AS LHV Pank

Consolidated Annual Report 2010

(translation of the Estonian original)

LHV pank

Consolidated annual report 01.01.2010 – 31.12.2010

Legal name	AS LHV Pank
Commercial Registry no.	10539549
Legal address	Tartu mnt. 2, 10145 Tallinn
Phone	(372) 6800400
Fax	(372) 6800410
E-mail	lhv@lhv.ee
Main activities	Banking
	Security brokerage
	Financial advisory
	Finance lease and other lending
Management Board	Erki Kilu
	Kerli Lõhmus
	Jüri Heero
	Erki Kert
	Indrek Nuume
Supervisory Board	Rain Lõhmus
	Tiina Mõis
	Andres Viisemann
	Hannes Tamjärv
	Heldur Meerits
	Raivo Hein
Auditor	AS PricewaterhouseCoopers

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MANAGEMENT REPORT

The mission of LHV Pank is to foster Estonia's economy and social sustainability. The vision of LHV Pank is to be the primary and preferred bank of the new generation in Estonia. For provision of convenient services to customers, there is a clear and simple online bank. Payments with the debit card of LHV Pank can be made anywhere. Cash can be withdrawn from ATMs of all banks. The key values of LHV Pank are direct communication and convenience. Each customer has a personal bank assistant who knows the customer's needs and opportunities. It is always easy and convenient to use the bank's services.

LHV Pank is based on Estonian capital. The bank's customers are both individuals as well as small and medium-sized companies. The branch offices of LHV Pank are located in Tallinn, Tartu, Riga, Vilnius and Helsinki. LHV Pank employs over 100 people. Over 15 000 customers in Estonia, Latvia and Lithuania and 8 000 customers in Finland use the bank's services. As compared to other banks, LHV Pank is more focused on increasing the assets of customers and managing their investments. LHV Pank is the third largest broker on NASDAQ OMX Baltic Stock Exchanges.

The goal of LHV Pank is to encourage people to invest their funds and teach customers to better understand the area of investments. For educating investors, the bank has launched an annual series of seminars "Investment School" and a virtual stock game "Börsihai" ("Stock Exchange Shark"). LHV Pank publishes the largest investment magazine in Estonia, "Investeeri" ("Invest") and operates the most active portal of financial markets. In 2009, LHV Pank and Estonian Business School signed a collaboration agreement, laying down a foundation for earning a bachelor's degree in investment management.

Overview of the year 2010

Business activities

In 2010, the volume of the deposits of LHV Pank continued to grow at a fast pace, reaching EEK 1.8 billion by the year-end. Of this amount, demand deposits totalled EEK 0.3 billion and term deposits totalled EEK 1.5 billion. By the year-end, the volume of the loan portfolio grew to EEK 0.5 billion (excluding impairment losses) and the volume of the bond portfolio grew to EEK 0.3 billion.

At 31 March 2010, the bank launched the euro adoption project and a respective work group was set up. From 1 April 2010, LHV Pank harmonised the interest rates on kroon and euro deposits and increased the interest rates of deposits in order to be more competitive in the market and actively grow the volume of its deposits. In June, a major advertising campaign for the deposits was carried out in Estonia and a smaller one in Latvia. In order to market its loan products, the bank conducted seminars in various cities of Estonia in the second quarter, targeted at the largest businesses in the region.

In the first half of the year, two largest development projects were completed. From 4 March 2010, the bank's online environment can be accessed and transactions can be made with the new security elements of ID cards, mobile-IDs and PIN calculators. From 3 May 2010, settlement services - domestic and international settlements - are provided to customers. Customer accounts are in their own name and accounts have new numbers, starting with 77. From June, customers can make defined payments in the online bank and enter into standing order agreements. In June, LHV Pank also joined the transfer system for inter-bank settlement services.

From 22 May 2010, the amendments to the Law of Obligations Act became mandatory for the banks operating in Estonia, which brought about several changes to payment service agreements. The new law is based on EU Directive on Payment Services, the goal of which is to use uniform rules for provision of payment services in the European Economic Area (EEA). In conjunction with this, new general conditions and conditions for payment service contracts were introduced at LHV Pank at 22 May 2010. New online banking conditions were also introduced for launching settlement and clearing services and a new price list was adopted. In September, the bank renewed all other remaining contracts terms and adopted a new process for registering new customers and opening accounts.

At the meeting of the Supervisory Board held at 22 April 2010, the largest development projects were mapped and approved, to be continued in a priority order in 2010 and 2011. The largest development projects include settlement services (incl. direct debits, e-invoices), a new online bank (incl. financial portal, homepage) and bank cards. In conjunction with this, a decision was approved to significantly increase investments in the enhancement of IT development capability, hiring of necessary employees and outsourcing IT services. At 19 May 2010, LHV Pank

became a full member of MasterCard. At the beginning of July, the bank launched two major outsourced IT development projects – development of card administration software and a new financial portal. In the 4th quarter, the improvements to the information systems were completed due to the adoption of the euro on the Vilnius Stock Exchange, joining with TARGET2 system and adoption of the euro in Estonia.

Immediately after the adoption of the euro in Estonia, a new online bank, a financial portal and homepage of the bank were opened in all Baltic States, as well as direct debits (standing orders) were made available in Estonia. By the 2nd quarter of 2011, the Company plans to complete the second stage of development of the online bank and the financial portal, open them up for customers and introduce bank cards in the market.

At the meeting of the Supervisory Board held at 22 April 2010, a decision was adopted to make an offer by LHV Pank to Luottotalo Fenno Oy to purchase the latter's loan portfolio and the related significant assets thereof, and another offer to LHV Ilmarise Kinnisvaraportfelli OÜ for the acquisition of the portfolio of finance lease agreements. The acquisition of the portfolio of LHV Ilmarise Kinnisvaraportfelli OÜ was completed on 28 May 2010 and that of Luottotalo Fenno on 28 June 2010. Most of the finance lease agreements acquired were restructured to loans.

In July and August, LHV Pank focused on the necessary preparations for cross-border business in Finland and primarily for issuance of new loans. The major tasks included upgrading of the product portfolio, pricing, conditions, contract forms, the credit risk assessment model, and necessary internal rules and regulations. Book-keeping, reporting and risk management were also rearranged. In August, both the Financial Supervision Authorities of Estonia and Finland granted their approval for provision of cross-border services in Finland. In September, the bank commenced issuance of loans to individuals in Finland, and marketing and sales activities to offer loans to current customers. In October, the Management Board of LHV Pank adopted a decision to establish a branch in Finland. In December, the establishment of the branch was approved by the Estonian Financial Supervision Authority, which thereafter forwarded the application to the Financial Supervision Authority of Finland.

At 1 October, a bank office was opened in Tartu with two employees. In September, an additional floor on the 19th floor of City Plaza office building was taken into use and a lease agreement for use of the whole ground floor from summer 2011 was entered into.
At 2 September, the conversion of the share capital of LHV Pank into euros was registered. The amount of the bank's share capital is EUR 6.5 million. In October, the bank received a subordinated loan from the parent in the amount of EUR 3 million.

Management

At 23 April 2010, Raivo Hein was elected as a member of the Supervisory Board. The Supervisory Board of LHV Pank has six members: Rain Lõhmus, Andres Viisemann, Tiina Mõis, Hannes Tamjärv, Heldur Meerits and Raivo Hein.
The Management Board of LHV Pank has five members: Erki Kilu, Kerli Lõhmus, Jüri Heero, Erki Kert and Indrek Nuume.

Organisation

Due to the higher administrative workload and a goal of separating the control function from the securities management department, a middle-office specialist position was set up in the 1st quarter. Upon the launch of settlement services, a new committee was set up – a committee of risky customers which reviews all applications submitted by foreigners for conclusion of customer agreements and making a decision regarding provision of services to them.

In September, investment banking services were upgraded, and a department of institutional brokerage and capital markets was set up. A leading Baltic institutional analysis team of Emerging Nordic Research was engaged in the establishment of the new department.

At the beginning of May, the Management Board of LHV Pank approved a new organisational structure and subordination relationships. The key change is the transfer of brokerage activities from the IT-area to investment banking, and the creation of a new IT-area structure. The organisational structure and subordination relationships were further changed at the beginning of July when LHV Pank took over the employment contracts of 19 former employees of Luottotalo Fenno OY. The key improvement was the creation of a Finnish cross-border business area. Due to this, the number of employees of LHV Pank increased significantly and at the year-end, LHV Pank employed 100 people.

Business environment

The recession which commenced in 2008 was replaced by moderate economic growth in all Baltic States during 2010 and in the last quarter, relatively decent growth rates were already demonstrated. The recovery has primarily been aided by growing export volumes, supported by stabilisation of the economies of export partners and moderate strengthening of the competiveness of the Baltic States due the decline in wages and prices. In 2010, domestic consumption still remained modest in all Baltic States and we are forecasting a greater effect to economic growth from it in 2011. The risks to the recovery of global economic growth have significantly decreased as compared to 2009 and despite a debt crisis emerging in Europe, continuance of growth is also forecast for the upcoming years.

The loan volumes continued to contract in the banking sector in 2010. The balance of loans granted to businesses declined by 6.5% in a year and the downward trend did not yet show any signs of deceleration as at the year-end. As a positive change, business investments started to grow at the year-end, signalling growth of confidence and laying a foundation for activation of the commercial loan market and growth of loan volumes in this area. The decline of the loan balance of individuals seems to have stabilised and although it contracted by 3.3% in a year, the speed of the decline decelerated at the year-end. As a positive change, the share of past due loans has stabilised and the volume of deposits of both individuals as well as businesses grew moderately. The term and demand deposits of businesses and individuals totalled EUR 9.2 billion, which is 8.7% more than last year. The Estonian banking sector as a whole returned to profitability by the year-end.

The real estate market has stabilised after the Estonian real estate bubble burst and the number of transactions as well as the average price remained relatively stable in 2010. It can be noted that in conjunction with the adoption of the euro, the expected price increase and activation of the market did not essentially happen.

The growth of global stock exchanges continued and the Tallinn Stock Exchange increased by a remarkable 70% in 2010, followed by the stock exchanges of Riga and Vilnius with the growth rates of 40% and 55%, respectively. Despite fast growth of stock market indices, the trading activity on the Baltic stock exchanges remained at last year's relatively low levels. Delisting of the securities of several entities, especially Eesti Telekom (Estonian Telecom) had a negative effect on trading volumes. In Europe, the USA and Asia, the stock markets grew modestly, with growths remaining between 5% and 15%. The raw materials markets recovered similarly to stock markets.

Financial results

In 2010, interest income and other financial income grew significantly. Interest income on leveraged loans made up 22%, on corporate loans 30%, on consumer loans 38% and on deposits 10% on total interest income. Income on the investment portfolio made up 64% and that on currency exchange revenues made up 36% of other financial income. As compared to 2009, other financial income increased by 62% and net interest income doubled.

With regard to fee and commission income, brokerage fees made up 66%, management fees 16% and other fees 18% of fee and commission income. As compared to 2009, the income earned from securities intermediation has been 7% lower. The trading activity has been lower, the customers have invested more and used actively leveraged loans offered by LHV Pank. With regard to brokerage income, intermediation of US shares, options and futures made up 70%, Baltic shares 15-20% and other shares and fund units 10-15% of the total. With regard to brokerage fees by country, 78% was earned in Estonia (2% growth), 7% in Latvia (16% decline) and16% in Lithuania (34% decline). Management fees were 64% higher than last year. The change was related to addition of new customers as well as an increase of market value of assets.

Net fee and commission income, and net interest income of LHV Pank (EEK thousand):

Due to the acquisition of a portfolio of Finnish consumer loans, new employees, one-off expenses related to the acquisition of the portfolio and other contracts related to rendering services, as well as the general development costs of the bank, the staff costs and also other operating expenses increased by 52%.

Results (EEK million)	2010	2009	change
net fee and commission income	39.0	39.3	-1%
net interest income	15.9	8.0	99%
other financial income	14.4	8.9	62%
total net operating revenues	69.3	56.2	23%
other income	3.9	4.4	-11%
operating expenses	-86.7	-57.0	52%
net profit/loss	-13.5	3.6	-

Balance sheet figures (EEK million)	31.12.2010	31.12.2009	change
loan portfolio	595.7	142.5	318%
investment portfolio	266.4	61.8	331%
deposits	1 796.4	505.2	256%
equity	88.8	102.6	-13%
total assets	1 985.9	640.3	210%
number of customers	16 275	13 112	24%
number of employees	102	60	70%

At the year-end, the volume of margin loans backed by securities totalled EEK 150.4 million (annual growth of 319%), the volume of loans issued to corporates totalled EEK 268.5 million (annual growth of 282%) and the volume of consumer loans was EEK 173.9 million.

The number of customers who have deposited their funds at LHV Pank increased by 24% in a year, to 16,275 customers. The volume of customer securities increased by 40% in a year and totalled EEK 3 billion. With regard to services, portfolio management volumes continued to grow rapidly, increasing by 62% in a year, reaching almost EEK 460 million.

Sponsorship

LHV Pank takes social responsibility seriously. To the extent possible, the bank supports the Estonian society and the acts fostering it's development. The key collaboration partners of LHV Pank include:

Estonian Football Association. LHV Pank sponsors both the Estonian national team as well as the development of children and youth football. Football is the most popular sport in Estonia and one of the few areas in which training of children and youth is conducted in a systematic and serious manner. LHV Pank is the key sponsor of the Estonian Football Association in 2010-2015.

Estonian Traditional Music Centre. LHV Pank helps to arrange Viljandi Traditional Music Festival in the summer as well as year-round activities of the centre. With the help of its collaboration partner the Estonian Traditional Music Centre, the bank can make its contribution to the preservation of the Estonian national culture.

