year
EUR million	2020	2020	over quarter	2019	over year
Net interest income	16.84	15.54	8%	11.60	45%
Net fee and commission income	4.24	4.09	4%	3.11	36%
Other financial income	0.16	-0.19	NA	0.03	475%
Total net operating income	21.24	19.44	9%	14.74	44%
Other income	0.06	0.01	833%	0.06	18%
Operating expenses	-8.76	-8.81	-1%	-7.69	14%
Loan losses	0.03	-7.67	NA	-0.02	NA
Income tax expenses	-1.92	-0.16	1 139%	-0.70	174%
Net profit	10.65	2.81	280%	6.39	67%

**Business volumes**

EUR million	30.09.2020	31.12.2019	Change
Loan portfolio	1 855.8	1 687.0	10%
Financial investments	424.2	32.9	1 188%
Deposits of customers	3 257.0	2 713.0	20%
incl. deposits of financial intermediates	597.0	376.1	59%
Equity (including minority interest)	195.5	171.7	14%
Assets managed by bank	235 629	202 186	17%

Ratios	Q3	Q2	Quarter over	Q3	Year
EUR million	2020	2020	quarter	2019	over year
Net profit	10.7	2.8	7.9	6.4	4.3
Net profit attributable to owners of the parent	9.9	2.2	7.7	5.7	4.2
Average equity	184.7	178.3	6.4	142.0	42.7
Return on equity (ROE), %	21.5	4.8	16.7	16.0	5.5
Return on assets (ROA), %	1.03	0.25	0.78	0.88	0.15
Net interest income	16.8	15.5	1.3	11.6	5.2
Interest-bearing assets, average	3 853.7	3 457.7	396.0	2 575.5	1 278.2
Net interest margin (NIM) %	1.75	1.88	-0.13	1.80	-0.05
Price spread (SPREAD) %	1.72	1.84	-0.12	1.75	-0.03
Cost/income ratio %	41.4	44.9	-3.5	52.0	-10.6

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

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

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

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

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

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

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

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

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

## Liquidity and capitalisation

The Bank's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 175.8% as at the end of September (31 December 2019: 142.6%). In the third quarter, the bank continued reducing high-interest deposits from deposit platforms among funding sources. In the third quarter, the Bank raised EUR 200 million in negative interest funds through the TLTRO III program offered by the European Central Bank.

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 intermediates deposits the LCR is 314.7% (31.12.2019: 218,7%). The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 54% of the balance sheet (31.12.2019: 43%). The ratio of loans to deposits stood at 50% as at the end of the second quarter (31.12.2019: 62%). The Bank's liquidity was very high at the end of the quarter, as the Bank was preparing to take over the last portfolio of the Estonian branch of Danske Pank on 3 October 2020.

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 bank is following its own risk scenario.

Banks own funds based on CAD calculations at end of September were EUR 258.8 million (31.12.2019: 229,0 mln eurot).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 18.13% (31.12.2019: 17.61%), calculated according to CRR IV directive. 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.

<b>Capital base (in thousands of euros)</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
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)	-873	-685
Net profit for the reporting period (COREP)	9 893	14 863
Other adjustments	-424	-33
<b>Total Tier 1 capital</b>	<b>176 302</b>	<b>158 501</b>
Subordinated debt	28 000	23 000
<b>Total Tier 1 capital</b>	<b>204 302</b>	<b>181 501</b>
Subordinated debt	54 500	47 500
<b>Total Tier 2 capital</b>	<b>54 500</b>	<b>47 500</b>
<b>Net own funds for capital adequacy</b>	<b>258 802</b>	<b>229 001</b>
<b>Capital requirements</b>		
Central governments and central bank under standard method	364	920
Credit institutions and investment companies under standard method	8 151	4 043
Companies under standard method	885 048	819 052
Retail claims under standard method	175 525	167 115
Public sector under standard method	4	2
Housing real estate under standard method	233 313	208 693
Overdue claims under standard methods	11 268	5 387
Other assets under standard method	16 632	16 879
<b>Total capital requirements for covering the credit risk and counterparty credit risk</b>	<b>1 330 305</b>	<b>1 222 091</b>
Capital requirement against foreign currency risk under standard method	263	476
Capital requirement against interest position risk under standard method	0	0
Capital requirement against equity portfolio risks under standard method	1 666	960

Capital requirement against credit valuation adjustment risks under standard method	44	22
Capital requirement for operational risk under base method	95 104	76 766
<b>Total capital requirements for adequacy calculation</b>	<b>1 427 382</b>	<b>1 300 315</b>
<b>Capital adequacy (%)</b>	<b>18.13</b>	<b>17.61</b>
<b>Tier 1 capital ratio (%)</b>	<b>14.31</b>	<b>13.96</b>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

