

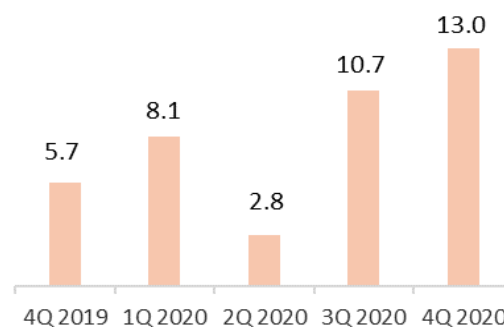
Interim Report January – December 2020

Summary of Results

Q4 2020 in comparison with Q3 2020

- Net profit EUR 13.0 m (10.7 mln euro), of which EUR 12.3 m (EUR 9.9 m) is attributable to owners of the parent
- Net income EUR 27.1 m (EUR 21.3 m)
- Operating expenses EUR 9.3 m (EUR 8.8 m)
- Loan provisions EUR 2.24 m (EUR -0.03 m)
- Income tax expenses EUR 2.7 m (EUR 1.9 m)
- Return on equity 24.7% (21.5%)
- Capital adequacy 18.8% (18.1%)

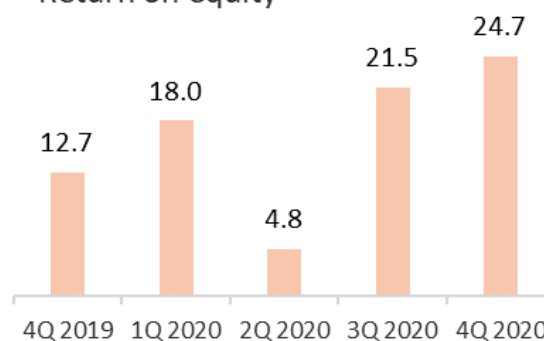
Profit by quarters



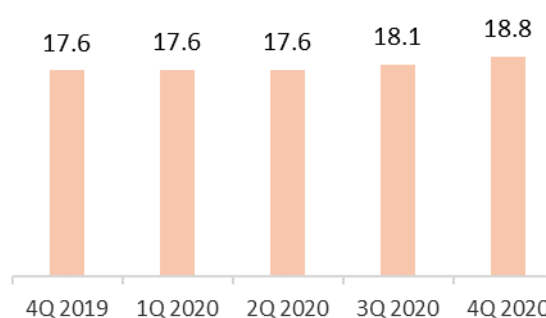
Q4 2020 in comparison with Q4 2019

- Net profit EUR 13.0 m (EUR 5.7 m), of which EUR 12.3 m (EUR 4.9 m) is attributable to owners of the parent
- Net income EUR 27.1 m (EUR 17.4 m)
- Operating expenses EUR 9.3 m (EUR 9.6 m)
- Loan provisions EUR 2.24 m (EUR 1.55 m)
- Income tax expenses EUR 2.7 m (EUR 0.6 m)
- Return on equity 24.7% (12.7%)
- Capital adequacy 18.8% (17.6%)

Return on equity



Capital adequacy



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

During the quarter, the number of bank clients grew by 23,300 and new records were set for activity level and business volumes. Deposits grew by EUR 884 million over the quarter, while loans increased by EUR 353 million.

Deposits held by ordinary clients grew by EUR 445 million and deposits of financial intermediaries increased by EUR 457 million. The growth in deposits of financial intermediaries was driven by the significant quarterly increase in the prices of virtual currencies in Q4 and clients' interest in investing in them. Deposits raised from deposit marketplaces decreased by EUR 17 million, as the bank is no longer active in raising deposits on these platforms.