Estonian Optimist Class Association. LHV Pank sponsors young sailors by purchasing new Optimist yachts. The yachts are rented out to clubs and schools where young people interested in sailing can use the yachts for a symbolic fee. The association is using the rental fees received from clubs and schools to arrange competitions and camps for children, and trainings for their coaches.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

(in thousands Estonian kroons)

	Note	2010	2009
Fee and commission income	6	50 121	47 372
Fee and commission expense	6	-11 121	-8 085
Net fee and commission income		**39 000**	**39 287**
Interest income	7	41 474	15 835
Interest expense	7	-25 575	-7 834
Net interest income		**15 899**	**8 001**
Net gains from trading	8	5 141	3 657
Net gains from financial assets measured at fair value	8	9 305	5 257
Dividend income	8	0	17
Net gains from financial assets		**14 446**	**8 931**
Other income		3 887	4 429
Operating expenses	9	-86 738	-57 003
Net profit/loss for the year		**-13 506**	**3 645**
Total comprehensive income/loss for the year		**-13 506**	**3 645**

The notes on pages 13 to 50 are an integral part of these consolidated financial statements.

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Consolidated balance sheet

(in thousands Estonian kroons)

	Note	31.12.2010	31.12.2009
Assets			
Balances with credit institutions	10	318 903	277 274
Balances with investment companies	10	45 911	37 486
Balances with central bank	10	710 848	88 525
Derivatives	11	0	3 003
Other financial assets at fair value through profit or loss	12	267 099	62 728
Loans granted	13	595 719	161 323
Receivables from customers	14	28 769	2 790
Other assets	15	11 840	2 226
Tangible assets	16	3 464	4 448
Intangible assets	16	3 361	574
Total assets		**1 985 914**	**640 366**
Liabilities			
Loans received and deposits from customers	17	1 830 201	527 858
Financial liabilities at fair value through profit or loss	12	0	123
Accrued expenses and other liabilities	18	16 407	9 155
Deferred income	13	2 891	451
Provisions	19	200	500
Subordinated loans	20	47 442	0
Total liabilities		**1 897 141**	**538 087**
Shareholders' equity			
Share capital	21	101 703	100 000
Reserves		0	1 518
Retained earnings/accumulated deficit		-12 930	761
Total shareholders' equity		**88 773**	**102 279**
Total liabilities and shareholders' equity		**1 985 914**	**640 366**

The consolidated balance sheet is identical to the Parent Company's standalone balance sheet as there is no Group from 30.06.2009 (see Note 5).

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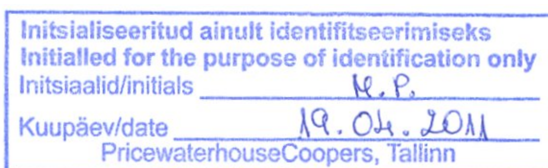
Consolidated cash flow statement

(in thousands Estonian kroons)

	Note	2010	2009
Cash flows from operating activities			
Fee and commission income received		59 282	55 054
Fee and commission expense		-11 121	-8 085
Operating and other expenses paid		-83 462	-53 954
Dividends received		0	17
Interest received		41 474	15 835
Interest paid		-25 575	-7 711
Cash flows from operating activities before change in operating assets and liabilities		**-19 402**	**1 149**
Change in operating assets:			
Settlement of currency forward contracts		3 003	-2 907
Net acquisition/disposal of trading portfolio		125	8 724
Loans granted and receivables from customers		-460 387	-129 092
Term deposits with other credit institutions		81 382	-81 461
Mandatory reserve at central bank		-21 362	-88 525
Security deposits		-9 017	11
Other receivables and prepayments		-596	-617
Change in operating liabilities			
Demand deposits of customers		173 346	114 007
Term deposits of customers		1 117 796	391 184
Loans received		11 701	3 532
Issued bonds		0	-810
Financial liabilities for trading		-123	-419
Other liabilities and deferred income		9 393	3 185
Net cash generated from operating activities		**885 859**	**217 961**
Cash flows from investing activities			
Purchase of non-current assets	16	-5 077	-964
Disposal of subsidiaries, net of cash disposed	5	0	-54
Change in investment portfolio		-195 324	-56 514
Net cash used in investing activities		**-200 401**	**-57 532**
Cash flows from financing activities			
Paid in share capital	21	0	64 000
Subordinated loans received	20	46 940	0
Redeemed bonds		0	-74
Interest paid	5	0	-123
Net cash generated from financing activities		**46 940**	**63 803**
Net increase in cash and cash equivalents		**732 398**	**224 232**
Cash and cash equivalents at the beginning of the year	10	233 299	9 067
Cash and cash equivalents at the end of the year	**10**	**965 697**	**233 299**

The notes on pages 13 to 50 are an integral part of these consolidated financial statements.



LHV pank

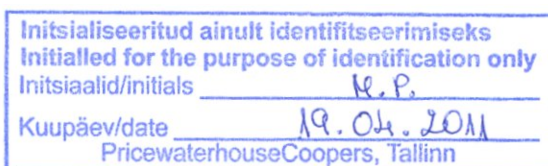
Consolidated statement of changes in equity

(in thousands Estonian kroons)

	Share capital	Reserves	Retained earnings	Total
Balance as at 01.01.2009	**36 000**	**1 518**	**-2 884**	**34 634**
Paid in share capital	64 000	0	0	64 000
Total comprehensive income for 2009	0	0	3 645	3 645
Balance as at 31.12.2009	**100 000**	**1 518**	**761**	**102 279**
Balance as at 01.01.2010	**100 000**	**1 518**	**761**	**102 279**
Changes in statutory reserve capital	0	182	-182	0
Transfers to share capital through bonus issue	1 703	-1 700	-3	0
Total comprehensive loss for 2010	0	0	-13 506	-13 506
Balance as at 31.12.2010	**101 703**	**0**	**-12 930**	**88 773**

More detailed information is provided in Note 21.

The notes on pages 13 to 50 are an integral part of these consolidated financial statements.



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Notes to the financial statements

NOTE 1 General information

AS LHV Pank (LHV Pank) provides banking, financial advisory and securities brokerage services to customers in Estonia, Latvia, Lithuania and Finland. LHV is a limited liability company incorporated and domiciled in Estonia. The address of its registered office is Tartu mnt. 2, Tallinn. As at 31.12.2010, LHV employed 102 people (as at 31.12.2009: 60 people).

These financial statements have been consolidated until 30.06.2009, when the subsidiary LHV Ilmarise Kinnisvaraportfelli OÜ which offers financial lease services, was sold. The subsidiary was sold in the process of group restructuring to the parent company AS LHV Group (see also Note 5) and from this date, the bank no longer has subsidiaries.

These consolidated financial statements were authorised for issue by the Management Board at 19 April 2011. The annual report will be presented for approval to the sole shareholder AS LHV Group. The ultimate controlling party for the company is Rain Lõhmus, who owns 54% of the voting rights (see also Note 21).

NOTE 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented and to all the companies in the Group, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group for the financial year 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in some of the accounting policies below, such as: "financial assets at fair value through profit or loss", including derivatives.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial year started at 1 January 2010 and ended at 31 December 2010. The financial figures have been presented in thousands of Estonian kroons unless referred differently in specific disclosures.

Certain new International Financial Reporting Standards, amendments to existing standards and the interpretations of the standards have been published by the time of compiling these consolidated financial statements which became mandatory for the Group's accounting periods beginning on or after 1 January 2010. The overview of these standards and the Group management's estimate of the potential impact of applying the new standards and interpretations is given below.

(a) Standards, amendments to standards and interpretations effective for the Group's financial year beginning on 1 January 2010

IFRS 3 (revised) – Business Combinations, (revised in January 2008, effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).
The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from

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the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise at the acquisition date a liability for any contingent purchase consideration. The Group is considering the impact of the revised standard on its financial statements, but at the moment the Group estimates that IFRS 3 has no impact on the financial statements, because there are no (planned) business combinations being done in the Group.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5. The amendment did not have an impact on Group's financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39 (issued in March 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendments did not have a material impact on the Group's financial statements.

IFRIC 11 Interpretation, IFRS 2 - Group Cash-settled Share-based Payment Transactions The interpretation contains guidelines on the following issues: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments, and the provider of those instruments is the owner of the entity. The application of the interpretation did not have a material impact on the Group's financial statements.

IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - The interpretation contains general guidance on how to assess the limit of the surplus fair value of a defined benefit plan over the present value of its liabilities which can be recognised as an assets, in accordance with IAS 19. The application of the interpretation did not have a material impact on the Group's financial statements.

IAS 1 Presentation of Financial Statements - The main change in IAS 1 is the replacement of the income statement by the statement of comprehensive income which also includes all changes in equity not related to owners, such as changes in revaluation reserve of available-for-sale financial assets. Two statements are allowed to be presented as an alternative: a separate income statement and a statement of comprehensive income. The Group has selected to present the statement of comprehensive income as one statement. The revised IAS requires the disclosure of the financial position (balance sheet) for the opening balances of the comparable period when comparative information has been adjusted due to reclassifications, changes in accounting policies or correction of errors. The revised standard IAS 1 impacted the presentation of the Group's primary financial statements, but it did not impact the recognition of transactions and balances as well as accounting policies.

Improving Disclosures about Financial Instruments – Amendments to IFRS 7 - The amendment requires additional disclosures about measurement of fair value and liquidity risk. An entity shall disclose an analysis of financial instruments using a three-level fair value hierarchy. The amendment (a) explains that the liquidity analysis of liabilities by contractual maturities shall include financial guarantees issued in the maximum amount of the guarantee and in the earliest period in which the guarantee can be collected; and (b) requires disclosure of remaining contractual maturities of financial derivatives when information about contractual maturities is material for understanding the timing of cash flows. In addition, an entity shall disclose an analysis of financial assets held for the hedging purposes by maturities when this information is useful for the readers of the financial statements in order to understand the nature and scope of liquidity risk. In these financial statements, information has been disclosed according to improved requirements.

(b) New standards, amendments and interpretations that are mandatory for the Group from 1 January 2010 but are not relevant to the Group´s operations

IFRIC 12, Service Concession Arrangements

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IFRIC 15, Agreements for the Construction of Real Estate
IFRIC 16, Hedges of a Net Investment in a Foreign Operation
IFRIC 17, Distributions of Non-Cash Assets to Owners
IFRIC 18, Transfers of Assets from Customers
Eligible Hedged Items—Amendment to IAS 39
Classification of Rights Issues - Amendment to IAS 32
IAS 27, Consolidated and Separate Financial Statements
IFRS 1, First-time Adoption of International Financial Reporting Standards and Additional Exemptions for First-time Adopters

(c) standards, amendments to standards and interpretations effective from annual periods beginning on or after 1 January 2011 which the Group has not early adopted

IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009 effective for annual periods beginning on or after 1 January 2013) - IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

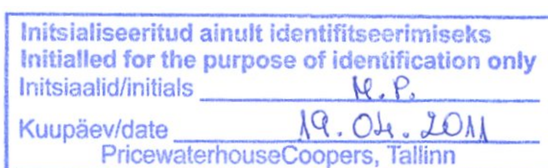
(d) New standards, amendments and interpretations to standards that are not yet effective and are not expected to have a material impact on the Group's financial reporting

Amendment to IAS 24, Related Party Disclosures, (issued in November 2009, effective for annual periods beginning on or after 1 January 2011). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The amendment will not have any impact on the Group's financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments; (effective for annual periods beginning on or after 1 July 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The amendment will not have any impact on the Group's financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14; (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment will not have any impact on the Group's financial statements.

Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12; (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU). The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendment will not have any impact on the Group's financial statements.



Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, and guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment will not have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 34, IFRIC 13. The Group does not expect the amendments to have any material impact on its financial statements.

2.2 Consolidation

A subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent company owns, directly or indirectly through its subsidiaries, more than 50% of the voting power of the subsidiary or otherwise has power to govern the financial and operating policies of the subsidiary.

The purchase method of accounting is used to account for the acquisition of subsidiaries (except for acquisitions among entities under common control). The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. According to the purchase method, the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary are recognised at their fair values at the acquisition date, irrespective of the extent of any minority interest, and the excess of the cost of acquisition over the fair value of the identified net assets of the acquired subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

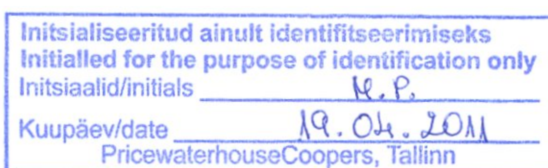
Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net assets acquired at the date of acquisition, reflecting the part of the acquisition cost that was paid for the assets that are not separately identifiable for the balance sheet purposes. Goodwill acquired from acquisition of a subsidiary is recorded in the balance sheet as an intangible asset in a separate line.

Goodwill is not amortised, but an annual impairment test is performed for goodwill. The impairment test is performed by comparing the carrying amount of goodwill to its recoverable amount. Goodwill is allocated to cash-generating units for the purpose of impairment testing and the recoverable amount is determined by discounting the expected cash flows of the relevant cash generating unit. An impairment loss is recognised for the amount by which the carrying amount of the goodwill exceeds its recoverable amount.

In the consolidated financial statements, the financial information of all subsidiaries under the control of the parent company is combined on a line-by-line basis. All intragroup receivables and liabilities and the Group's intra-company transactions and the resulting income and losses as well as unrealised gains on these transactions have been eliminated. Unrealised losses have also been eliminated unless the transaction provides evidence of impairment of the asset transferred. Minority interests in the net income and equity is included within equity in the consolidated balance sheet separately from the equity attributable to the shareholders of the parent company and as a separate item in the consolidated statement of comprehensive income.

Revenues and expenses of the subsidiaries acquired within the financial year are consolidated into the group statement of comprehensive income starting from the date of acquisition until the end of the financial year. The results of operations of subsidiaries disposed of during the year are consolidated into the group statement of comprehensive income from the beginning of the financial year until the date of disposal.

The 2010 consolidated financial statements include the financial statements of AS LHV Pank (parent company) and its subsidiary LHV Ilmarise Kinnisvaraportfelli OÜ (Estonia–100% ownership interest until 30.06.2009).



Pursuant to the Accounting Act of the Republic of Estonia, primary financial statements of the consolidating entity (parent company standing alone) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the parent company, the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the standalone primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 "Consolidated and Separate Financial Statements".