<i>(in thousands of euros)</i>	Note	Q3 2020	9M 2020	Q3 2019	9M 2019
Interest income		21 316	62 804	16 028	43 205
Interest expense		-4 479	-14 177	-4 428	-8 524
<b>Net interest income</b>	7	<b>16 837</b>	<b>48 627</b>	<b>11 600</b>	<b>34 681</b>
Fee and commission income		7 739	22 058	6 142	16 606
Fee and commission expense		-3 496	-9 393	-3 032	-7 785
<b>Net fee and commission income</b>	8	<b>4 243</b>	<b>12 665</b>	<b>3 110</b>	<b>8 821</b>
Net gains/losses from financial assets measured at fair value		161	-106	15	138
Foreign exchange gains/losses		0	-16	13	6
<b>Net gains from financial assets</b>		<b>161</b>	<b>-122</b>	<b>28</b>	<b>144</b>
Other income/ Other expense		66	129	56	95
<b>Total other income</b>		<b>66</b>	<b>129</b>	<b>56</b>	<b>95</b>
Staff costs		-4 928	-15 517	-4 076	-12 441
Administrative and other operating expenses		-3 832	-11 489	-3 616	-10 500
<b>Total expenses</b>	9	<b>-8 760</b>	<b>-27 006</b>	<b>-7 692</b>	<b>-22 941</b>
<b>Profit before impairment losses on loans and advances</b>		<b>12 547</b>	<b>34 293</b>	<b>7 102</b>	<b>20 800</b>
Income tax expense		-1 920	-4 040	-701	-2 691
Impairment losses on loans and advances		27	-8 655	-15	-1 664
<b>Net profit for the reporting period</b>		<b>10 654</b>	<b>21 598</b>	<b>6 386</b>	<b>16 445</b>
<b>Other comprehensive income</b>					
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
<b>Total profit and other comprehensive income for the reporting period</b>		<b>10 654</b>	<b>21 598</b>	<b>6 386</b>	<b>16 445</b>
<b>Total profit of the reporting period attributable to:</b>					
Owners of the parent		9 907	19 800	5 680	14 862
Non-controlling interest		747	1 798	706	1 583
<b>Total profit for the reporting period</b>		<b>10 654</b>	<b>21 598</b>	<b>6 386</b>	<b>16 445</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		9 907	19 800	5 680	14 862
Non-controlling interest		747	1 798	706	1 583
<b>Total comprehensive income for the reporting period</b>		<b>10 654</b>	<b>21 598</b>	<b>6 386</b>	<b>16 445</b>



## Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	30.09.2020	31.12.2019
<b>Assets</b>			
Due from central bank	10	1 641 856	1 232 733
Due from credit institutions	10	103 260	32 247
Due from investment companies	10	5 467	5 473
Available-for-sale financial assets	6	652	432
Financial assets at fair value through profit or loss	6	423 501	32 499
Loans and advances to customers	5	1 855 823	1 687 034
Receivables from customers		1 729	2 745
Other financial assets		2 165	2 246
Other assets		1 999	1 857
Tangible assets		6 462	6 680
Intangible assets		873	685
<b>Total assets</b>		<b>4 043 787</b>	<b>3 004 631</b>
<b>Liabilities</b>			
Deposits of customers and loans received	11	3 728 716	2 738 601
Financial liabilities at fair value through profit or loss		77	8
Accounts payable and other liabilities		34 034	23 774
Subordinated debt		85 500	70 500
<b>Total liabilities</b>		<b>3 848 327</b>	<b>2 832 883</b>
<b>Owner's equity</b>			
Share capital		100 500	95 500
Statutory reserve capital		4 022	3 025
Other reserves		212	212
Retained earnings / accumulated deficit		85 142	67 793
<b>Total equity attributable to owners of the parent</b>		<b>189 876</b>	<b>166 530</b>
Non-controlling interest		5 584	5 218
<b>Total equity</b>		<b>195 460</b>	<b>171 748</b>
<b>Total liabilities and equity</b>		<b>4 043 787</b>	<b>3 004 631</b>

## Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q3 2020	9M 2020	Q3 2019	9M 2019
<b>Cash flow from operating activities</b>					
Interest received		21 211	62 557	15 737	42 498
Interest paid		-5 614	-15 929	-3 149	-6 795
Fees and commissions received		7 739	22 058	6 142	16 606
Fees and commissions paid		-3 496	-9 393	-3 032	-7 785
Other income		66	129	56	95
Staff costs paid		-4 866	-14 050	-3 976	-11 369
Administrative and other operating expenses paid		-2 726	-9 015	-3 047	-8 851
Income tax		-160	-2 710	-544	-2 534
<b>Cash flow from operating activities before change in operating assets and liabilities</b>		<b>12 154</b>	<b>33 647</b>	<b>8 187</b>	<b>21 865</b>
<b>Net increase/decrease in operating assets:</b>					
Net acquisition/disposal of trading portfolio		30	-9	-8	38
Loans and advances to customers		-50 999	-176 136	-102 996	-309 193
Mandatory reserve at central bank		-1 473	-6 026	-5 630	-11 214
Security deposits		87	80	351	437
Other assets		-416	-130	19	-314
<b>Net increase/decrease in operating liabilities:</b>					
Demand deposits of customers		269 096	596 513	335 675	684 623
Term deposits of customers		-114 377	-50 407	117 007	409 865
Loans received		199 896	448 730	0	10 000
Repayments of loans received		0	-2 943	0	-2 943
Financial liabilities held for trading at fair value through profit and loss		58	68	12	10
Other liabilities		-2 232	8 587	16 511	14 561
<b>Net cash generated from/used in operating activities</b>		<b>311 824</b>	<b>851 974</b>	<b>369 128</b>	<b>817 735</b>
<b>Cash flow from investing activities</b>					
Purchase of current and non-current assets		-669	-1 522	-1 011	-6 076
Proceeds from disposal and redemption of investment securities at fair value through other comprehensive income		0	-220	0	0
Net change of investments at fair value through profit or loss		-9 653	-391 098	-4 396	-76 801
<b>Net cash flow from investing activities</b>		<b>-10 322</b>	<b>-392 840</b>	<b>-5 407</b>	<b>-82 877</b>
<b>Cash flow from financing activities</b>					
Contribution in share capital		0	5 000	0	10 000
Subordinated loan received		10 000	15 000	0	41 500
Repayments of subordinated loans received		0	0	0	-8 000
Dividends paid		0	-4 091	0	-3 431
Repayments of the subordinated loans received		-451	-923	0	0
<b>Net cash from financing activities</b>		<b>9 549</b>	<b>14 986</b>	<b>0</b>	<b>40 069</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>					
		<b>0</b>	<b>-16</b>	<b>13</b>	<b>6</b>
<b>Net decrease/increase in cash and cash equivalents</b>		<b>311 051</b>	<b>474 104</b>	<b>363 734</b>	<b>774 933</b>
Cash and cash equivalents at the beginning of the period		1 407 080	1 244 027	1 078 765	667 566
<b>Cash and cash equivalents at the end of the period</b>	<b>10</b>	<b>1 718 131</b>	<b>1 718 131</b>	<b>1 442 499</b>	<b>1 442 499</b>

## 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
<b>Balance as at 01.01.2019</b>	<b>69 500</b>	<b>2 191</b>	<b>78</b>	<b>49 687</b>	<b>121 456</b>	<b>4 123</b>	<b>125 579</b>
Paid in share capital	26 000	0	0	0	26 000	0	<b>26 000</b>
Transfer to statutory reserve capital	0	834	0	-834	0	0	<b>0</b>
Dividends paid	0	0	0	-2 230	-2 230	-1 201	<b>-3 431</b>
Share options	0	0	0	1 366	1 366	0	<b>1 366</b>
<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>	<b><i>22 100</i></b>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>134</i>	<i>0</i>	<i>134</i>	<i>0</i>	<b><i>134</i></b>
Total profit and other comprehensive income for the reporting period	0	0	134	19 804	19 938	2 296	<b>22 234</b>
<b>Balance as at 31.12.2019</b>	<b>95 500</b>	<b>3 025</b>	<b>212</b>	<b>67 793</b>	<b>166 530</b>	<b>5 218</b>	<b>171 748</b>
<b>Balance as at 01.01.2020</b>	<b>95 500</b>	<b>3 025</b>	<b>212</b>	<b>67 793</b>	<b>166 530</b>	<b>5 218</b>	<b>171 748</b>
Paid in share capital	5 000	0	0	0	5 000	0	<b>5 000</b>
Transfer to statutory reserve capital	0	997	0	-997	0	0	<b>0</b>
Dividends paid	0	0	0	-2 658	-2 658	-1 432	<b>-4 090</b>
Share options	0	0	0	1 204	1 204	0	<b>1 204</b>
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>19 800</i>	<i>19 800</i>	<i>1 798</i>	<b><i>21 598</i></b>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<b><i>0</i></b>
Total profit and other comprehensive income for the reporting period	0	0	0	19 800	19 800	1 798	<b>21 598</b>
<b>Balance as at 30.09.2020</b>	<b>100 500</b>	<b>4 022</b>	<b>212</b>	<b>85 142</b>	<b>184 876</b>	<b>5 584</b>	<b>195 460</b>