Loans to companies grew by EUR 269 million and consumer loans by EUR 84 million. In early October, LHV Pank and Danske finalised a transaction where LHV acquired Danske's Estonian companies and public sector credit portfolio in the form of transfer of a business unit. The final volume of the transaction was EUR 273 million. Taking account of the EUR 19 million discount on the purchase price, the bank's loan portfolio grew by EUR 254 million as a result of the transaction. A total of 346 business clients, 252 apartment associations and 80 public sector clients were acquired in the Danske portfolio. Fifty-six per cent of the credit portfolio acquired was made up of loans issued to local governments. Since the transaction was formalized, the additional profit from the portfolio is estimated to be around EUR 4 million per year.

Net profit for Q4 was EUR 13.0 million. Impairment losses on loans increased by EUR 2.2 million in the course of the quarter. The procedure under which Estonian banks granted a joint payment moratorium expired in late September. During the quarter, a significant number of payment moratoria ended and the total amount in loans still subject to a moratorium had fallen to EUR 180 million by the end of the quarter. Although the credit rating of some corporate banking loan clients directly impacted by the crisis has worsened, leading to additional impairment losses, the quality of the bank's loan portfolio as a whole has remained strong and the share of loans past due continues to be very low.

In connection with the COVID-19 pandemic, an amendment to the Capital Requirements Regulation came into effect regarding accounting for preferential treatment of risk weighted assets, which will significantly reduce the bank's exposure to small and medium-sized companies' risk-weighted assets. The goal of the amendment is to support borrowing by SMEs more broadly in the EU. A total of 90% of the bank's loan portfolio comprises companies that classify as SMEs, and as a result the bank's risk-weighted assets decreased by EUR 159.4 million and EUR 25.5 million in capital was freed up.

On the new payment services front, Google Pay was introduced during the quarter. An indirect member's service was introduced to allow clients in the financial intermediaries domain to join payment schemes. The service enables clients to join the payment system without the company having to develop complicated infrastructure. The unique service allows interface with three different settlement systems through LHV Connect: SEPA, SEPA Instant and Faster Payments.

Starting in January 2021, the transaction fees for holding foreign securities and foreign shares were decreased. In connection with the entry into force of the funded pension act, a pension investment account hit the market in January, applications began to be accepted and a broader marketing campaign also started. The bank has become market leader in investment services and the volume of clients' assets managed has reached EUR 1.9 billion.

The Estonian Association for Environmental Management issued a European Green Office certificate to LHV and declared the bank's office in the City Plaza building in Tallinn the best Green Office in Estonia. The Financial Times magazine The Banker selected LHV Pank as the best bank in Estonia for the second year in a row.

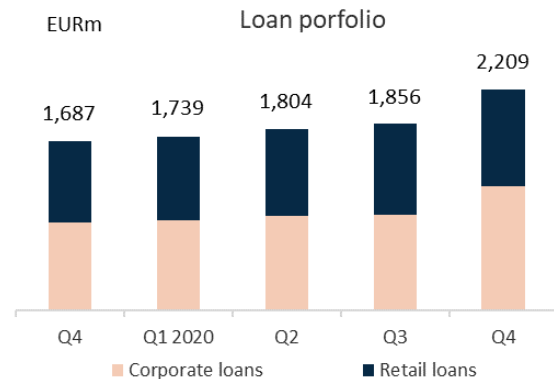
Financial Summary

Q4 was successful in terms of business volumes. LHV Pank generated EUR 20.4 million in net interest income and EUR 5.7 million in net fee and commission income. In total, the bank's net income amounted to EUR 27.1 million and expenditure to EUR 9.3 million. Net operating income increased by 57% year-on-year, while expenses decreased by 3%. Loan provisions amounted to EUR 2.2 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 1.0 million in Q4. LHV Pank is accounting from Q1 14% advance income tax, which generated corporate income tax in amount of EUR 2.0 million. At the consolidated level, income tax on future dividend payments by subsidiaries was EUR 0.7 million in the fourth quarter.

The net profit of LHV Pank amounted to EUR 13.0 million in Q4. This constitutes a 22% increase from Q3 (10.7) and a 131% increase from Q4 2019 (5.6).