In the parent's standalone primary financial statements, disclosed in a note to these consolidated financial statements (see Note 27), the investments into the shares of subsidiaries are accounted for at cost less any impairment losses.

2.3 Foreign currency translation

(a) Functional and presentation currency

The functional and presentation currency of the Group entities is the Estonian kroon.

(b) Foreign currency transactions and balances

Foreign currency transactions are recorded based on the foreign currency exchange rates of the bank of Estonia (central bank) prevailing at the dates of the transactions. Monetary assets and liabilities and non-monetary financial assets and liabilities measured at fair value denominated in foreign currencies are translated into Estonian kroons based on the foreign currency exchange rates of the bank of Estonia prevailing at the balance sheet date. Gains and losses on translation from monetary assets and liabilities are recorded in the statement of comprehensive income under the line "Net gains from financial assets". Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss in the line "Foreign currency gains and translation differences".

2.4 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits with central bank and other banks, term deposits with original maturities of three months or less, that are available for use without any significant restrictions.

2.5 Financial assets

Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss
- loans and receivables

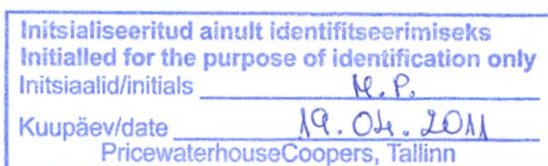
The classification depends on the purpose for which the financial assets were acquired. Management of the bank determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include

- financial assets held for trading (incl. derivatives)
- financial assets designated at fair value through profit or loss at inception

A financial asset is classified as **held for trading** if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.
Regular purchases and sales of financial investments are recognised at the settlement date in the balance sheet. Financial instruments included in this category are initially recognised at fair value; transaction costs are taken directly to the consolidated income statement. After initial recognition, financial assets in this category are measured at fair value. Changes in fair values of these assets are recognised consistently, either as a profit or loss in the statement of comprehensive income of the accounting period under "Net gains from financial assets". In accounting for financial assets at fair value through profit or loss, the change in the value of assets between the trade date and the settlement date are taken to profit or loss, similarly to the recognition of similar assets in the ownership of the Group. Dividend income on financial assets measured at fair value through profit or loss are recognised in the line "Dividend income" of the statement of comprehensive income when the right to receive dividends by the Group is established.



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In case of listed securities (i.e. the securities which have an active market), the current bid price is considered as the fair value of investments. To find the fair value of investments not actively traded in the market, alternative methods such as the price of recent transactions (under market conditions), the discounted cash flow method or option valuation models are used.

Derivative financial instruments (futures, forward, swap and option contracts) are initially recognised in the balance sheet at the fair value net of transaction costs at the trade date and are subsequently valued at fair value through profit or loss. If derivatives are quoted on an active market, market value is used as the fair value. Otherwise, the valuation techniques are used to find the fair value. Profits and losses from derivatives are recognised as income or expense of the period in the statement of comprehensive income under "net profit/loss from trading". These transactions are carried in balance sheet as assets, if their fair value is positive and as liabilities, if the fair value is negative. The fair values of derivative assets and liabilities recorded in the balance sheet are not netted. The Group does not use hedge accounting to account for its derivative financial instruments.

Financial assets designated at fair value through profit or loss at inception - securities are classified into this group, if the company has upon initial recognition designated the securities to be recorded as at fair value through profit or loss and as a result the changes in the fair value of these securities are consistently recognized in the profit or loss of the reporting period in the statement of comprehensice income.
Financial assets and financial liabilities are designated at fair value through profit or loss when:

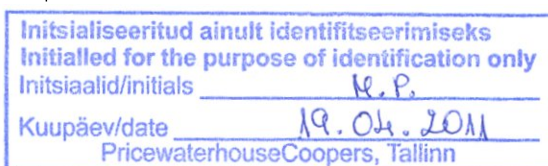
- doing so significantly reduces measurement inconsistencies
- certain investments, such as debt or equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized in the balance sheet when the cash is paid to the customer and are initially recognized at fair value plus transaction costs, and are derecognized only when they are repaid or written-off, regardless of the fact that some of them may be recognized as costs through providing allowances for loans. After initial recognition, the Group recognises loans and receivables at amortised cost (less principal repayments and any potential impairment losses, if necessary) and calculates interest income on the receivable in subsequent periods using the effective interest rate method.

Finance lease transactions are lease transactions under which all significant risks and rights from using the assets are immediately transferred from the Group to the lessee. Legal ownership of assets is transferred to the customer at the end of the lease term. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of minimum lease payments (plus any unguaranteed residual value of the leased asset). Each lease payment received from the lessee is allocated between the receivable and finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. When there are service fees attributable to the conclusion of lease agreements, they are included in the calculation of the effective interest rate of the lease and calculation of a finance lease receivable. The basis for assessing receivables is the timely fulfilment of contractual obligations, the estimated market price of the leased asset and excess collateral, the financial position and reliability of the customer. Impairment of receivables is shown as a negative amount within the respective asset category in the balance sheet.

Loan receivables which have been acquired as a pool (portfolio of consumer loans of Finnish individuals) are recognised at fair value at the time of acquisition. When the nominal value of the acquired portfolio is higher than its fair value (i.e. the portfolio is acquired at a discount because some of the credit losses have already been incurred by the time of acquisition), the nominal amount and the respective impairment loss are recognised in the contra-asset account. The portfolio of receivables acquired as a pool is subsequently recognised on the portfolio basis, using the effective interest rate determined at the time of acquisition of the pool of assets. In case the actual cash flows earned on the portfolio differ from the estimated cash flows at the time of acquisition, the difference is discounted at the initial effective interest rate either as an impairment loss of the asset (actual cash flows are lower than estimated ones) or income (actual cash flows are higher than the estimated ones) in the statement of comprehensive income.



Trade receivables arise from provision of services to the customers and are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method (less a provision for impairment).

The impairment of loans and receivables is assessed in accordance with the principles described in clause 2.6.

2.6 Impairment of financial assets

The Group assesses at least at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group assesses the risks conservatively, taking into consideration all known information about the solvency of the debtor and whether there are any objective circumstances indicating impairment (the buyer's financial difficulties, bankruptcy or inability to meet its obligations to the Group). The Group assesses individually whether there is any objective evidence of impairment of financial assets which are individually significant, and individually or jointly of those financial assets which are not individually significant.

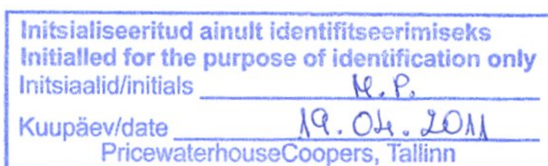
Corporate loans are assessed individually, based on the financial position of the company, industry situation, reliability of the borrower, the competence of its management, timely fulfilment of obligations laid down in loan contracts and other factors. Margin loans backed by securities both to legal as well as physical persons are assessed individually, using primarily the market value of collateral as the basis. Consumer loans issued to individuals as borrowers are assessed as a group. Physical persons who are borrowers are assessed in terms of their timely fulfilment of obligations, solvency, age, education, length of employment, savings habits and other factors impacting credit risk.

For the purpose of recognition of group-based impairment losses, financial assets are grouped on the basis of homogeneous credit risk features. Future cash flows of loan groups assessed as a group are assessed on the basis of contractual cash flows of assets and historical losses of these assets. Historical loan losses are adjusted on the basis of current observable data, to account for the effect of conditions at the time, which did not impact that period on which historical losses are based and to eliminate those effects of previous periods, which are currently absent. The Group regularly reviews future cash flow assessment methods and assumptions, in order to reduce potential differences between loss estimates and actual losses.

For assessment of loan losses, the probability of collecting the loan and interest payments over the coming periods are considered, as well as discounted present value of estimated collections, discounted at the financial asset's original effective interest rate, and anticipated proceeds from the realization of collateral (if the loan is secured, excluding future credit losses that have not been incurred), which together help assess the amount of a loss incurred of the loan. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. For these assessed incurred loan losses, the relevant allowance has been established. Any impairment losses are charged to the income statement. Doubtful receivables are written down in the balance sheet to the collectible amount.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal of the impairment loss is recognised as income in the line "Loan losses" in the statement of comprehensive income.

If the loan is uncollectible, it is written off against the respective impairment loss of the loan. Such loans are written off after implementation of all required procedures and determination of the loss amount. The loans, the due dates of which have been extended, are not considered to be past due loans, but regular ones.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Interest income on loans is presented on the statement of comprehensive income under "Interest income".

2.7 Tangible assets

Tangible assets are non-current assets used in the operating activities of the Group with a useful life of over one year. An item of tangible assets is initially recognised at its cost which consists of the purchase price (incl. customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to operating expenses during the financial period in which they are incurred.

An item of tangible assets is carried in the balance sheet at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis. The annual depreciation rate for computers, furniture and fixtures is 33%, for improvements of rental space either 20% p.a. or amortization throughout the rental period, depending on which is shorter. Depreciation is calculated starting from the month of acquisition until the carrying amount reaches the residual value of the asset. In case the residual value is greater than the carrying amount of the asset, no further depreciation expense is calculated.

The appropriateness of the assets´ residual values, depreciation methods used and useful lives are reviewed, and adjusted if that has become appropriate, at each balance sheet date. The Group performs an impairment test when there are circumstances indicating impairment. Where an asset's carrying amount is greater than its estimated recoverable amount (higher of an asset's fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount recognising an impairment loss in the statement of comprehensive income for the period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in operating expenses /other income in the statement of comprehensive income for the period.

2.8 Intangible assets

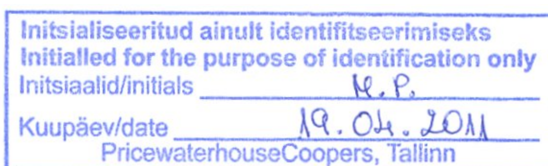
Intangible assets are identifiable, non-monetary assets without physical substance and currently comprise of acquired software licences. An intangible asset is initially measured at cost, comprising of its purchase price and any directly attributable expenditure on preparing the asset for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis. The annual amortisation rate for purchased licenses is 33%. At each balance sheet date the appropriateness of amortization rates, methods and residual values is assessed. The Group reviews intangible assets for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use.

2.9 Financial liabilities

Deposits from customers are initially recorded at the value date at their fair value less transaction costs and are subsequently measured at amortised cost using effective interest rate method in the balance sheet line "Loans received and deposits from customers", accrued interest liabilities are included in the same line. Interest expense is recognised in the statement of comprehensive income line "Interest expense" on the accrual basis.

Loans received, bonds issued and similar subordinated loans are initially recognised at fair value, less transaction costs (cash received less transaction costs). The subordinated loans are those liabilities, which in case of a termination of a credit institution or declaration of bankruptcy, are settled after the satisfaction of the justifiable claims of other creditors. Other financial liabilities (trade payables, accrued expenses and other borrowings) are initially recognised at fair value.

A financial liability at fair value through profit or loss is an instrument held for trading purposes and is recognised at fair value at each reporting date. All other financial liabilities are subsequently measured at amortised cost using the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effective interest rate method. Borrowing costs are included in the calculation of the effective interest rate. The difference between the proceeds (less transaction costs) and redemption value are recognised in the statement of comprehensive income during the term of the instrument, using the effective interest rate. Interest costs are included in the statement of comprehensive income line "Interest expenses".

Structured bonds consist of a deposit and an option embedded in the bond. As the value of the option depends on the return on the underlying asset being the value of the fund unit, it represents a derivative which is not closely related and the Group has therefore decided to recognise the option portion of the bonds in a separate balance sheet line "financial liabilities at fair value through profit or loss" at fair value based on the market value. The interest payable on the deposit is recognized in the statement of comprehensive income under "Interest expense" using the effective interest rate and method and the change in the fair value of the option under "Net gains/losses from trading".

2.10 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised in the financial statements at fair value at the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are recognised at the outstanding value of the guarantee stated as the higher of unamortized fees and a provision under IAS 37, based on experience with similar transactions and judgement of the management. In the statement of comprehensive income, the fee income earned on a guarantee is recognised on a straight line basis over the life of the guarantee. The amounts to be disbursed to settle the guarantee obligation are recognised in the balance sheet as a provision at the date it becomes evident that it is probable that the guarantee is to be disbursed.

2.11 Payables to employees

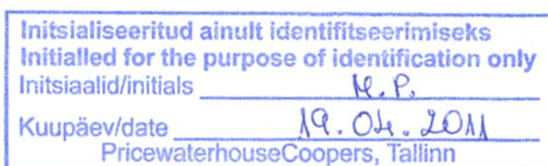
Payables to employees include a vacation pay accrual calculated in accordance with employment contracts and the laws of the Republic of Estonia in force as at the balance sheet date. The liability related to the payment of a vacation pay accrual together with social security and unemployment insurance payments is included within current liabilities in the balance sheet and as personnel costs in the statement of comprehensive income.

2.12 Provisions and contingent liabilities

Liabilities arising from an obligating event before the balance sheet date that have either a legal or contractual basis or that have arisen from the Company's current operating practice (legal or constructive obligation) that require the giving up of assets, the realisation of which is probable (it is more likely than not that an outflow of resources will be required to settle the obligation) and the amount of which can reliably be estimated but for which the timing or amount are not definitely known are recognised as provisions in the balance sheet. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to the management is necessary as at the balance sheet date for the meeting of the obligation arising from the provision or transfer to the third party. The provision expense and an expense from the change in the carrying amount of provisions is included within expenses in the accounting period. Provisions are not set up to cover future losses.

When it is probable that a provision is will be realised later than 12 months after the balance sheet date it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial.

Other potential or existing liabilities (promises, guarantees, other than financial guarantees, and other commitments) the realisation of which is less probable than non-realisation or related costs cannot be determined reliably, that in certain circumstances may become obligations, are disclosed in the notes to the financial statements as contingent liabilities. Where an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).



2.13 Distinction between short- and long-term financial assets and liabilities

Financial assets from which resources are expected to flow to the Group within 12 months are recognised as current assets. The portion of financial assets with expected inflows later than 12 months after the balance sheet date is recognised as non-current assets.