## 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

<b>30.09.2020</b>	<b>Estonia</b>	<b>Latvia</b>	<b>Lit- huania</b>	<b>Finland</b>	<b>Ger- many</b>	<b>Other EU</b>	<b>USA</b>	<b>UK</b>	<b>Other</b>	<b>Total</b>
Due from banks and investment companies	1 633 904	0	0	0	0	67 511	6 791	42 075	302	<b>1 750 583</b>
Financial assets at fair value	412 980	756	8 452	0	1	1 957	4	2	1	<b>424 153</b>
Loans and advances to customers	1 828 575	1 830	92	6 245	824	5 980	363	7 946	3 968	<b>1 855 823</b>
Receivables from customers	1 729	0	0	0	0	0	0	0	0	<b>1 729</b>
Other financial assets	2 165	0	0	0	0	0	0	0	0	<b>2 165</b>
<b>Total financial assets</b>	<b>3 879 353</b>	<b>2 586</b>	<b>8 544</b>	<b>6 245</b>	<b>825</b>	<b>75 448</b>	<b>7 158</b>	<b>50 023</b>	<b>4 271</b>	<b>4 034 453</b>
Deposits of customers and loans received	2 806 722	28 531	4 278	20 678	235 962	88 202	990	502 028	41 325	<b>3 728 716</b>
Subordinated debt	85 500	0	0	0	0	0	0	0	0	<b>85 500</b>
Financial liabilities at fair value	77	0	0	0	0	0	0	0	0	<b>77</b>
Accounts payable and other financial liabilities	30 565	0	0	0	0	0	0	0	0	<b>30 565</b>
<b>Total financial liabilities</b>	<b>2 922 864</b>	<b>28 531</b>	<b>4 278</b>	<b>20 678</b>	<b>235 962</b>	<b>88 202</b>	<b>990</b>	<b>502 028</b>	<b>41 325</b>	<b>3 844 858</b>

Unused loan commitments in the amount of EUR 404 979 thousand are for the residents of Estonia.

<b>31.12.2019</b>	<b>Estonia</b>	<b>Latvia</b>	<b>Lit- huania</b>	<b>Finland</b>	<b>Ger- many</b>	<b>Other EU</b>	<b>USA</b>	<b>UK</b>	<b>Other</b>	<b>Total</b>
Due from banks and investment companies	1 228 469	0	0	0	0	10 972	4 929	23 041	3 042	<b>1 270 453</b>
Financial assets at fair value	453	760	19 951	0	9 840	1 907	4	0	16	<b>32 931</b>
Loans and advances to customers	1 656 373	445	287	5 574	840	19 951	379	0	3 185	<b>1 687 034</b>
Receivables from customers	2 745	0	0	0	0	0	0	0	9	<b>2 745</b>
Other financial assets	110	0	0	0	0	0	2 825	0	0	<b>2 246</b>
<b>Total financial assets</b>	<b>2 888 150</b>	<b>1 205</b>	<b>20 238</b>	<b>5 574</b>	<b>10 680</b>	<b>32 830</b>	<b>7 448</b>	<b>23 041</b>	<b>6 243</b>	<b>2 995 409</b>
Deposits of customers and loans received	1 882 514	12 725	1 503	19 564	372 390	394 310	1 241	0	54 354	<b>2 738 601</b>
Subordinated debt	70 500	0	0	0	0	0	0	0	0	<b>70 500</b>
Financial liabilities at fair value	8	0	0	0	0	0	0	0	0	<b>8</b>
Accounts payable and other financial liabilities	20 563	0	4	27	0	13	3	3	0	<b>20 613</b>
<b>Total financial liabilities</b>	<b>1 973 585</b>	<b>12 725</b>	<b>1 507</b>	<b>19 591</b>	<b>372 390</b>	<b>394 323</b>	<b>1 244</b>	<b>3</b>	<b>54 354</b>	<b>2 829 722</b>