Securities brokerage fees, transaction fees and fees from cards are greatest contributors to fee and commission income. The increase in net interest income stems from the growth in business volumes. By the end of Q4, the total volume of the bank's loan portfolios amounted to EUR 2 209 million (Q3 2020: EUR 1 856 million). The volume of portfolios grew 19% over the quarter. Retail loans portfolio grew 8% within quarter and has reached EUR 982 million (Q3 2020: EUR 908 million). Loan portfolio increased by EUR 353 million in Q4 (Q3 2020: EUR 52 million).



Banks deposits increased 27% within a quarter and reached EUR 4 141 million by end of quarter (Q3 2020: EUR 3 257 million). Financial intermediates deposits increased by EUR 456.6 million. EUR 3 657 million were demand deposits and EUR 484 million were term deposits. Private individuals deposits reached EUR 1 003 million increasing 8% q-t-q.

The bank earned 13.0 million euros in profit in the quarter, which is 131% more than in the fourth quarter of the previous year. The bank's cost/income ratio improved significantly, reaching 35.2% in the fourth quarter, being 19.9 percentage points lower than in the fourth quarter of 2019 (55.1%).

Income statement	Q4	Q3	Quarter	Q4	Year
EUR million	2020	2020	over quarter	2019	over year
Net interest income	20.42	16.84	21%	13.23	54%
Net fee and commission income	5.72	4.24	35%	3.99	43%
Other financial income	1.00	0.16	521%	0.06	1567%
Total net operating income	27.14	21.24	28%	17.28	57%
Other income	0.08	0.06	43%	0.08	0%
Operating expenses	-9.26	-8.76	6%	-9.58	-3%
Loan losses	-2.24	0.03	NA	-1.55	45%
Income tax expenses	-2.71	-1.92	41%	-0.59	359%
Net profit	13.01	10.65	22%	5.65	131%

Business volumes

EUR million	31.12.2020	31.12.2019	Change
Loan portfolio	2 208.8	1 687.0	31%
Financial investments	322.9	32.9	881%
Deposits of customers	4 141.0	2 713.0	53%
incl. deposits of financial intermediates	1 053.6	376.1	180%
Equity (including minority interest)	214.7	171.7	25%
Assets managed by bank	258 221	202 186	28%

Ratios	Q4	Q3	Quarter over	Q4	Year
EUR million	2020	2020	quarter	2019	over year
Net profit	13.0	10.7	2.3	5.7	7.3
Net profit attributable to owners of the parent	12.3	9.9	2.4	4.9	7.4
Average equity	199.3	184.7	14.6	155.8	43.5
Return on equity (ROE), %	24.7	21.5	3.2	12.7	12.0
Return on assets (ROA), %	1.10	1.03	0.07	0.68	0.58
Net interest income	20.4	16.8	3.6	13.2	7.2
Interest-bearing assets, average	4 488.6	3 853.7	634.9	2 903.3	1 585.3
Net interest margin (NIM) %	1.82	1.75	0.07	1.82	0.00
Price spread (SPREAD) %	1.79	1.72	0.07	1.78	0.01
Cost/income ratio %	35.2	41.4	-6.2	55.1	-19.9

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

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

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

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

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

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

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

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

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

Liquidity and capitalisation

The Bank's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 146.5% as at the end of December (31 December 2019: 142.6%). In the fourth quarter, the bank continued reducing high-interest deposits from deposit platforms among funding sources.

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 265.4% (31.12.2019: 218,7%). The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 55% of the balance sheet (31.12.2019: 43%). The ratio of loans to deposits stood at 48% as at the end of the fourth quarter (31.12.2019: 62%).