Financial liabilities are classified as current when they are due within twelve months after the balance sheet date or if the Group does not have an unconditional right to defer the payment for later than 12 months after the balance sheet date. Loans whose due date is within 12 months after the balance sheet date but which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue are recognised as current. Loans that the lender has the right recall at the balance sheet date due to violation of contractual terms are also classified as current.

For all long-term financial assets and liabilities the long-term portion is separately disclosed in respective disclosure to these consolidated financial statements.

2.14 Revenue and expenses

Revenue and expenses are accounted for using the accrual basis of accounting. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, the amount of the revenue can be measured reliably and services were rendered by the Group. Revenue from services rendered in the ordinary course of business by the Group is recognised at the fair value of the fee received or receivable. Expenses are recognised when the Group has incurred an obligation for the respective expense and/or the Group has received goods or services, and the latter occurs at an earlier data.

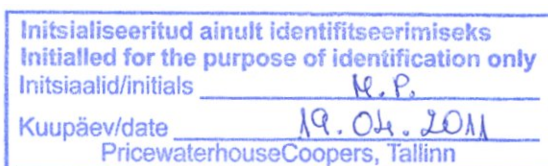
Fee and commission income (incl. custody and portfolio management fees) are recognised on an accrual basis when the service has been provided and the Group has a right of claim to the receivable. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commissions and fees arising from provision of advisory services to third parties (purchase or sale of businesses, acquisitions, etc.) are generally recognised upon completion of the underlying transaction or when a service is provided over a longer period of time, based on the stage of completion method. Portfolio management, other consultation fees and management fees related to investment funds are recognized according to the agreement, usually over the period during which the service is provided. The same principle is applied to wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognized when the performance criteria are fulfilled or based on the stage of completion. Other one-time service revenues and other revenues are recognized on an accrual basis at the moment of executing the respective transaction.

Fee and commission expenses are recognised after the service has been provided and when the liability has incurred.

Interest income and expense is recognized in the statement of comprehensive income for all financial instruments carried at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future impairment losses. The calculation includes all significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Once a financial asset or a group of similar financial assets has been



written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income is recognised when the legal right to receive dividends is established.

2.15 Asset management services

The Group is engaged in providing asset management services. Such assets that have been given to the Group to be managed by third parties and that the Group does not own are not included in the balance sheet. Service fees are derived from management of such assets and no associated credit and market risks arise for the Group.

2.16 Leases - Group as the lessee

Leases of tangible assets where the lessee acquires substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the repayment of a liability and finance charges (interest expense). The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period (effective interest rate method). Tangible non-current assets acquired under finance leases are depreciated similarly to acquired assets over the shorter of the useful life of the asset or the lease term. In the financial year, the Group did not have any finance lease agreements.

Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. The Group primarily uses an operating lease for renting the premises and cars. A rental expense is recognized in the statement of comprehensive income as "Operating expenses".

2.17 Taxation and deferred income tax

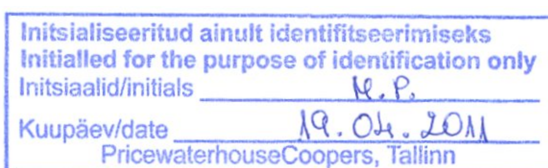
According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia and thus there are no temporary differences between the tax bases and carrying amounts of assets and liabilities and no deferred tax assets or liabilities arise. Instead of net profit, dividends payable out of retained earnings are subject to taxation at the rate of 21/79. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

2.18 Offsetting

Offsetting between financial assets and liabilities is performed only when there is a legal right for it and these amounts are intended to be settled on a net basis.

2.19 Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations to comply with the requirements of the Commercial Code. During each financial year, at least one-twentieth of the net profit shall be transferred to the statutory reserve, until reserve reaches one-tenth of share capital. Statutory reserve may be used to cover a loss, or to increase share capital. Payments to shareholders from statutory reserve are not allowed.



NOTE 3 Risk management

The principles of identification, management and control of risks at LHV Pank are set out in the policies and procedures approved by the Supervisory Board and daily risk management is organized by the Management Board. The purpose of risk management is to identify, assess, manage and control all risks related to the activities of LHV Pank in order to ensure the bank´s reliability, stability and profitability. Independent from the units taking risk positions, the internal control department carries out control over the risk management. The rules and procedures of risk management are regularly reviewed at least once a year and updated in case of a need.

3.1 Capital management

The goal of the Group's capital (incl. debt) management is to:

- ✓ comply with capital requirements as established by supervision authorities;
- ✓ ensure continuity of the Group's business and ability to generate return for its shareholders;
- ✓ maintain a strong capital base supporting the development of business.

Debt is managed according to internal rules and the Asset and Liability Management Committee (ALCO) oversees capital management. The ALCO is involved in the development of an optimal balance sheet structure, it monitors liquidity and interest rate risk, and makes recommendations for raising additional share capital, if necessary, in order to ensure the bank's further development and to comply at any given time with the prudential requirements established for credit institutions.

Capital adequacy and the use of regulatory capital are monitored by the Finance Department. Reports about the compliance with prudential and capital requirements for covering the risks are submitted monthly to supervision authorities. In 2010, the bank did not experience any problems in respect of compliance with capital adequacy requirements. LHV Pank does not use internal rating based (IRB) models for calculating capital requirements.

Capital adequacy

Capital base	**31.12.2010**	**31.12.2009**
Paid-in share capital	101 703	100 000
Reserves	0	1 518
Accumulated deficit	576	-2 887
Intangible assets (subtracted)	-3 361	-574
Net loss for accounting period	-13 506	0
Total Tier 1 capital	**85 412**	**98 057**
Subordinated loans	42 706	0
Total Tier 2 capital	**42 706**	**0**
Net own funds (NOF) for capital adequacy calculation	**128 118**	**98 057**
Capital requirements		
Central government and central banks with standardised approach	0	4 426
Credit institutions and investment companies with standardised approach	12 847	20 015
Retail claims with standardised approach	39 264	9 182
Other assets with standardised approach	4 573	857
Total capital requirements for covering the credit risk and counterparty credit risk	**56 684**	**34 480**
Capital requirement against foreign currency risk	691	940
Capital requirement against interest position risk	6 852	2 050
Capital requirement against equity portfolio risks	133	149
Capital requirement against option derivatives	0	32
Capital requirement for operational risk with standardised approach	9 187	6 274
Total capital requirements for adequacy calculation	**73 547**	**43 925**
Capital adequacy (%)	**17,42**	**22,32**
Tier 1 Capital Ratio (%)	**11,61**	**22,32**

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The net capital of a credit institution at any time shall be equal to or exceed the minimum amount of share capital prescribed in the Credit Institutions Act (EUR 5 million or EEK 78 230 thousand). Capital adequacy level, i.e. the ratio of the bank's own funds to risk-weighted assets shall be at least 10%. LHV Pank maintains the capital adequacy level at 15%, to cover potential risks arising from fast growth. Each year, an internal capital adequacy evaluation process is performed, the goal of which is to identify potential capital needs in addition to regulatory capital requirements.

3.2 Credit risk

Credit risk is the potential loss which would arise from the counterparty's inability to meet its obligations to the Group. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and other financial institutions, bonds, but mostly credit exposures to customers, including outstanding loans, other receivables and committed transactions. In order to hedge credit risk, LHV Pank analyses the operations and financial position of its customers and business partners. After authorising the loan, the solvency of the customer and the value of the collateral are regularly monitored.

3.2.1 Distribution of credit risks

LHV Pank classifies the financial assets exposed to credit risk in the following key categories:

a) bonds
b) loans and advances to banks
c) margin loans backed by securities
d) corporate loans
e) consumer loans with cash flows as collateral

a) Bonds

The Credit Committee sets limits for taking credit risk associated with bonds considering the issuer's rating. The ALCO or authorised employees make decisions regarding investments within the limits set.

The bank's debt securities according to ratings given by Standard & Poor's or equivalent:

Rating	**31.12.2010**	**31.12.2009**
AA- to AA+	62 190	4 814
A- to A+	115 823	31 759
Lower than A-	88 387	23 974
Without a rating	0	1 224
Total (Note 12)	**266 400**	**61 771**

b) Loans and advances to banks

Management estimates that the credit risk exposure from cash and cash equivalents, held at the central bank, other correspondent banks and investment institutions has inherently low credit risk. The funds of LHV Pank according to ratings given by Standard & Poor's or equivalent (central bank without a rating) are held as follows:

Rating	**31.12.2010**	**31.12.2009**
AA- to AA+	75 146	77 915
A- to A+	276 959	139 595
Lower than A-	0	85 601
Without a rating	723 557	100 174
Total (Note 10)	**1 075 662**	**403 285**

c) Leverage loans

LHV Pank gives margin loans backed by securities to its customers, i.e. financial leverage. The maximum amount of the loan depends on the market value of the assets held as collateral in the investment account, and on the general limit set by LHV Pank which is currently 100 thousand euros (or an equivalent in a foreign currency) per customer through LHV Pank's website. The granting of major loans assumes an analysis of the portfolio offered as collateral by the customer and the decision is within the competence of the Credit Committee. The list of acceptable marketable financial instruments and the levels of the required collateral are published on LHV Pank's website www.lhv.ee. The credit risk arising from financial leverage is mitigated by constant monitoring of the market

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values of the financial instruments required as collateral. When the value of collateral assets falls below the established limit, LHV Pank is entitled to demand a transfer of additional collateral to the account or pay off the loan in the customer's account without the customer's trade order, liquidating the collateral asset for this purpose.

Stress tests are carried out for evaluating the credit risk of leveraged loans in order to determine potential losses in case of changes in the value of collateral and for evaluating the credit risk of other loans, the probability of the lender becoming insolvent, the amount of loans not covered by collateral at the time of insolvency and the amount of the resulting related expected loss is assessed. If necessary, decisions are made in respect of allocating additional risk capital in order to cover credit risk.

d) Corporate loans

Since 2009, LHV Pank also issues corporate loans. Prior to issuing a loan, a credit risk analysis is performed for each customer, including an analysis of the customer's economic activities, reporting and cash flows, background checks, the company's structure, management and owners' related risk, an analysis of the industry and economic environment. The Credit Committee makes decisions in respect of risk-taking on the basis of a unanimous resolution. The maximum limit of a loan issued to a customer by LHV Pank is 20% of net own funds (NOF, whereby the legal limit is 25% of NOF). The requirements for loan collateral are established in the bank's Credit Policy. In general, the pledged assets need to be secured, the life of the collateral needs to be longer than the due date of the loan and the market value of the collateral needs to exceed the outstanding loan balance. After issuing the loan, follow-up monitoring of each customer's financial position is performed at least once a quarter. Problem loans are monitored continuously.

LHV Pank considers the loan as non-performing and writes it down when the loan payments have not been collected by the due date and/or the expected cash flows from the realisation of collateral are not sufficient for covering the carrying amount of the loan principal and interest payments. Due to the small size of the bank's corporate loan portfolio, LHV Pank evaluates these loans individually. In case of individual evaluation, the amount of the impairment loss is the difference between the residual value of the receivable and expected cash flows discounted at the effective interest rate. In 2010 and 2009, no impairment losses were recognised for corporate loans.

e) Consumer loans

At 28.06.2010, LHV Pank purchased a consumer loan portfolio of Finnish individuals with a 20% discount from its nominal value. The majority of the portfolio was past due and submitted to the bailiff for proceedings. Over the following couple of months, LHV Pank upgraded the credit scoring model for issuing the loans of the acquired portfolio that had been in use previously, and started issuing new loans in September 2010. In addition to the customer's previous payment behaviour and income, the new credit scoring model also takes into account other statistical parameters, which have previously been collected by types of customer in order to evaluate potential disruptions in the payment behaviour of the scoring group. Different maximum limits for the loans to be issued have been set for various scoring groups. Consumer loans are issued only to individuals and using cash flows as collateral.

Consumer loans are homogeneous loans and they are not assessed individually, but they are provisioned on a group basis. For the purpose of recognition of group-based impairment losses, the receivables are grouped into subclasses on the basis of homogeneous credit risk features, considering customers' payment practice, past due time and the time passed from initiation of proceedings by the bailiff. For the receivables that have been grouped, the amount of the impairment loss is the multiple of the carrying amount of the receivables in the group and the group's percentage rate of impairment loss. The model for assessment of homogeneous receivables and setting up of provisions currently in use at the bank was developed in the second half of 2010. In the initial stage, to identify potential shortcomings, the model is being validated on an ongoing basis and thereafter reviewed at least once a year. As at 31.12.2010, the group-based impairment reserve makes up 18% of consumer loans and the related interest receivables. In the second half of 2010, receivables, in respect of which the bailiff has sent a notice regarding the termination of the proceedings, have been written off the balance sheet against the impairment loss of the acquired portfolio.

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The bank accounts for the acquired loan portfolio on a gross basis, i.e. showing contractual receivables from customers at nominal value, considering the actual effective interest rate of the contract and the impairment loss in the contra asset account. For calculation of interest income, the bank uses the expected rate of return of 10% on the portfolio acquired at fair value determined at the time of acquisition. The differences between the interest receivables calculated using the effective interest rate and the interest receivables calculated using the expected rate of return are adjusted in the contra asset account "Impairment of receivables" in the balance sheet.

3.2.2 Credit quality

As at 31.12.2010	Receivables not impaired and not past due	Receivables impaired and past due	Total	Impairment booked *	Net
Loans to legal persons					
Leverage loans	78 612	0	78 612	0	**78 612**
Corporate loans	268 549	0	268 549	0	**268 549**
Finance lease	749	0	749	0	**749**
Loans to individuals					
Leverage loans	71 808	0	71 808		**71 808**
Consumer loans	0	212 052	212 052	-38 169	**173 883**
Housing loans and finance lease	2 118	0	2 118	0	**2 118**
Total loans and advances to customers	**421 836**	**212 052**	**633 888**	**-38 169**	**595 719**
Loans and advances to banks	1 075 662	0	1 075 662	0	**1 075 662**
Total (Notes 10 and 13)	**1 497 498**	**212 052**	**1 709 550**	**-38 169**	**1 671 381**

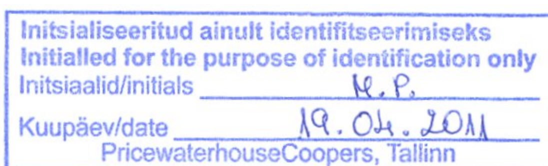
* Impairment of a homogeneous portfolio, there are no receivables that have been impaired individually.