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

<b>30.09.2020</b>	<b>On demand</b>	<b>0-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities by contractual maturity dates</b>						
Deposits from customers and loans received	2 798 248	152 920	307 527	468 636	2 198	<b>3 729 529</b>
Subordinated debt	0	1 612	4 836	25 790	97 929	<b>130 167</b>
Accounts payable and other financial liabilities	0	30 565	0	0	0	<b>30 565</b>
Unused loan commitments	0	404 979	0	0	0	<b>404 979</b>
Financial guarantees by contractual amounts	0	34 933	0	0	0	<b>34 933</b>
Foreign exchange derivatives (gross settled)	0	43 690	0	609	0	<b>44 299</b>
Financial liabilities at fair value	0	77	0	0	0	<b>77</b>
<b>Total liabilities</b>	<b>2 798 248</b>	<b>668 776</b>	<b>312 363</b>	<b>495 035</b>	<b>100 127</b>	<b>4 374 549</b>
<b>Financial assets by contractual maturity dates</b>						
Due from banks and investment companies	1 750 583	0	0	0	0	<b>1 750 583</b>
Financial assets at fair value (debt securities)	0	100 953	315 989	6 382	0	<b>423 324</b>
Loans and advances to customers	0	118 952	268 355	1 145 197	666 455	<b>2 198 959</b>
Receivables from customers	0	1 729	0	0	0	<b>1 729</b>
Foreign exchange derivatives (gross settled)	0	43 690	0	609	0	<b>44 299</b>
Other financial assets	2 165	0	0	0	0	<b>2 165</b>
<b>Total financial assets</b>	<b>1 752 748</b>	<b>265 324</b>	<b>584 344</b>	<b>1 152 188</b>	<b>666 455</b>	<b>4 421 059</b>
<b>Maturity gap from financial assets and liabilities</b>	<b>-1 045 500</b>	<b>-403 452</b>	<b>271 981</b>	<b>657 153</b>	<b>566 328</b>	<b>46 510</b>

<b>31.12.2019</b>	<b>On demand</b>	<b>0-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities by contractual maturity dates</b>						
Deposits from customers and loans received	2 201 704	41 522	476 248	18 721	2 906	<b>2 741 101</b>
Subordinated debt	0	1 318	3 954	21 090	81 745	<b>108 107</b>
Accounts payable and other financial liabilities	0	20 613	0	0	0	<b>20 613</b>
Unused loan commitments	0	359 230	0	0	0	<b>359 230</b>
Financial guarantees by contractual amounts	0	14 139	0	0	0	<b>14 139</b>
Foreign exchange derivatives (gross settled)	0	14 942	0	615	0	<b>15 557</b>
Financial liabilities at fair value	0	8	0	0	0	<b>8</b>
<b>Total liabilities</b>	<b>2 201 704</b>	<b>451 772</b>	<b>480 202</b>	<b>40 426</b>	<b>84 651</b>	<b>3 258 755</b>
<b>Financial assets by contractual maturity dates</b>						
Due from banks and investment companies	1 270 453	0	0	0	0	<b>1 270 453</b>
Financial assets at fair value (debt securities)	0	10 883	13 018	8 429	0	<b>32 330</b>
Loans and advances to customers	0	113 590	251 806	1 029 520	582 889	<b>1 977 805</b>
Receivables from customers	0	2 745	0	0	0	<b>2 745</b>
Other financial assets	2 246	0	0	0	0	<b>2 246</b>
Foreign exchange derivatives	0	14 942	0	615	0	<b>15 557</b>
<b>Total financial assets</b>	<b>1 272 699</b>	<b>142 160</b>	<b>264 824</b>	<b>1 038 564</b>	<b>582 889</b>	<b>3 301 136</b>
<b>Maturity gap from financial assets and liabilities</b>	<b>-929 005</b>	<b>-309 612</b>	<b>-215 378</b>	<b>998 138</b>	<b>498 238</b>	<b>42 381</b>