Bank runs every year 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 the end of December were EUR 276.1 million (31.12.2019: 229,0 mln eurot).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 18.75% (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 requirements 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)	31.12.2020	31.12.2019
Paid-in share capital	106 500	95 500
Statutory reserves paid in from net profit	4 022	3 237
Accumulated profit/deficit	62 972	45 619
Intangible assets (subtracted)	-807	-685
Net profit for the reporting period (COREP)	17 441	14 863
Other adjustments	-2 511	-33
Total Tier 1 capital	187 617	158 501
Subordinated debt	38 000	23 000
Total Tier 1 capital	225 617	181 501
Subordinated debt	50 500	47 500
Total Tier 2 capital	50 500	47 500
Net own funds for capital adequacy	276 117	229 001
Capital requirements		
Central governments and central bank under standard method	363	920
Credit institutions and investment companies under standard method	8 004	4 043
Companies under standard method	865 772	819 052
Retail claims under standard method	197 592	167 115
Public sector under standard method	3 250	2
Housing real estate under standard method	243 971	208 693
Overdue claims under standard methods	13 668	5 387

Other assets under standard method	42 915	16 879
Total capital requirements for covering the credit risk and counterparty credit risk	1 375 535	1 222 091
Capital requirement against foreign currency risk under standard method	618	476
Capital requirement against interest position risk under standard method	0	0
Capital requirement against equity portfolio risks under standard method	972	960
Capital requirement against credit valuation adjustment risks under standard method	82	22
Capital requirement for operational risk under base method	95 104	76 766
Total capital requirements for adequacy calculation	1 472 311	1 300 315
Capital adequacy (%)	18.75	17.61
Tier 1 capital ratio (%)	15.32	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	Q4 2020	12M 2020	Q4 2019	12M 2019
Interest income		25 570	88 374	18 208	61 413
Interest expense		-5 150	-19 327	-4 974	-13 498
Net interest income	7	20 420	69 047	13 234	47 915
Fee and commission income		9 094	31 152	7 551	24 157
Fee and commission expense		-3 376	-12 769	-3 564	-11 349
Net fee and commission income	8	5 718	18 383	3 987	12 808
Net gains/losses from financial assets measured at fair value		940	834	-12	126
Foreign exchange gains/losses		59	43	73	79
Net gains from financial assets		999	877	61	205
Other income/ Other expense		79	208	81	176
Total other income		79	208	81	176
Staff costs		-5 598	-21 115	-4 601	-17 042
Administrative and other operating expenses		-3 661	-15 150	-4 975	-15 475
Total expenses	9	-9 259	-36 265	-9 576	-32 517
Profit before impairment losses on loans and advances		17 957	52 250	7 787	28 587
Income tax expense		-2 709	-6 749	-586	-3 277
Impairment losses on loans and advances		-2 243	-10 898	-1 546	-3 210
Net profit for the reporting period		10 654	34 603	5 655	22 100
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	134	134
Total profit and other comprehensive income for the reporting period		13 005	34 603	5 789	22 234
Total profit of the reporting period attributable to:					
Owners of the parent		12 300	32 514	4 942	19 804
Non-controlling interest		705	2 089	713	2 296
Total profit for the reporting period		13 005	34 603	5 655	22 100
Total comprehensive income attributable to:					
Owners of the parent		12 300	32 514	5 076	19 938
Non-controlling interest		705	2 089	713	2 296
Total comprehensive income for the reporting period		13 005	34 603	5 789	22 234

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)

	Note	31.12.2020	31.12.2019
Assets			
Due from central bank	10	2 213 211	1 232 733
Due from credit institutions	10	170 062	32 247
Due from investment companies	10	9 985	5 473
Available-for-sale financial assets	6	0	432
Financial assets at fair value through profit or loss	6	322 930	32 499
Loans and advances to customers	5	2 208 823	1 687 034
Receivables from customers		2 454	2 745
Other financial assets		2 073	2 246
Other assets		1 943	1 857
Tangible assets		6 571	6 680
Intangible assets		807	685
Total assets		4 938 859	3 004 631
Liabilities			
Deposits of customers and loans received	11	4 610 015	2 738 601
Financial liabilities at fair value through profit or loss		221	8
Accounts payable and other liabilities		25 441	23 774
Subordinated debt		88 500	70 500
Total liabilities		4 724 177	2 832 883
Owner's equity			
Share capital		106 500	95 500
Statutory reserve capital		4 022	3 025
Other reserves		0	212
Retained earnings / accumulated deficit		98 285	67 793
Total equity attributable to owners of the parent		208 807	166 530
Non-controlling interest		5 875	5 218
Total equity		214 682	171 748
Total liabilities and equity		4 938 859	3 004 631

Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q4 2020	12M 2020	Q4 2019	12M 2019
Cash flow from operating activities					
Interest received		24 588	87 145	17 547	60 045
Interest paid		-4 804	-20 733	-3 814	-10 609
Fees and commissions received		9 094	31 152	7 551	24 157
Fees and commissions paid		-3 376	-12 769	-3 564	-11 349
Other income		-133	-4	76	171
Staff costs paid		-5 029	-19 079	-4 703	-16 072
Administrative and other operating expenses paid		-2 440	-11 455	-2 374	-12 125
Income tax		-1 448	-4 158	-702	-3 236
Cash flow from operating activities before change in operating assets and liabilities		16 452	50 099	9 117	30 982
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		-55	-64	11	49
Loans and advances to customers		-355 793	-531 929	-461 195	-770 388
Mandatory reserve at central bank		-8 801	-14 827	-932	-12 146
Security deposits		93	173	253	690
Other assets		860	730	-167	-481
Net increase/decrease in operating liabilities:					
Demand deposits of customers		858 797	1 455 310	186 993	871 616
Term deposits of customers		25 159	-25 248	-19 111	390 754
Loans received		-45	448 685	0	10 000
Repayments of loans received		-2 943	-5 886	-2 943	-5 886
Financial liabilities held for trading at fair value through profit and loss		144	212	-13	-3
Other liabilities		-10 007	-1 420	-20 861	-6 300
Net cash generated from/used in operating activities		523 861	1 375 835	-308 848	508 887
Cash flow from investing activities					
Purchase of current and non-current assets		-908	-2 430	-1 671	-2 071
Disposal of tangible assets		0	0	5	5
Proceeds from disposal and redemption of investment securities at fair value through other comprehensive income		652	432	0	0
Net change of investments at fair value through profit or loss		101 565	-289 533	88 969	6 492
Net cash flow from investing activities		101 309	-291 531	87 303	4 426
Cash flow from financing activities					
Contribution in share capital		6 000	11 000	16 000	25 000
Subordinated loan received		10 000	25 000	7 000	48 500
Repayments of subordinated loans received		-7 000	-7 000	0	-8 000
Dividends paid		0	-4 091	0	-3 431
Repayments of the subordinated loans received		-355	-1 278	0	0
Net cash from financing activities		8 645	23 631	23 000	63 069
Effect of exchange rate changes on cash and cash equivalents					
		59	43	73	79
Net decrease/increase in cash and cash equivalents		633 874	1 107 978	-198 472	576 461
Cash and cash equivalents at the beginning of the period		1 718 131	1 244 027	1 442 499	667 566
Cash and cash equivalents at the end of the period	10	2 352 005	2 352 005	1 244 027	1 244 027

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	11 000	0	0	0	11 000	0	11 000
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	1 633	1 633	0	1 633
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>32 514</i>	<i>32 514</i>	<i>2 089</i>	<i>34 603</i>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>-212</i>	<i>0</i>	<i>-212</i>	<i>0</i>	<i>-212</i>
Total profit and other comprehensive income for the reporting period	0	0	-212	32 514	32 302	2 089	34 391
Balance as at 31.12.2020	106 500	4 022	0	98 285	208 807	5 875	214 682

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

31.12.2020	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	2 175 007	0	84 264	17 566	116 222	199	2 393 258
Financial assets at fair value	312 703	2	10 219	5	0	1	322 930
Loans and advances to customers	2 180 999	823	14 577	360	7 954	4 110	2 208 823
Receivables from customers	2 454	0	0	0	0	0	2 454
Other financial assets	122	0	0	1 951	0	0	2 073
Total financial assets	4 671 285	825	109 060	19 882	124 176	4 310	4 929 538
Deposits of customers and loans received	3 268 551	216 261	705 206	1 633	375 657	42 707	4 610 015
Subordinated debt	88 500	0	0	0	0	0	88 500
Financial liabilities at fair value	221	0	0	0	0	0	221
Accounts payable and other financial liabilities	21 398	0	0	0	0	0	21 398
Total financial liabilities	3 378 670	216 261	705 206	1 633	375 657	42 707	4 720 134

Unused loan commitments in the amount of EUR 413 818 thousand are for the residents of Estonia.