As at 31.12.2009	Receivables not impaired and not past due	Total
Loans to legal person		
Margin loans backed by securities	21 478	21 478
Corporate loans	114 154	114 154
Loans to individuals		
Margin loans backed by securities	25 691	25 691
Total loans and advanced to customers	**161 323**	**161 323**
Loans and advances to banks	403 285	403 285
Total (Notes 10 and 13)	**564 608**	**564 608**

The loans, for which interest or principal payments had not been paid as at 31.12.2010, are divided to past due categories according to the past due time from the last scheduled payment as follows:

Structure of loans impaired according to past due time	31.12.2010	Impairment	Net
No past due payments	44 012	-330	43 682
Past due receivables	168 040	-37 839	130 201
1-30 days	*19 484*	*-381*	*19 103*
31-60 days	*9 339*	*-277*	*9 062*
61-90 days	*4 315*	*-256*	*4 060*
91-180 days	*8 265*	*-827*	*7 438*
181-360 days	*22 638*	*-4 437*	*18 201*
More than 360 days	*103 998*	*-31 662*	*72 337*
Total	**212 052**	**-38 169**	**173 883**

As at 31.12.2009, there were no past due loans.



LHV pank

Distribution of loans by internal ratings	31.12.2010	31.12.2009*
Excellent	150 421	47 169
Good and very good	70 631	46 960
Satisfactory	189 205	41 552
Weak or doubtful	223 631	6 808
Total	**633 888**	**142 489**

* the short term receivables from the parent company in the amount of EEK 18 834 thousand are excluded.

Distribution of internal ratings:

- Excellent – margin loans backed by securities and corporate loans with very low business risk.
- Good and very good – corporate loans with lower business risks and consumer loans, with no past due payments.
- Satisfactory – corporate loans with average business risk and consumer loans up to 60 days past due.
- Weak or doubtful – all remaining consumer loans (past due more than 60 days and portfolio in proceedings by the bailiff) and corporate loans carrying high business risk.

In addition to the loans granted, loan contracts have been concluded and signed whereby the unused loan commitment was EEK 44 247 thousand as at 31.12.2010 (as at 31.12.2009, EEK 16 860 thousand), see also Note 24. There are no restructured loans and receivables.

A portfolio of consumer loans of individuals makes up a third of the loan portfolio of LHV Pank, which is unsecured (issued for cash flows). In 2009, there were no unsecured loans.

Structure of collateral of secured leveraged and corporate loans	2010	2009
Listed securities	33%	33%
Unlisted equity securities	15%	17%
Mortgages	26%	1%
Surety of KredEx and Rural Development Foundation	11%	15%
Pledges of rights of claim or deposit	9%	32%
Others	6%	2%

Maximum credit risk exposure	31.12.2010	31.12.2009
Balances with banks and investment companies (Note 10)	1 075 662	403 285
Derivatives (Note 11)	0	3 003
Other financial assets designated at fair value (bonds) (Note 12)	266 400	61 771
Loans and advances to customers (Note 13)	595 719	161 323
Other receivables from customers (Note 14)	28 769	2 779
Other assets (Note 15)	207	207
Total assets	**1 966 757**	**632 368**
Off-balance sheet liabilities (Note 24)	55 031	25 623
Total maximum credit risk exposure	**2 021 788**	**657 991**

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Credit quality of other receivables	31.12.2010	31.12.2009
Receivables not impaired and not past due	2 860	2 702
Receivables past due (not impaired)	80	77
incl. receivables from individuals	*34*	*67*
incl. receivables from legal persons	*46*	*8*
Impaired receivables acquired at net value	25 829	0
incl. receivables from individuals	*25 829*	*0*
Total (Note 14)	**28 769**	**2 779**

3.3 Market risk

Market risk arises from LHV Pank's trading and investment activities in the financial markets from interest rate products, foreign exchange and stock markets as well as lending activities and taking in financial resources. Market risk is a potential loss which may arise from unfavourable changes in foreign exchange rates, prices of securities or interest rates. The VaR (Value at Risk) method is used to assess potential losses. The method calculates the maximum potential loss at a particular trade date from a particular portfolio with 99% probability. In order to mitigate market risk, conservative limits have been established for the trading portfolio and open foreign currency exposures, the monitoring responsibility of which lies with the internal control department. The bank does not hold an active trading portfolio, therefore, there is no major risk due to trading and the VaR method is primarily used for assessment of collateral value of margin loans.

3.3.1 Foreign currency risk

Foreign currency risk may arise from acquisition of securities mostly denominated in foreign currencies or foreign currency receivables and liabilities. The risk management department of LHV Pank is responsible for daily monitoring of open foreign currency positions. If the open currency position exceeds the limits set in regulatory acts, measures are immediately implemented to reduce such positions (hedging the risk with relevant instruments, such as foreign currency forwards or futures).

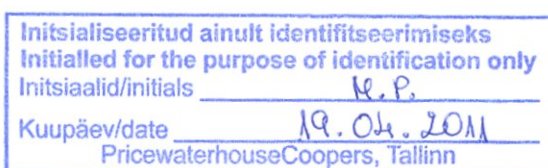
Foreign currency rate risk is managed under the following limits:

- Open currency positions of OECD member states cannot exceed 15% of net own funds
- Open currency positions of any other currency (excl. Estonian kroon, euro, Latvian lats, Lithuanian litas) cannot exceed 5% of net own funds
- Open currency positions of the Latvian lats and Lithuanian litas are without limits, as the litas is pegged to the euro using a fixed exchange rate and the fluctuation of the lats is fixed at +/-1% to the euro.

Information regarding assets and liabilities bearing currency risk is presented in the tables on the following pages. The main currencies, in which LHV Pank has open currency exposures, are USD, SEK, LTL and LVL.

Open currency exposures

The following tables present the risks arising from open currency exposures. Assets and liabilities denominated in foreign currencies have been presented in EEK equivalent in respective columns, according to the exchange rate prevailing at the balance sheet date. Derivatives reported at fair value in the balance sheet have been included at contractual amounts under contingencies and commitments. Open currency exposure and the volume of financial assets and liabilities of the bank at the balance sheet date does not significantly differ from the average exposure during the year.



31.12.2010	EEK	EUR	LTL	LVL	SEK	USD	Other	Total
Assets bearing currency risk								
Balances with other banks and inv. companies	890 611	159 650	7 110	775	2 248	10 715	4 553	1 075 662
Securities	7	235 525	0	287	8	31 260	12	267 099
Loans granted	110 064	447 785	8 873	3 088	1 323	21 513	3 073	595 719
Receivables from customers	604	27 213	10	19	0	639	284	28 769
Other assets	2 325	482	3	13	0	9 017	0	11 840
Total assets bearing currency risk *	**1 003 611**	**870 655**	**15 996**	**4 182**	**3 579**	**73 144**	**7 922**	**1 979 089**
Liabilities bearing currency risk								
Loans received and deposits from customers	1 277 822	532 091	10 256	1 969	5 020	44 300	6 185	1 877 643
Deferred income	0	2 891	0	0	0	0	0	2 891
Accrued expenses and other liabilities	5 966	9 789	381	258	0	13	0	16 407
Total liabilities bearing currency risk *	**1 283 788**	**544 771**	**10 637**	**2 227**	**5 020**	**44 313**	**6 185**	**1 896 941**
Off balance sheet contingencies at contractual amounts *	0	29 337	0	0	0	0	0	29 337
Off balance sheet commitments at contractual amounts *	0	0	0	0	0	29 337	0	29 337
Open foreign currency position	**-280 177**	**355 221**	**5 359**	**1 955**	**-1 441**	**-506**	**1 737**	**82 148**

* the balances of total assets and total liabilities bearing currency risk above do not include derivatives at their fair value, but they are shown here at their full contractual cash flow amounts as contingencies and commitments (see also Note 11); also, the table does not include the assets (tangible and intangible assets) and liabilities (provisions) not bearing currency risk and equity.

As at 31.12.2009	EEK	EUR	LTL	LVL	SEK	USD	Other	Total
Assets bearing currency risk								
Balances with other banks and inv. companies	237 268	131 342	4 367	953	1 491	21 769	6 095	403 285
Securities	650	61 930	73	0	9	62	4	62 728
Loans granted	16 687	117 887	8 627	1 242	497	9 742	6 641	161 323
Receivables from customers	1 005	82	7	554	4	916	211	2 779
Other assets	1 878	340	0	8	0	0	0	2 226
Total assets bearing currency risk *	**257 488**	**311 581**	**13 074**	**2 757**	**2 001**	**32 489**	**12 951**	**632 341**
Liabilities bearing currency risk								
Loans received and deposits from customers	274 443	205 394	8 313	834	1 785	34 982	2 107	527 858
Securities	105	0	18	0	0	0	0	123
Deferred income	0	451	0	0	0	0	0	451
Accrued expenses and other liabilities	7 699	834	507	106	0	0	9	9 155
Total liabilities bearing currency risk *	**282 247**	**206 679**	**8 838**	**940**	**1 785**	**34 982**	**2 116**	**537 587**
Off balance sheet contingencies at contractual amounts *	0	123 217	0	0	0	126 220	0	249 437
Off balance sheet commitments at contractual amounts *	0	123 217	0	0	0	123 217	0	246 434
Open foreign currency position	**-24 759**	**104 902**	**4 236**	**1 817**	**216**	**510**	**10 835**	**97 757**

* the balances of total assets and total liabilities bearing currency risk above do not include derivatives at their fair value, but they are shown here at their full contractual cash flow amounts as contingencies and commitments (see also Note 11); also, the table does not include the assets (tangible and intangible assets) and liabilities (provisions) not bearing currency risk and equity.

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A sensitivity analysis has been performed for the effect of possible reasonable changes attributable to open currency positions on the income statement, with the assumption of other conditions remaining constant.

Impact on statement of comprehensive income	Change	2010	Change	2009
USD exchange rate	10%	-51	10%	47
	-10%	51	-10%	-47
SEK exchange rate	10%	-144	5%	12
	-10%	144	-5%	-12

3.3.2 Price risk

Financial instruments bearing price risk at LHV Pank are securities held in the trading portfolio and investment portfolio. At the LHV Pank, the limits are set for the size of the trading portfolio and acceptable credit quality ratings are specified for bonds in the investment portfolio. The internal control department monitors the compliance with limits.

Sensitivity analysis of the impact to net result from the risk exposures against reasonable possible change:

Impact on statement of comprehensive income	Change	2010	Change	2009
Shares	20%	91	30%	224
	-20%	-91	-30%	-224
Fund units	15%	37	15%	32
	-15%	-37	-15%	-32
Bonds	5%	13 320	15%	9 265
	-5%	-13 320	-15%	-9 265

The CBOE Nasdaq Index VIX which expresses the volatility of stock markets has considerably decreased as compared to the previous year, but still fluctuates at around 20%, which has been used to test the effect of changes on the market value of equity positions. The bank's bond portfolio is short-term and has high quality, therefore, the effect of the changes in market risk premiums on the market value of the bond portfolio should remain at around 5%.

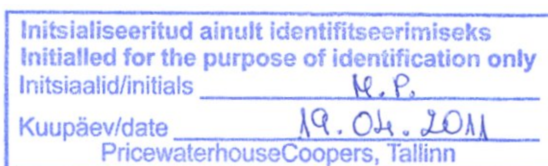
3.3.3 Interest rate risk

The goal of monitoring, measuring and managing interest rate risk is to evaluate the profitability of the bank's interest-bearing products, to forecast interest income and to set limits for risk management in order to prevent significant reduction of income through limitation of risks in two aspects:

- cash flow interest rate risk whereby in case of a 1% change in market interest rates, a change in annual net interest income is limited as compared to the estimated actual income based on the term structure of instruments currently in the balance sheet;
- fair value interest rate risk whereby in case of a 1% change in market interest rates, a change in the bank's economical value is limited (fair value of assets and liabilities is determined by discounting the future cash flows at the market rate of interest).

To reduce the cash flow risk arising from possible change in interest rates, LHV Pank primarily uses fixed interest rates for taking in deposits. The interest rates of the deposits from customers were up to 4.5% in 2010 (up to 7% in 2009). The interest rate on loans granted was between 4.5-23% in 2010 (7.5-20.5% in 2009). The interest rates for leverage loans granted are changed at most once a month according to fluctuations in market interest rates. In 2010, the interest rate on loans received for specific purposes was 1.5% and the effective interest rate of subordinated loans was 8% (2009: loans taken for specific purposes 1.5%).

As the share of cash in the bank's balance sheet is high due to the growth stage, and the liabilities are with longer maturities in a year's perspective, an increase in market interest rates has a positive effect on the expected net interest income of the bank this year. As at 31.12.2010, a 1% increase in interest rates would increase the bank's



annual interest income by EEK 255 thousand (a decline of 1% in interest rates would lower the income by EEK 255 thousand). As at the balance sheet date of 2009, the effect of a 1% increase in interest rates would have been EEK +351 thousand (effect of 1% decline EEK -351 thousand).

An 1% increase in market interest rates would lower the bank's economical value by EEK -3 million (2009: EEK -2.4 million). The effect on the bank's economical value is negative due to the longer than average duration of interest-earning assets than the average duration of interest-bearing liabilities.

The table below shows the structure of the interest-earning assets and interest-bearing liabilities of LHV Pank according to the recalculation dates of interest rates at the principal amounts of receivables and liabilities. Leveraged loans are treated as a one-month product maturing at the next interest fixing date.