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

30.09.2020	EUR	CHF	GBP	SEK	USD	Other	Total
<b>Assets bearing currency risk</b>							
Due from banks and investment companies	1 685 478	985	47 444	2 057	6 120	8 498	<b>1 750 583</b>
Financial assets at fair value	424 139	0	0	1	10	3	<b>424 153</b>
Loans and advances to customers	1 844 721	10	6 999	256	3 641	196	<b>1 855 823</b>
Receivables from customers	1 217	5	199	20	0	288	<b>1 729</b>
Other financial assets	115	0	0	0	2 050	0	<b>2 165</b>
<b>Total assets bearing currency risk</b>	<b>3 955 671</b>	<b>1 000</b>	<b>54 642</b>	<b>2 334</b>	<b>11 822</b>	<b>8 985</b>	<b>4 034 453</b>
<b>Liabilities bearing currency risk</b>							
Deposits from customers and loans received	3 619,388	7 489	45 064	9 322	34 870	12 584	<b>3 728 716</b>
Accounts payable and other financial liabilities	5	0	0	1	1	70	<b>77</b>
Interest rate swaps	17 316	153	9 962	574	1 293	1 267	<b>30 565</b>
Subordinated debt	85 500	0	0	0	0	0	<b>85 500</b>
<b>Total liabilities bearing currency risk</b>	<b>3 722 209</b>	<b>7 642</b>	<b>55 026</b>	<b>9 897</b>	<b>36 164</b>	<b>13 921</b>	<b>3 844 858</b>
Open gross position derivative assets at contractual value	609	6 575	0	7 589	24 940	4 586	44 299
Open gross position derivative liabilities at contractual value	43 690	0	0	0	609	0	44 299
<b>Open foreign currency position</b>	<b>190 381</b>	<b>-67</b>	<b>-384</b>	<b>26</b>	<b>-11</b>	<b>-350</b>	<b>189 595</b>
<b>31.12.2019</b>							
<b>Assets bearing currency risk</b>							
Due from banks and investment companies	1 231 088	514	27 690	1 053	1 362	8 745	<b>1 270 453</b>
Financial assets at fair value	16 683	0	0	1	16 241	5	<b>32 931</b>
Loans and advances to customers	1 685 519	4	62	584	788	77	<b>1 687 034</b>
Receivables from customers	1 742	10	601	56	0	335	<b>2 745</b>
Other financial assets	110	0	0	0	2 136	0	<b>2 246</b>
<b>Total assets bearing currency risk</b>	<b>2 935 142</b>	<b>528</b>	<b>28 353</b>	<b>1 695</b>	<b>20 528</b>	<b>9 163</b>	<b>2 995 409</b>
<b>Liabilities bearing currency risk</b>							
Deposits from customers and loans received	2 667 370	4 538	27 138	8 139	20 356	11 061	<b>2 738 601</b>
Financial liabilities at fair value	16 934	62	1 201	345	245	1 826	<b>20 613</b>
Interest rate swaps	5	0	0	1	1	1	<b>8</b>
Subordinated debt	70 500	0	0	0	0	0	<b>70 500</b>
<b>Total liabilities bearing currency risk</b>	<b>2 754 809</b>	<b>4 601</b>	<b>28 339</b>	<b>8 485</b>	<b>20 602</b>	<b>12 888</b>	<b>2 829 722</b>
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
<b>Open foreign currency position</b>	<b>166 006</b>	<b>-19</b>	<b>14</b>	<b>26</b>	<b>25</b>	<b>-366</b>	<b>165 687</b>

## NOTE 5 Breakdown of Loan Portfolio by Economic Sectors

	30.09.2020	%	31.12.2019	%
Individuals	820 257	43.9%	738 152	43.6%
Real estate activities	386 002	20.6%	353 405	20.9%
Financial activities	58 448	3.1%	71 690	4.2%
Manufacturing	122 316	6.5%	114 104	6.7%
Professional, scientific and technical activities	49 877	2.7%	47 368	2.8%
Wholesale and retail trade	96 432	5.2%	80 767	4.8%
Other service activities	20 885	1.1%	7 290	0.4%
Arts and entertainment	57 510	3.1%	42 638	2.5%
Transportation and storage	16 997	0.9%	15 337	0.9%
Agriculture	69 902	3.7%	59 657	3.5%
Administrative and support service activities	65 223	3.5%	67 064	4.0%
Construction	37 533	2.0%	38 951	2.3%
Education	2 033	0.1%	1 976	0.1%
Information and communication	11 290	0.6%	7 017	0.4%
Other sectors	55 631	3.0%	47 722	2.8%
<b>Total</b>	<b>1 870 336</b>	<b>100%</b>	<b>1 693 138</b>	<b>100%</b>
Provision	-14 512		-6 104	
<b>Total loan portfolio</b>	<b>1 855 823</b>	<b>100%</b>	<b>1 687 034</b>	<b>100%</b>

Loans to related parties were 30.09.2020 EUR 3 612 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.