31.12.2019	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 228 469	0	10 972	4 929	23 041	3 042	1 270 453
Financial assets at fair value	453	9 840	22 618	4	0	16	32 931
Loans and advances to customers	1 656 373	840	26 257	379	0	3 185	1 687 034
Receivables from customers	2 745	0	0	0	0	0	2 745
Other financial assets	110	0	0	2 136	0	0	2 246
Total financial assets	2 888 150	10 680	59 847	7 448	23 041	6 243	2 995 409
Deposits of customers and loans received	1 882 514	372 390	428 102	1 241	0	54 354	2 738 601
Subordinated debt	70 500	0	0	0	0	0	70 500
Financial liabilities at fair value	8	0	0	0	0	0	8
Accounts payable and other financial liabilities	20 563	0	44	3	3	0	20 613
Total financial liabilities	1 973 585	372 390	428 146	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

31.12.2020	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	3 657 063	99 647	386 654	465 776	1 473	4 610 613
Subordinated debt	0	1 736	5 207	27 770	98 564	133 277
Accounts payable and other financial liabilities	0	21 398	0	0	0	21 398
Unused loan commitments	0	413 818	0	0	0	413 818
Financial guarantees by contractual amounts	0	36 492	0	0	0	36 492
Foreign exchange derivatives (gross settled)	0	81 180	0	609	0	81 789
Financial liabilities at fair value	0	89	0	0	0	89
Total liabilities	3 657 063	654 360	391 861	494 155	100 037	5 297 476
Financial assets by contractual maturity dates						
Due from banks and investment companies	2 393 258	0	0	0	0	2 393 258
Financial assets at fair value (debt securities)	0	200 448	117 716	4 534	0	322 698
Loans and advances to customers	0	146 192	329 310	1 375 417	741 393	2 592 312
Receivables from customers	0	2 453	0	0	0	2 453
Foreign exchange derivatives (gross settled)	0	81 789	0	0	0	81 789
Other financial assets	2 073	0	0	0	0	2 073
Total financial assets	2 395 331	430 882	447 026	1 379 951	741 393	5 394 583
Maturity gap from financial assets and liabilities	-1 261 732	-223 478	55 165	885 796	641 356	97 107

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

31.12.2020	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	2 251 277	1 163	119 368	1 943	12 295	7 212	2 393 258
Financial assets at fair value	322 834	7	0	8	52	28	322 930
Loans and advances to customers	2 195 133	24	7 016	484	5 997	169	2 208 823
Receivables from customers	841	0	350	10	464	788	2 454
Other financial assets	117	0	0	0	1 956	0	2 073
Total assets bearing currency risk	4 770 202	1 194	126 734	2 447	20 764	8 197	4 929 538
Liabilities bearing currency risk							
Deposits from customers and loans received	4 376 293	3 951	125 267	7 292	85 616	11 597	4 610 015
Accounts payable and other financial liabilities	221	0	0	0	0	0	221
Interest rate swaps	13 126	21	1 610	661	4 343	1 637	21 398
Subordinated debt	88 500	0	0	0	0	0	88 500
Total liabilities bearing currency risk	4 478 140	3 971	126 877	7 953	89 959	13 234	4 720 134
Open gross position derivative assets at contractual value		0 2 778	0	5 581	69 080	4 350	81 789
Open gross position derivative liabilities at contractual value	81 789	0	0	0	0	0	81 789
Open foreign currency position	210 273	1	-143	74	-115	-687	209 404
31.12.2019							
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
Interest rate swaps	5	0	0	1	1	1	8
Financial liabilities at fair value	16 934	62	1 201	345	245	1 826	20 613
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