31.12.2010	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Interest-earning assets					
Balances with other banks and inv. companies	1 061 919	0	0	0	**1 061 919**
Financial investments and securities	0	9 325	178 553	62 649	**250 527**
Loans granted	207 517	137 349	196 659	46 316	**587 841**
Total	**1 269 436**	**146 674**	**375 212**	**108 965**	**1 900 287**
Interest-bearing liabilities					
Loans received and deposits from customers	1 016 962	673 755	100 408	27 546	**1 818 671**
Subordinated loans '	0	0	46 940	0	**46 940**
Total	**1 016 962**	**673 755**	**147 348**	**27 546**	**1 865 611**
Interest pricing gap	**252 474**	**-527 081**	**227 864**	**81 419**	**34 676**

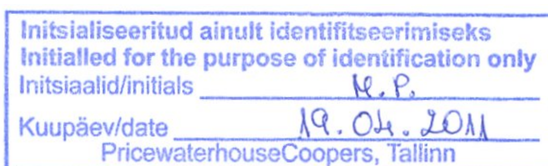
' the contractual term of subordinated loans is 7 years, but after two years, interest rates are changed.

31.12.2009	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Interest-earnings assets					
Balances with other banks and inv. companies	306 445	96 840	0	0	**403 285**
Financial investments and securities, incl. derivatives	110	2 333	18 598	40 730	**65 731**
Loans granted	80 069	34 390	41 061	5 803	**161 323**
Total	**386 624**	**133 563**	**59 659**	**46 533**	**630 339**
Interest-bearing liabilities					
Loans received and deposits from customers	303 088	182 022	20 098	22 650	**527 858**
Total	**303 088**	**182 022**	**20 098**	**22 650**	**527 858**
Total interest repricing time gap	**83 536**	**-48 459**	**39 561**	**23 883**	**102 481**

3.4 Liquidity risk

Liquidity risk relates to the solvency of LHV Pank to meet its contractual obligations on time and it arises from differences between maturities of assets and liabilities. The finance department of LHV Pank is responsible for the management of liquidity risk. In order to hedge liquidity risk, the probable net position of receivables and liabilities by maturities is regularly monitored and adequate amounts of liquid assets are kept in each time period, the concentration of bank's liabilities by maturities is also monitored. As at 31.12.2010 and 31.12.2009, the Group does not have any debts past due.

The following tables present the distribution of financial assets and liabilities, excl. derivatives, by due dates and by future contractual undiscounted cash flows and therefore, the tables do not reconcile to the positions in the



balance sheet. In the maturity analysis, the cash flows are split into the maturity buckets in which the cash flows occur (including interest cash flows) rather than being included in a single bucket when the instrument matures.

Explanation of the fair value of these financial assets and liabilities is presented in Note 3.3. LHV Pank has a sufficient supply of liquid resources to enable issuing standby loans. To enable covering unexpected monetary outflows, it is possible to sell security investments, but the bank does not hold them for the purpose of ensuring liquidity, instead, they are held for investing purposes.

31.12.2010	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates					
Loans received and deposits from customers	1 102 723	618 128	121 724	9 213	**1 851 788**
Subordinated loans	0	2 347	15 724	55 858	**73 929**
Other liabilities	16 281	0	200	0	**16 481**
Unused loan commitments	44 247	0	0	0	**44 247**
Financial guarantees by contractual amounts	6 939	2 803	1 042	0	**10 784**
Total liabilities	**1 170 190**	**623 278**	**138 690**	**65 071**	**1 997 229**
Assets held for managing liquidity risk by contractual maturity dates					
Balances with other banks and inv. companies	1 075 662	0	0	0	**1 075 662**
Financial investments and securities	4 604	20 253	202 485	87 557	**314 899**
Loans granted	184 131	161 183	230 656	82 475	**658 445**
Receivables from customers	9 397	6 458	12 915	0	**28 769**
Total assets held for managing liquidity risk	**1 273 794**	**187 894**	**446 056**	**170 032**	**2 077 775**
Maturity gap from assets and liabilities	**103 604**	**-435 385**	**307 366**	**104 961**	**80 546**

31.12.2009	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates					
Loans received and deposits from customers	303 865	187 483	38 318	6 295	**535 961**
Financial investments and securities	123	0	0	0	**123**
Other liabilities	6 551	2 460	500	0	**9 511**
Unused loan commitments	16 860	0	0	0	**16 860**
Financial guarantees by contractual amounts	8 763	0	0	0	**8 763**
Total liabilities	**336 162**	**189 943**	**38 818**	**6 295**	**571 218**
Assets held for managing liquidity risk by contractual maturity dates					
Balances with other banks and inv. companies	306 507	100 234	0	0	**406 741**
Financial investments and securities	1 037	4 939	32 315	48 125	**86 416**
Loans granted	89 113	25 667	46 256	3 731	**164 767**
Receivables from customers	2 779	0	0	0	**2 779**
Total assets held for managing liquidity risk	**399 436**	**130 840**	**78 571**	**51 856**	**660 703**
Maturity gap from assets and liabilities	**63 274**	**-59 103**	**39 753**	**45 561**	**89 485**

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3.5 Risk concentration

Distribution of assets and liabilities by geographic region is presented below:

As at 31.12.2010									
Asset distribution by geography	**Estonia**	**Latvia**	**Lithuania**	**Sweden**	**Finland**	**Denmark**	**USA**	**Other**	**Total**
Balances with banks and inv. companies	815 530	2 212	19 470	770	65 884	106 369	39 359	26 068	**1 075 662**
Financial investments, incl. derivatives	21 506	24 985	20 706	31 438	33 557	42 272	6 600	86 035	**267 099**
Loans granted	383 012	12 561	21 773	0	173 883	0	0	4 490	**595 719**
Receivables from customers	2 518	124	138	0	25 830	0	0	159	**28 769**
Other assets	2 689	82	52	0	0	0	9 017	0	**11 840**
Tangible and intangible assets	6 763	55	7	0	0	0	0	0	**6 825**
Total assets	**1 232 018**	**40 019**	**62 146**	**32 208**	**299 154**	**148 641**	**54 976**	**116 752**	**1 985 914**
Distribution of liabilities by geography									
Loans and deposits from customers	1 779 968	4 971	13 681	0	592	114	4 609	6 286	**1 830 201**
Subordinated loans	47 442	0	0	0	0	0	0	0	**47 442**
Other liabilities	16 913	286	1 001	0	1 296	0	0	2	**19 498**
Total liabilities	**1 864 303**	**5 257**	**14 682**	**0**	**1 888**	**114**	**4 609**	**6 288**	**1 897 141**

Unused loan commitments to Estonian residents amount to EEK 44 247 thousand (2009: EEK 16 860 thousand).

As at 31.12.2009									
Asset distribution by geography	**Estonia**	**Latvia**	**Lithuania**	**Sweden**	**Finland**	**Denmark**	**USA**	**Other**	**Total**
Balances with banks and inv. companies	142 711	106 564	7 882	626	69 711	29 080	29 799	16 912	**403 285**
Financial investments, incl. derivatives	13 667	0	9 880	11 854	6 447	0	6 630	17 253	**65 731**
Loans granted	148 904	2 476	9 922	0	0	0	0	21	**161 323**
Receivables from customers	1 671	81	181	18	0	0	9	819	**2 779**
Other assets	2 092	82	52	0	0	0	0	0	**2 226**
Tangible and intangible assets	4 610	309	103	0	0	0	0	0	**5 022**
Total assets	**313 655**	**109 512**	**28 020**	**12 498**	**76 158**	**29 080**	**36 438**	**35 005**	**640 366**
Distribution of liabilities by geography									
Loans and deposits from customers	506 957	6 470	11 347	1	974	6	1 135	968	**527 858**
Financial investments	109	0	14	0	0	0	0	0	**123**
Other liabilities	8 895	115	1 086	0	0	0	9	1	**10 106**
Total liabilities	**515 961**	**6 585**	**12 447**	**1**	**974**	**6**	**1 144**	**969**	**538 087**

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Distribution of loans granted by industry

	31.12.2010	%	31.12.2009	%
Individuals	285 977	45,11%	25 691	15,93%
Wholesale and retail	49 264	7,77%	16 913	10,48%
Manufacturing	71 483	11,28%	7 496	4,65%
Administration and support services	35 446	5,59%	14 777	9,16%
Financial services	41 691	6,58%	41 349	25,63%
Real estate	35 147	5,54%	3 961	2,46%
Health and social care	20 209	3,19%	18 865	11,69%
Professional, scientific and technical activities	31 012	4,89%	0	0,00%
Construction	21 541	3,40%	13 565	8,41%
Accommodation and catering	9 951	1,57%	48	0,03%
Information and communication	13 286	2,10%	6 758	4,19%
Other services	5 577	0,88%	4 959	3,07%
Other areas at activities	13 304	2,10%	6 941	4,30%
Total	**633 888**	**100%**	**161 323**	**100%**

As at 31.12.2010, 7 loans were issued with high risk concentration, i.e. individually or via group risk more making up more than 10% of LHV Pank's net capital / net own funds (NOF). These loans made up in total of 87% of bank's net own funds. As at 31.12.2009, four loans granted qualify as large exposures, incl. the receivable from the parent EEK 18 834 thousand, i.e. 19.2% of NOF and the receivable from non-related entities was EEK 44 605 thousand, i.e. 45.5% of NOF.

3.6 Fair value of financial assets and financial liabilities

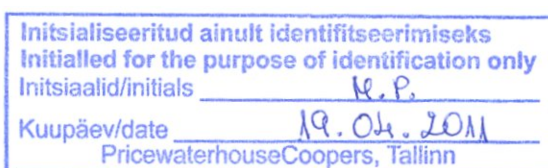
The Management Board of LHV Pank has assessed the fair value of assets and liabilities carried at amortised cost in the balance sheet. For identification of fair value, the future cash flows are discounted on the basis of the market interest yield curve.

Leveraged loans granted to customers are of sufficiently short-term nature and they have been issued at market terms, therefore the fair market rate of interest and also the fair value of loans do not change significantly during the loan term. The portfolio of corporate loans is too small due to the bank's early stage of business, each customer is reviewed separately and interest rates vary on the basis of customer's risk level, as a result of which a homogeneous interest rate based on similar transactions cannot be used for discounting the future cash flows of these loans. As the bank competes with other credit institutions when issuing loans and offers higher interest rates for customers than its competitors, the Management Board estimates that the loans have been issued at market conditions and their fair value is definitely not lower than their carrying amount as at 31.12.2010 and 31.12.2009. The fair value of consumer loans and the related other receivables is 2.37% lower than their carrying amount as at 31.12.2010.

The average maturity of deposits with fixed interest rates is half a year, as a result of which the deposits are short-term and have been issued at market conditions. In the second half of 2010, the market yield curve has not significantly changed, as a result of which the fair value of deposits found by discounting future cash flows does not significantly differ from their fair value.

Trade receivables (other than the receivables related to consumer loans, which have been included within loans for assessment of fair value), and accrued expenses and other liabilities have been incurred in the course of ordinary business and are payable in the short-term, therefore, the management estimates that their fair value does not significantly differ from their carrying amount. These receivables and liabilities are interest-free.

For the term structure of financial assets and financial liabilities, refer to Note 3.4.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The following table gives an overview of the hierarchy of valuation techniques used for valuation of financial assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	31.12.2010	Level 1	Level 2	Level 3	31.12.2009
Financial assets at fair value through profit or loss								
Trading portfolio								
shares	455	-	-	**455**	749	-	-	**749**
fund units	244	-	-	**244**	208	-	-	**208**
Investment portfolio								
bonds	266 400	-	-	**266 400**	60 547	-	1 224	**61 771**
Derivatives	-	-	-	**0**	-	3 003		**3 003**
Total financial assets	**267 099**	**0**	**0**	**267 099**	**61 504**	**3 003**	**1 224**	**65 731**
Financial liabilities at fair value through profit or loss								
Derivatives	-	-	-	**0**	123	-	-	**123**
Total financial liabilities	**0**	**0**	**0**	**0**	**123**	**0**	**0**	**123**

Levels used in hierarchy:

Level 1– quoted prices in active market

Level 2 – valuation technique based on observable market data as inputs (rates and interest curves from similar transactions)

Level 3 – other valuation techniques (e.g. discounted cash flow method) with judgemental inputs

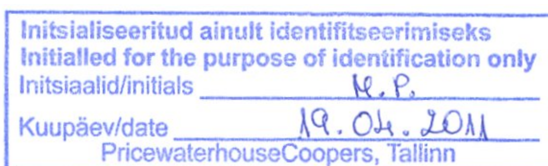
Debt instruments in Level 3 have been sold in the total value of EEK 1 057 thousand in 2010 (EEK 2 668 thousand in 2009) and the net loss (interest received less revaluation loss) recognised in the statement of comprehensive income amounts to EEK -167 thousand (EEK -45 thousand kroons in 2009), see also Note 8.

3.7 Operating risk

Operating risk is a potential loss caused by human, process or information system flaws. When completing transactions, transaction limits and competence systems are used to minimise potential losses and the principle of duality is used in LHV Pank's working procedures, according to which there should be an approval by at least two employees or units in order to carry out a transaction or procedure.

The information received from monitoring operating risk helps to gather initial information to secure capital adequacy of LHV Pank and to evaluate capital requirements. The analysis of cases collected into the database enables LHV Pank to identify the flaws in rules of procedure, avoid making mistakes in the future and mitigate possible risks or define the terms of their acceptance. The risk manager of the bank is responsible for collecting information and the Management Board of LHV Pank is responsible for dealing with the analysis and implementing necessary measures.

Compliance control and internal audit have an important role in evaluating, monitoring and mitigating the operating risk. Pursuant to the Credit Institutions Act and Securities Market Act, the main task of Compliance Officer is to define the risks of non-compliance of the activities of LHV Pank with legislation, recommended guidelines of the Financial Supervisory Authority and procedure rules of LHV Pank, considering the nature, range and complexity of business and services rendered, and arrangement of mitigating or avoiding those risks. Internal audit is an independent and objective, assuring and consulting activity that is targeted at improving the Company's performance and adding value. Internal audit helps achieving the goals of the Company, using a systematic and disciplined approach to assess and increase the efficiency of the risk management, control and organisational management process.