## 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	30.09.2020	Level 1	Level 2	Level 3	31.12.2019
<b>Financial assets at fair value through profit and loss</b>								
Shares and fund units	165	0	0	165	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	423 324	0	0	423 324	32 331	0	0	32 331
Interest rate swaps and foreign exchange forwards	0	12	0	12	0	4	0	4
<b>Total financial assets</b>	<b>423 489</b>	<b>12</b>	<b>652</b>	<b>424 153</b>	<b>32 495</b>	<b>4</b>	<b>432</b>	<b>32 931</b>
<b>Financial liabilities at fair value through profit and loss</b>								
Interest rate swaps and foreign exchange forwards	0	77	0	77	0	8	0	8
<b>Total financial liabilities</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>8</b>

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 September 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

<b>Interest income</b>	<b>Q3 2020</b>	<b>9M 2020</b>	<b>Q3 2019</b>	<b>9M 2019</b>
Business loans	11 185	33 066	9 533	26 309
including loans between related parties	11	22	6	22
Hire purchase	888	2 797	972	2 968
Leasing	962	2 795	1 101	2 410
including loans between related parties	1	3	0	2
Leverage loans and lending of securities	199	510	112	327
Bonds	-231	-271	126	262
Creditcard loans	209	625	205	604
Consumer loans	2 067	6 227	1 916	5 170
Mortgage loans	4 603	13 276	1 118	2 755
including loans between related parties	8	24	9	26
Balances with credit institutions and investment companies	-1	4	84	236
Other loans	1 435	3 775	861	2 164
including loans between related parties	1	5	1	5
<b>Total</b>	<b>21 316</b>	<b>62 804</b>	<b>16 028</b>	<b>43 205</b>

<b>Interest expense</b>				
Deposits of customers and loans received	-1 688	-5 968	-1 993	-3 495
Balances with the central bank	-1 352	-4 088	-1 245	-2 653
Subordinated liabilities	-1 439	-4 121	-1 190	-2 376
<b>Total</b>	<b>-4 479</b>	<b>-14 177</b>	<b>-4 428</b>	<b>-8 524</b>

<b>Net interest income</b>	<b>16 837</b>	<b>48 627</b>	<b>11 600</b>	<b>34 681</b>
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<b>Interest income on loans by customer location (interest on bank balances and bonds excluded):</b>	<b>Q3 2020</b>	<b>9M 2020</b>	<b>Q3 2019</b>	<b>9M 2019</b>
Estonia	21 548	63 071	15 818	42 707
<b>Total</b>	<b>21 548</b>	<b>63 071</b>	<b>15 818</b>	<b>42 707</b>

## NOTE 8 Net Fee and Commission Income

<b>Fee and commission income</b>	<b>Q3 2020</b>	<b>9M 2020</b>	<b>Q3 2019</b>	<b>9M 2019</b>
Security brokerage and commissions paid	930	3 428	604	1 911
Asset management and similar fees	948	2 664	777	2 149
Currency conversion revenues	790	2 280	586	1 429
Fees from cards and payments	4 157	10 739	3 397	8 815
Other fee and commission income	914	2 947	778	2 302
<b>Total</b>	<b>7 739</b>	<b>22 058</b>	<b>6 142</b>	<b>16 606</b>
<b>Fee and commission expense</b>				
Security brokerage and commissions paid	-283	-848	-145	-389
Expenses related to cards	-1 158	-3 513	-1 043	-2 752
Expenses related to acquiring	-1 399	-3 168	-1 138	-2 907
Other fee and commission income	-656	-1 864	-706	-1 737
<b>Total</b>	<b>-3 496</b>	<b>-9 393</b>	<b>-3 032</b>	<b>-7 785</b>
<b>Net fee and commission income</b>	<b>4 243</b>	<b>12 665</b>	<b>3 110</b>	<b>8 821</b>

<b>Fee and commission income by customer location:</b>	<b>Q3 2020</b>	<b>9M 2020</b>	<b>Q3 2019</b>	<b>9M 2019</b>
Estonia	7 739	22 058	6 142	16 606
<b>Total</b>	<b>7 739</b>	<b>22 058</b>	<b>6 142</b>	<b>16 606</b>

## NOTE 9 Operating Expenses

	<b>Q3 2020</b>	<b>9M 2020</b>	<b>Q3 2019</b>	<b>9M 2019</b>
Wages, salaries and bonuses	3 660	11 864	3 058	9 533
Social security and other taxes*	1 268	3 653	1 018	2 908
<b>Total personnel expenses</b>	<b>4 928</b>	<b>15 517</b>	<b>4 076</b>	<b>12 441</b>
IT expenses	754	2 134	562	1 695
Information services and bank services	201	711	197	591
Marketing expenses	467	1 124	398	1 429
Office expenses	122	443	139	424
Transportation and communication expenses	67	196	82	193
Staff training and business trip expenses	75	232	115	480
Other outsourced services	580	1 831	500	1 496
Other administrative expenses	931	3 035	887	2 082
Depreciation of non-current assets	654	1 550	569	1 649
Operational lease payments	-109	25	61	173
Other operating expenses	90	208	106	288
<b>Total other operating expenses</b>	<b>3 832</b>	<b>11 489</b>	<b>3 616</b>	<b>10 500</b>
<b>Total operating expenses</b>	<b>8 760</b>	<b>27 006</b>	<b>7 692</b>	<b>22 941</b>