	31.12.2020	%	31.12.2019	%
Individuals	858 141	38.6%	738 152	43.6%
Real estate activities	498 927	22.4%	353 405	20.9%
Financial activities	69 694	3.1%	71 690	4.2%
Manufacturing	152 968	6.9%	114 104	6.7%
Professional, scientific and technical activities	41 678	1.9%	47 368	2.8%
Wholesale and retail trade	88 642	4.0%	80 767	4.8%
Other service activities	8 012	0.4%	7 290	0.4%
Arts and entertainment	59 184	2.7%	42 638	2.5%
Transportation and storage	27 534	1.2%	15 337	0.9%
Agriculture	72 398	3.3%	59 657	3.5%
Administrative and support service activities	74 466	3.3%	67 064	4.0%
Construction	45 314	2.0%	38 951	2.3%
Education	16 403	0.7%	1 976	0.1%
Information and communication	12 705	0.6%	7 017	0.4%
Local municipalities	120 805	5.4%	122	0.0%
Other sectors	78 810	9.0%	47 600	2.8%
Total	2 225 681	100%	1 693 138	100%
Provision	-16 858		-6 104	
Total loan portfolio	2 208 823	100%	1 687 034	100%

Loans to related parties were 31.12.2020 EUR 4 096 thousand (31.12.2019: 3 290). Loans have been given out on market terms.

NOTE 6 Fair Value of Financial Assets and Liabilities

The Management Board of the Group has determined the fair value of assets and liabilities recognised at amortised cost in the balance sheet. To determine the fair value, future cash flows are discounted based on the market interest curve.

The below table provides an overview of the assessment techniques, which depend on the hierarchy of assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	31.12.2020	Level 1	Level 2	Level 3	31.12.2019
Financial assets at fair value through profit and loss								
Shares and fund units	142	0	0	142	164	0	0	164
Available-for-sale bonds and shares	0	0	0	0	0	0	432	432
Bonds at fair value through profit and loss	322 699	0	0	322 699	32 331	0	0	32 331
Interest rate swaps and foreign exchange forwards	0	89	0	89	0	4	0	4
Total financial assets	322 841	89	0	322 930	32 495	4	432	32 931
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange forwards	0	221	0	221	0	8	0	8
Total financial liabilities	0	221	0	221	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 December 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.

All the subordinated loans are received in 2016-2020. 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	Q4 2020	12M 2020	Q4 2019	12M 2019
Business loans	13 768	46 834	10 821	37 130
including loans between related parties	15	31	6	22
Hire purchase	911	3 708	1 000	3 968
Leasing	1 534	4 329	843	3 253
including loans between related parties	1	4	0	2
Leverage loans and lending of securities	243	753	173	500
Bonds	-164	-435	94	356
Creditcard loans	224	849	209	813
Consumer loans	2 087	8 314	2 070	7 240
Mortgage loans	4 894	18 170	2 493	5 248
including loans between related parties	8	32	9	26
Balances with credit institutions and investment companies	29	33	34	270
Other loans	2 044	5 819	471	2 635
including loans between related parties	2	7	1	5
Total	25 570	88 374	18 208	61 413
Interest expense				
Deposits of customers and loans received	-1 601	-7 569	-2 084	-5 579
Balances with the central bank	-1 878	-5 966	-1 612	-4 265
Subordinated liabilities	-1 671	-5 792	-1 278	-3 654
Total	-5 150	-19 327	-4 974	-13 498
Net interest income	20 420	69 047	13 234	47 915
Interest income on loans by customer location (interest on bank balances and bonds excluded):	Q4 2020	12M 2020	Q4 2019	12M 2019
Estonia	25 705	88 776	18 080	60 787
Total	25 705	88 776	18 080	60 787