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NOTE 4 Significant management estimates and assumptions

In accordance with IFRS, several financial figures presented in the consolidated financial statements are strictly based on critical accounting estimates and assumptions made by management, which affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities presented in the financial statements at the balance sheet date, and the reported amounts of revenue and expenses of subsequent reporting periods. Although these estimates have been made to the best of management's knowledge and their judgement of current events, the actual outcome may ultimately not coincide with them and may significantly differ from these estimates.

Management's estimates have been primarily applied to:

- recognition of impairment losses of loans, receivables and investments (Notes 10, 12 and 13);
- in the absence of an active market, fair valuation of investments using different valuation techniques (Note 12);
- assessment of provisions and contingent assets / liabilities (Note 19);
- evaluation of the Company's risks.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Changes in management's estimates are reported in the statement of comprehensive income of the period in which the change occurred.

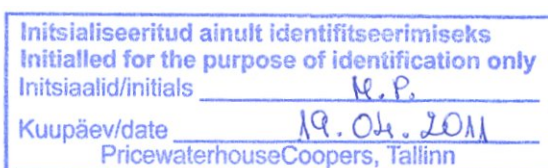
NOTE 5 Subsidiaries and business combinations

At 30.06.2009, AS LHV Pank sold its 100% ownership interest in LHV Ilmarise Kinnisvaraportfelli OÜ to its parent AS LHV Group. The entity was sold at the value of net assets of EEK 40 thousand which according to the management does not materially differ from the fair value of the ownership interest. The net cash flows generated from the sale of the subsidiary generated totalled EEK -54 thousand, incl. cash transferred in the bank accounts of the subsidiary in the amount of EEK 94 thousand. In 2009, the results of the sold entity have been consolidated for the period from January to June. The results of LHV Ilmarise Kinnisvaraportfelli OÜ were as follows: interest income EEK132 thousand, interest expense EEK -123 thousand (see Note 7), other revenue EEK 81 thousand and operating expenses EEK 93 thousand. Half-year's loss was EEK 3 thousand.

At 28.06.2010, AS LHV Pank acquired a Finnish portfolio of consumer loans from Luottotalo Fenno OY, including all significant assets of the Company, and took over all employment contracts and employee-related liabilities. The acquisition price was EEK 231 675 thousand. The assets acquired and liabilities taken over were at their fair value, the net cost was EEK 212 500 thousand (acquisition price less cash received) and no goodwill arose in the transaction.

Purchase analysis	28.06.2010
Cash in bank accounts	19 175
Loans and receivables	213 387
Liabilities	887
Acquired net assets	231 675
incl. cash in bank accounts	19 175
Net cost	**212 500**

The revenue earned from the business combination between the date of acquisition until the balance sheet date was approximately EEK 10 million and the expenses were of the same magnitude (excluding financing costs attributable to the acquisition and interest expenses allocated for internal financing of loans). No profit has been earned from the business combination.



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NOTE 6 Net fee and commission income

Fee and commission income	2010	2009
Financial advisory services	478	210
Security brokerage and commissions	38 517	41 836
incl. related parties (Note 26)	*219*	*118*
Asset management and similar fees	8 953	5 326
incl. related parties (Note 26)	*53*	*18*
Other fee and commission income	2 173	0
Total	**50 121**	**47 372**
Fee and commission expense		
Financial advisory and other similar services purchased	-22	-15
Collection costs	-1 939	0
Security brokerage and commissions paid	-9 160	-8 070
Total	**-11 121**	**-8 085**
Net fee and commission income	**39 000**	**39 287**

Fee and commission income by customer location:	2010	2009
Estonia	40 081	34 736
Finland	1 939	0
Latvia	2 712	3 116
Lithuania	7 328	9 520
Total	**50 121**	**47 372**

NOTE 7 Net interest income

Interest income	2010	2009
From balances with other banks and investment companies	4 453	4 250
From balances with central bank	723	57
Finance lease	88	132
Margin loans and lending of securities (Note 13)	11 026	5 711
Consumer loans (Note 13)	9 963	0
Other loans (Note 13)	15 221	5 685
incl. loans to related parties (Note 26)	*147*	*1 694*
Total	**41 474**	**15 835**
Interest costs		
Bonds issued (Note 5, 21)	0	-123
Loans received and deposits from customers (Note 17)	-25 575	-7 711
incl. loans from related parties (Note 26)	*-525*	*-394*
Total	**-25 575**	**-7 834**
Net interest income	**15 899**	**8 001**

Interest income by customer location, excl other banks, investment companies and central bank:	2010	2009
Estonia	22 940	9 180
Finland	9 963	0
Latvia	625	235
Lithuania	2 770	2 113
Total	**36 298**	**11 528**

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NOTE 8 Gain from financial assets

Gain/loss from financial assets	2010	2009
Related to changes in foreign exchange rates:	5 274	3 260
- translation gains / losses	1 034	-423
- transactions gains less losses from customer trades	4 240	3 683
Net gain/loss on trading portfolio securities recognised at fair value	-133	397
incl. revaluation gains/losses	-133	*79*
incl. interest income on bonds	*0*	*318*
Dividend income from trading portfolio securities	*0*	*17*
Gain from investment portfolio securities designated at fair value	9 305	5 257
incl. revaluation gains	*4 334*	*4 269*
incl. interest income on bonds	*4 971*	988
Net loss/gain from financial assets	**14 446**	**8 931**

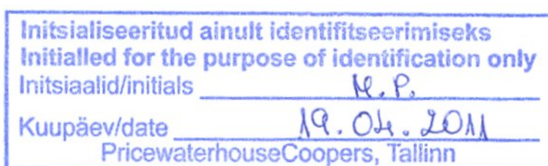
NOTE 9 Operating expenses

Staff costs	Note	2010	2009
Wages, salaries and bonuses		31 271	20 838
Social security and other taxes		9 915	6 927
Total		**41 187**	**27 765**
IT expenses		7 714	4 071
Information services and bank services		3 315	2 844
Marketing expenses		5 617	3 242
Office expenses		3 045	2 164
Transportation and communication costs		1 318	694
Training and travelling expenses of employees		1 742	823
Other outsourced ervices		10 562	5 794
Other administrative expenses		3 485	2 420
Depreciation	18	3 275	3 035
Operating lease payments	25	5 172	3 634
Provision expense	22	-130	200
Other operating expenses		436	317
Total operating expenses		**86 738**	**57 003**

NOTE 10 Balances with central bank, other banks and investment companies

	31.12.2010	31.12.2009
Demand deposits *	234 735	179 182
Term deposits with original maturity less than 3 months *	130 000	54 117
Term deposits with maturity more than 3 months	0	80 000
Statutory reserve capital at central bank	109 743	88 507
Other receivables from central bank *	600 962	0
Accrued interest	222	1 479
incl. from central bank	*143*	*18*
Total	**1 075 662**	**403 285**
* cash and cash equivalents in the statement of cash flows	965 697	233 299

Distribution of receivables by countries is presented in Note 3.5. Balances with investment companies amounting to EEK 45 911 thousand (2009: EEK 37 485 thousand) are included under demand deposits. All other demand and term deposits are held at credit institutions or the central bank. Mandatory banking reserve as at 31.12.2010 was 2% (2009: 15%) of all financial resources taken in (loans received and deposits from customers). The reserve requirement is to be fulfilled as a monthly average in Estonian kroons or in the foreign securities preapproved by the central bank.



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NOTE 11 Currency derivatives

Balance as at 31.12.2010	Asset / liability (fair value)	Contingent assets (contractual amount)	Commitments (contractual amount)
Foreign currency future contract (USD)	0	29 337	29 337
Total derivatives	**0**	**29 337**	**29 337**
Balance as at 31.12.2009			
Foreign currency future contract (USD)	0	123 217	123 217
Foreign currency forward contracts (USD)	3 003	126 220	123 217
Total derivatives	**3 003**	**249 437**	**246 434**

A foreign currency future is traded on the stock exchange, and daily gains or losses are immediately transferred to LHV Pank's account as a result of which the carrying amount of the contract is 0. LHV Pank uses foreign currency futures for hedging the currency risk arising from open foreign currency exposures. The foreign currency forward contracts have been concluded for customer service purposes in order for the client to hedge USD currency exchange rate risk and LHV Pank has hedged that foreign currency exchange rate risk arising from forward contracts by entering into opposite foreign currency future contracts. All contracts are with 3 months maturity.

NOTE 12 Other financial assets and liabilities at fair value through profit or loss

Securities held for trading:	**31.12.2010**	**31.12.2009**
Shares	455	749
Fund units	244	208
Designated as at fair value through profit or loss upon initial recognition:		
Bonds	266 400	61 771
Total financial assets	**267 099**	**62 728**

Shares as at 31.12.2009 include the underlying assets purchased for hedging the risk of written options. In February 2010, LHV Pank terminated underwriting of options to its customers involving the securities traded on Baltic stock exchanges. Options were valued using the Black & Scholes model. According to the model, the price of the underlying asset is determined on the basis of the market price, with the price of call options being calculated on the basis of the bid-price of the underlying asset and the price of put options being calculated on the basis of the ask price of the underlying asset. In order to determine volatility, the function of the Bloomberg terminal was used and it was monitored that no arbitrage opportunities arise between various strike prices. Interest used for valuation depends on the value of money for LHV Pank and as at 31.12.2009, the interest rate used was 8%. As at 31.12.2009, the financial liabilities held for the purpose of trading included options with the market value of EEK 123 thousand.

With regard to listed securities, the fair value of investments is their bid price. The discounted cash flow model has been used for bonds for which the market price is difficult to determine. The valuation method considers the current condition and the expected rate of return at the date of valuation and may not accurately reflect market conditions before and after the valuation date. In 2010, all securities are carried at fair value and market price. In 2009, the bank adjusted its return expectations due to higher market interest rates and the risk level. All securities were reported at fair value: of the total bond position, securities in the amount EEK 60 547 thousand were valued on the basis of the quotes in an active market, and bonds in the amount of EEK 1 224 thousand were valued using the discounted cash flow model, see also Note 3.3. Debt securities have not been pledged as collateral for loans received or any other liabilities.

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NOTE 13 Loans granted

	Interest rate	31.12.2010	Interest rate	31.12.2009
Loans to legal persons		**347 910**		**135 632**
incl. leveraged loans	*6%-20%*	*78 612*	*7%-18%*	*21 478*
incl. corporate loans	*4%-11%*	*268 549*	*7%-11%*	*114 154*
incl. finance lease	*6%-8%*	*749*		*0*
Loans to individuals		**285 978**		**25 691**
incl. leveraged loans	*6%-20%*	*71 808*	*7%-18%*	*25 691*
incl. consumer loans	*10%-25%*	*212 052*		*0*
incl. finance lease and housing loans	*6%-8%*	*2 118*	*6%-8%*	*0*
Total		**633 888**		**161 323**
Impairment loss		-38 169		0
Total		**595 719**		**161 323**

The impairment provision has been set up for the portfolio of consumer loans acquired with a discount. The receivables were not recognised at their net amount, but they were accounted for at nominal value in the balance sheet and the impairment loss was accounted for separately. Therefore, there are no costs related to the impairment loss in the income statement.

In 2010, the average effective interest rate of consumer loans issued to individuals was between18.3-22.8%. Interest income on the acquired portfolio is calculated on the basis of the effective interest rate of 10% which was the expected rate of return of the portfolio at the time of acquisition. In the second half of 2010, the cash flows from portfolio have been in line with the expected IRR of 10%. Interest receivables from customers are accounted for using the effective interest rate calculated on the basis of the customer's contractual payments, and the difference between the customer's effective interest rate and the effective interest rate found upon acquisition is adjusted in the impairment account under assets. In 2010, the impairment account was adjusted by EEK 9 million due to the difference in calculation of interest income. Interest income on new consumer loans issued is recognised in the income statement using their actual effective interest rate.

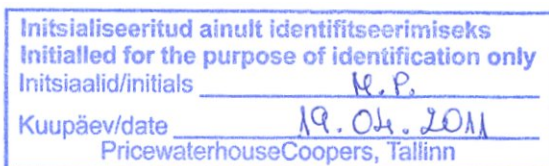
The contractual interest rate of leveraged loans issued to individuals is generally equal to their effective interest rate, because no other significant fees have been received upon their issue.

As at 31.12.2010, no loans have been issued to related parties and as at 31.12.2009, the total loans issued were in the amount of EEK 18 834 thousand (See Note 26). Deferred income includes service fees of loans in the amount of EEK 2 892 thousand (2009: EEK 451 thousand), which are released to interest income over the loan term and the current portion of which totals EEK 1 678 thousand (2009: 301 thousand) and the non-current portion totals EEK 1 214 thousand (2009: EEK 150 thousand).

For interest income on loans granted, see Note 7.
For credit risk exposures and loan collateral, see Note 3.2.
Distribution of loans granted by currencies is disclosed in Note 3.3.
Distribution of loans granted by due dates is disclosed in Note 3.4.
The regional distribution of loans granted is disclosed in Note 3.5.

NOTE 14 Receivables from customers

	31.12.2010	31.12.2009
Securities brokerage fees from intermediaries	269	749
Asset management fees from customers	1 088	532
Other fees for providing services to customers	1 582	963
incl. related parties (Note 26)	*466*	*455*
Payments in transit	0	535
Other receivables related to collection of receivables	25 830	0
Total	**28 769**	**2 779**



All fees, other than receivables related to consumer loans are receivable within 12 months of the balance sheet date, and are considered as current assets.

NOTE 15 Other assets

	31.12.2010	31.12.2009
Guarantee deposits of Baltic stock exchanges	207	207
Guarantee deposit of MasterCard	9 017	0
Prepayments of marketing expenses	113	200
Prepayments to Financial Supervision Authority	866	817
Other prepayments *	1 637	1 002
Total	**11 840**	**2 226**

* Prepayments include office rent, insurance, communication services, periodicals and training.

Prepayments are expected to be received or used within 12 months of the balance sheet date, and are therefore considered current assets. Guarantee deposits on the Baltic stock exchanges are held to guarantee securities trading activity on the stock exchanges of Tallinn, Riga and Vilnius and the deposit of MasterCard to guarantee credit card transactions, and should therefore both be considered non-current assets.