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

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

	30.09.2020	31.12.2019
Term deposits with maturity less than 3 months*	108 727	37 720
Legal reserve with the central bank	32 452	26 426
Other receivables from central bank*	1 609 404	1 206 307
<b>Total</b>	<b>1 750 583</b>	<b>1 270 453</b>
*Cash and cash equivalents in the Statement of Cash Flows	1 718 131	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 5 467 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 September 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				30.09.2020
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	654 791	521 907	1 246 928	374 405	2 798 031
Term deposits	274 607	75 118	102 000	6 417	458 142
Loans received	0	0	271 430	200 000	471 430
Accrued interest liability	921	3	185	4	1 113
<b>Total</b>	<b>930 319</b>	<b>597 028</b>	<b>1 620 543</b>	<b>580 826</b>	<b>3 728 716</b>

	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
<b>Total</b>	<b>943 979</b>	<b>376 068</b>	<b>1 395 158</b>	<b>23 396</b>	<b>2 738 601</b>

In 2020, LHV Pank issued EUR 250 million in five-year mortgage bonds in June. In the third quarter, a self-directed issue of EUR 100 million was added, which was used as collateral by the European Central Bank to raise funds from the TLTRO III programm.

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 30.09.2020 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:

	30.09.2020	31.12.2019
Cash balance of customers	7 555	9 967
Securities of customers	<b>1 675 668</b>	<b>1 554 796</b>
<i>Incl. parent company</i>	188 913	169 050
<i>Incl. shareholders of the parent company and related entities</i>	220 616	195 914
<b>Total</b>	<b>1 683 223</b>	<b>1 564 763</b>

## 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 2020	13 244	34 933	6	404 979	<b>453 162</b>
Liability in the contractual amount as at 31 December 2019	11 078	14 139	10	359 230	<b>384 457</b>

## NOTE 14 Changes in accounting policies

In the third quarter, we received confirmation that the IFRS Interpretations Committee (IFRIC) decided not to accept the 20-year income tax deferral logic in Estonia, which is why all IFRS-compliant companies must be recognized in the balance sheet for future dividend payments.

In accordance with paragraph 39 of IAS 12, an enterprise recognizes a deferred tax liability for all investments in subsidiaries, associates, joint ventures and branches that give rise to temporary taxable differences, unless:

- (a) the entity is able to control the timing of the reversal of the temporary difference; and
- (b) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is not recognized if the investment meets both criteria (a) and (b) above.

To meet criterion (a), an enterprise must have control over its investment. Control generally exists over subsidiaries and

branches. In the case of associates and joint ventures, there is generally no control, so the temporary taxable differences in these investments are usually subject to income tax liability.

To meet criterion (b), the company must be able to demonstrate that the temporary difference will not reverse in the foreseeable future. Cancellation refers to transactions such as the distribution of profits, the sale of a business, liquidation or the like. The near future is not explained in the standard, but the common view is that 12 months from the balance sheet date and planned transactions after that date should be taken into account.

In the case of LHV Pank, this change will result in the immediate assumption of the income tax liability associated with the planned dividend from subsidiaries in the following years. As LHV Pank does not have very large amounts, these liabilities are recognized in the 2020 income statement.

## General information

<b>Legal name</b>	AS LHV Pank
<b>Commercial Registry no</b>	10539549
<b>Legal address</b>	Tartu mnt. 2, 10145 Tallinn
<b>Phone</b>	(372) 6800400
<b>Fax</b>	(372) 6800410
<b>BIC / Swift</b>	LHVBEE22
<b>E-mail</b>	lhv@lhv.ee
<b>Web page</b>	www.lhv.ee
<b>Main activities</b>	banking, security brokerage, finance lease and other lending
<b>Auditor</b>	AS PricewaterhouseCoopers
<b>Supervisory board</b>	Madis Toomsalu, Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Andres Viisemann
<b>Management board</b>	Erki Kilu, Jüri Heero, Andres Kitter, Indrek Nuume, Martti Singi, Meelis Paakspuu, Kadri Kiisel