NOTE 8 Net Fee and Commission Income

Fee and commission income	Q4 2020	12M 2020	Q4 2019	12M 2019
Security brokerage and commissions paid	1 397	4 825	1 747	3 658
Asset management and similar fees	998	3 662	813	2 962
Currency conversion revenues	1 138	3 418	438	1 867
Fees from cards and payments	4 487	15 226	3 670	12 485
Other fee and commission income	1 074	4 021	883	3 185
Total	9 094	31 152	7 551	24 157
Fee and commission expense				
Security brokerage and commissions paid	-214	-1 062	-157	-546
Expenses related to cards	-1 209	-4 722	-1 227	-3 979
Expenses related to acquiring	-1 330	-4 498	-1 060	-3 967
Other fee and commission income	-623	-2 487	-1 120	-2 857
Total	-3 376	-12 769	-3 564	-11 349
Net fee and commission income	5 718	18 383	3 987	12 808

Fee and commission income by customer location:	Q4 2020	12M 2020	Q4 2019	12M 2019
Estonia	9 094	31 152	7 551	24 157
Total	9 094	31 152	7 551	24 157

NOTE 9 Operating Expenses

	Q4 2020	12M 2020	Q4 2019	12M 2019
Wages, salaries and bonuses	4 295	16 159	3 545	13 078
Social security and other taxes*	1 303	4 956	1 056	3 964
Total personnel expenses	5 598	21 115	4 601	17 042
IT expenses	852	2 986	814	2 509
Information services and bank services	250	961	232	823
Marketing expenses	310	1 434	370	1 799
Office expenses	195	638	174	598
Transportation and communication expenses	70	266	70	263
Staff training and business trip expenses	67	299	167	647
Other outsourced services	697	2 528	608	2 104
Other administrative expenses	228	3 263	1 138	3 220
Depreciation of non-current assets	867	2 417	1 153	2 802
Operational lease payments	16	41	73	246
Other operating expenses	109	317	176	464
Total other operating expenses	3 661	15 150	4 975	15 475
Total operating expenses	9 259	36 265	9 576	32 517

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

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

	31.12.2020	31.12.2019
Term deposits with maturity less than 3 months*	180 047	37 720
Legal reserve with the central bank	41 253	26 426
Other receivables from central bank*	2 171 958	1 206 307
Total	2 393 258	1 270 453
*Cash and cash equivalents in the Statement of Cash Flows	2 352 005	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 9 985 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 December 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				31.12.2020
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	745 304	1 043 509	1 447 554	420 460	3 656 827
Term deposits	256 764	10 118	194 403	22 017	483 302
Loans received	0	0	268 442	200 000	468 442
Accrued interest liability	1 208	0	230	6	1 444
Total	1 003 276	1 053 627	1 910 629	642 483	4 610 015

	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

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 program.

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 31.12.2020, the Bank had

utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 3 604 thousand euros. From Nordic Investment Bank possible 20 000 thousand euro loan as at 31.12.2020 the Bank had utilized 20 000 thousand euros repaid the principal in the amount of EUR 8 889 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:

	31.12.2020	31.12.2019
Cash balance of customers	7 555	9 967
Securities of customers	1 675 668	1 554 796
<i>Incl. parent company</i>	188 913	169 050
<i>Incl. shareholders of the parent company and related entities</i>	220 616	195 914
Total	1 683 223	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 December 2020	15 217	36 492	8	413 818	465 535
Liability in the contractual amount as at					
31 December 2019	11 078	14 139	10	359 230	384 457

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

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BIC / Swift	LHVBEE22
E-mail	lhv@lhv.ee
Web page	www.lhv.ee
Main activities	banking, security brokerage, finance lease and other lending
Auditor	OÜ KPMG Baltics
Supervisory board	Madis Toomsalu, Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Andres Viisemann
Management board	Kadri Kiisel, Jüri Heero, Andres Kitter, Indrek Nuume, Martti Singi, Meelis Paakspuu