NOTE 16 Tangible and intangible assets

	Tangible assets	Intangible assets	Total
Balance as at 31.12.2008			
Cost	10 948	723	11 671
Accumulated depreciation and amortisation	-4 072	-506	-4 578
Carrying amount	**6 876**	**217**	**7 093**
Changes occurred in 2009:			
Purchase of non-current assets	476	488	964
Depreciation/amortisation charge	-2 904	-131	-3 035
Balance as at 31.12.2009			
Cost	11 424	1 211	12 635
Accumulated depreciation and amortisation	-6 976	-637	-7 613
Carrying amount	**4 448**	**574**	**5 022**
Changes occurred in 2010:			
Purchase of non-current assets	1 988	3089	5 077
Depreciation/amortisation charge	-2 972	-302	-3 274
Balance as at 31.12.2010			
Cost	13 412	4 300	17 712
Accumulated depreciation and amortisation	-9 948	-939	-10 887
Carrying amount	**3 464**	**3 361**	**6 825**

In 2010 and 2009, there was no indication of impairment of tangible and intangible assets.

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NOTE 17 Loans received and deposits from customers

	Individuals	Legal entities	Public sector	31.12.2010 total	Individuals	Legal entities	Public sector	31.12.2009 total
Demand deposits	112 077	174 616	660	**287 353**	40 963	72 491	553	**114 007**
Term deposits	691 014	686 615	119 840	**1 497 469**	211 926	166 524	9 970	**388 420**
Loans received	0	3 803	30 046	**33 849**	0	0	22 650	**22 650**
Accrued interest liability	6 481	4 237	812	**12 032**	1 542	1 193	46	**2 781**
Total	**809 572**	**869 271**	**151 358**	**1 830 201**	**254 431**	**240 208**	**33 219**	**527 858**
incl. related parties (Note 26)	*736*	*721*	*0*	*1 457*	*137*	*818*	*0*	*955*

Loans received from public sector are from Maaelu Edendamise Sihtasutus (Rural Development Foundation) with an intended purpose to finance loans to small enterprises operating in rural areas.

Distribution of loans received and deposits from customers by currency is presented in Note 3.3.
Distribution of loans received and deposits from customers by maturity is presented in Note 3.4.
Distribution of loans received and deposits from customers by geography is presented in Note 3.5.

The nominal interest rates of most loans received and deposits from customers equal their effective interest rates as no other significant fees have been paid.

NOTE 18 Accrued expenses and other liabilities

	31.12.2010	31.12.2009
Trade payables	4 037	787
Tax liabilities	3 637	3 030
Payables to employees	5 936	4 056
Financial guarantee contracts issued	126	144
Payments in transit	2 671	1 114
Other short-term liabilities	0	24
incl. related parties (Note 26)	*0*	*15*
Total	**16 407**	**9 155**

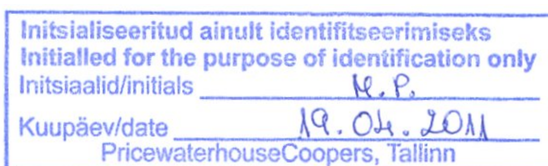
Payables to employees consist of unpaid salaries; bonus accruals and vacation pay accrual for the reporting period and the increase in liabilities is caused by the increase in the number of employees during the year. Payments in transit consist of foreign payments and payables to customers related to intermediation of securities transactions. All liabilities, except for financial guarantees, are payable within 12 months and are therefore recognized as current liabilities.

NOTE 19 Provisions

In the balance sheet, a provision has been recognised in the amount of 200 thousand kroons, the cost of which is included within operating expenses (see Note 9). Provision is recognized as a long-term liability. In 2010, some of the provisions were paid out and the amount of provisions was partially corrected by reducing it.

NOTE 20 Subordinated loans

Subordinated loans include bonds issued in the amount of EEK 46 940 thousand. The parent LHV Group purchased these securities, having issued subordinated bonds itself and deposited the proceeds received from the issue to the bank under the same conditions with the goal of including subordinated liabilities within the bank's net own funds.



The interest rate on subordinated bonds is 5% in the first two-year period and 7.5% + 12-month Euribor in the subsequent five-year period, with the due date at 15.10.2017. In two years, the issuer has the right to prematurely redeem the bonds. Interest expenses on subordinated bonds in the amount of EEK 502 thousand are included within interest expenses in the income statement.

NOTE 21 Shareholders' equity in the public limited company

The sole shareholder of the Group is AS LHV Group. The ultimate controlling party of AS LHV Group is Rain Lõhmus with 54% of the voting rights. Andres Viisemann has significant influence with 20% of the voting rights.

	31.12.2010	31.12.2009
Share capital *(in thousand Estonian kroons)*	101 703	100 000
Number of shares (pcs)	6 500 000	10 000 000
Par value of a share	1 EUR	10 EEK

According to the Company's articles of association, the minimum share capital is EUR 5 million and the maximum share capital is EUR 20 million. The share capital has been fully paid in for. At the end of 2010, a bonus issue was carried out in the amount of EEK 1 703 thousand to increase share capital. After the bonus issue, the share capital was converted into euros and the amount of new share capital is EUR 6.5 million. Upon the conversion of share capital, the nominal value of shares was also changed so that each shareholder received 0.639 shares with the nominal value of EUR 1 for each share with the nominal value of EEK 10.

As at 31.12.2010, accumulated deficit of the Group totalled EEK -13 506 thousand. As at 31.12.2009, the retained earnings of the Group totalled EEK 761 thousand. Upon the payment of dividends to the owners, from 1 January 2008, the corporate income tax expense amounts to 21/79 of the net dividends paid. Thus, as at 31.12.2009, it would have been possible to pay out dividends in the amount of EEK 601 thousand, and the accompanying income tax would have amounted to EEK 160 thousand.

NOTE 22 Operating lease

LHV Pank leases office premises under the operating lease terms and in 2009, it also leased a passenger car. All lease agreements are cancellable upon the consent of both parties. The minimum unilaterally non-cancellable lease payable in the next period amounts to EEK 23 278 thousand (2009: EEK 14 957 thousand), the current portion of which amounts to EEK 6 274 thousand (2009: EEK 3 640 thousand) and the non-current portion amounts to EEK 17 004 thousand (2009: EEK 11 317 thousand). In 2010, the operating lease payments for office premises in the amount of EEK 5 172 thousand are included within operating expenses. In 2009, the operating lease payments for office premises in the amount of EEK 3 546 thousand and for passenger cars in the amount of EEK 88 thousand were included within operating expenses.

NOTE 23 Assets under management

LHV Pank, operating as an account manager for its customers, has custody of or intermediates the following customer assets:

	31.12.2010	31.12.2009
Cash balance of customers	**82 081**	**70 173**
incl. shareholders and related entities	0	0
Securities of customers	**2 972 681**	**2 118 746**
incl. parent company	179 081	154 622
incl. shareholders and related entities	112 655	140 416
Total	**3 054 762**	**2 188 919**

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Asset management fees for the management of these assets have been in the range of 0.015 – 0.025 % (for, respective income, see Note 6).

The monetary funds of the customers who use the platform of an active securities trader or the trading system LHV Trader offered by LHV Pank, have been recognised as off-balance sheet assets. Due to the nature of the system, LHV Pank has deposited these funds in personalised accounts with its partner and as the monetary funds of these customers are not used for business purposes by LHV Pank (they cannot be lent to other customers or used as collateral), therefore the monetary funds are recognised as off-balance sheet assets. LHV Pank earns commission and interest income on intermediation of transactions in these accounts similarly to customers' accounts reflected in the bank's balance sheet. LHV Pank has provided contractual guarantees to its partner in respect of LHV Trader accounts, guaranteeing potential losses to be incurred from financing of the transactions executed by customers intermediated by itself (leveraging), with the primary collateral being the securities used as collateral for leveraged loans. In its current practice, no such losses in respect of which the guarantee provided by LHV Pank would apply have incurred and LHV Pank has not paid any compensation relating to the guarantee.

NOTE 24 Contingent liabilities

Irrevocable transactions	Unused loan commitments	Financial guarantees	Total
Liability in contractual amount 31.12.2010	44 247	10 784	**55 031**
Liability in contractual amount 31.12.2009	16 860	8 763	**25 623**

Tax authorities have the right to review the company's tax records for up to 6 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits at the Company during 2009 - 2010. The Company's management estimates that there are not any circumstances which may lead the tax authorities to impose significant additional taxes on the Company.

NOTE 25 Events after the balance sheet date

After the end of the financial year, no significant events have occurred at AS LHV Pank which would have an effect on the condition of the bank's assets and liabilities as at 31.12.2010.

On 1 January 2011, the Republic of Estonia joined the euro zone and adopted the euro as its national currency, replacing the Estonian kroon. Hence the bank's functional currency is the euro from 2011 and the annual reports for the year 2011 and onwards to be submitted to the Commercial Register will be presented in euros. Comparatives will be translated into euros using the exchange rate of EEK 15.6466 =EUR 1 during the transition, which was also the fixed exchange rate prevailing in previous years.

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NOTE 26 Transactions with related parties

In preparing the consolidated financial statements of AS LHV Pank, the following entities have been considered related parties:

- owners (parent company and owners of the parent);
- entities in the consolidation group (incl. fellow subsidiaries and associates);
- members of the management board, head of internal audit unit and legal entities controlled by them (together referred to as management);
- members of the supervisory board
- close relatives of the persons mentioned above and the entities related to them;

Transactions	Note	2010	2009
Interest income from related parties	**7**	**147**	**1 694**
incl. parent company		145	1 694
incl. ultimate controlling party and related entities		2	0
Interest expenses to related parties	**7**	**525**	**409**
incl. management		*23*	*25*
incl. parent company		*502*	*0*
incl. ultimate controlling party and related entities		*0*	*384*
Net interest income/expense		**-378**	**1 285**
Fee and commission income		**272**	**136**
incl. management		*6*	*4*
incl. ultimate controlling party and related entities	6	*266*	*132*
Other income		**2 620**	**2 490**
incl. ultimate controlling party and related entities		*2 620*	*2 490*

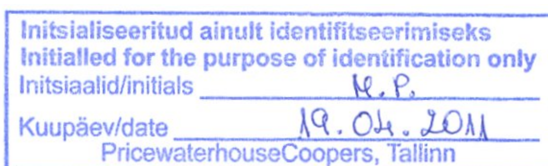
Balances	Note	31.12.2010	31.12.2009
Loans and receivables as at the year-end		**466**	**19 289**
incl. parent company	*13*	*0*	*18 834*
incl. ultimate controlling party and related entities	*14*	*466*	*455*
Loans received and liabilities as at the year-end		**48 899**	**970**
incl. management		*1 457*	*955*
incl. parent company		*47 442*	*0*
incl. ultimate controlling party and related entities	*17*	*0*	*15*

Loans granted to the parent company as at 31.12.2009 in the amount of EEK 18 834 thousand were with maturities in February 2010 and the average interest rate of 3%. Other receivables have originated from rendering services, they do not bear interest and have been received by the time of compiling the annual report.

The term deposits due to management as at 31.12.2010 are with maturities in January to May 2011 and with interest rates 1.5 - 3.3% (31.12.2009 with maturities January to June 2010, interest 2.9 - 6.6%). The subordinated loans received had the interest rate of 5%, i.e. the same interest rate as the parent is paying on its own subordinate loan received from a third party, and it deposited the funds at the bank.

In 2010, salaries and other compensations paid to the management of LHV totalled EEK 4 195 thousand (2009: EK 4 554 thousand). As at 31.12.2010, remuneration for December and accrued holiday pay in the amount of EEK 1 102 thousand (as at 31.12.2009: EEK 458 thousand) is reported as a payable to management (Note 18). The Company did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 31.12.2010 and 31.12.2009 (pension liabilities, termination benefits, etc.). No remuneration has been paid to the members of the Supervisory Board of the bank in 2009. In 2010, the remuneration paid to the members of the Supervisory Board totalled EEK 125 thousand.

Information on assets of related parties held as an account manager is presented in Note 26.



LHVpank

NOTE 27 Separate financial statements

In accordance with the Estonian Accounting Act, information on the separate primary financial statements of the parent of the consolidation group shall be disclosed in the notes to the financial statements.

Statement of comprehensive income of the parent
(in thousand Estonian kroons)

	2010	2009
Fee and commission income	50 121	47 372
Fee and commission expense	-11 121	-8 085
Net fee and commission income	**39 000**	**39 287**
Interest income	41 474	15 703
Interest expense	-25 575	-7 711
Net interest income	**15 899**	**7 992**
Net gains from trading	5 141	3 657
Net gains from financial assets at fair value through profit or loss	9 305	5 257
Covering loss of subsidiary	0	-41
Dividend income	0	17
Net gains from financial assets	**14 446**	**8 890**
Other income	3 887	4 389
Operating expenses	-86 738	-56 910
Net profit/loss for the year	**-13 506**	**3 648**
Total comprehensive income/loss for the year	**-13 506**	**3 648**

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Balance sheet of the parent

(in thousand Estonian kroons)

	31.12.2010	31.12.2009
Assets		
Balances with other credit institutions	318 903	277 274
Balances with investment companies	45 911	37 486
Balances with central bank	710 848	88 525
Derivatives	0	3 003
Other financial assets at fair value through profit or loss	267 099	62 728
Loans granted	595 719	161 323
Receivables from customers	28 769	2 790
Other assets	11 840	2 226
Tangible assets	3 464	4 448
Intangible assets	3 361	574
Total assets	**1 985 914**	**640 366**
Liabilities		
Loans received and deposits from customers	1 830 201	527 858
Financial liabilities at fair value through profit or loss	0	123
Accrued expenses and other liabilities	16 407	9 155
Deferred income	2 891	451
Provisions	200	500
Subordinated loans	47 442	0
Total liabilities	**1 897 141**	**538 087**
Shareholders' equity		
Share capital	101 703	100 000
Reserves	0	1 518
Retained earnings/accumulated deficit	-12 930	761
Total shareholders' equity	**88 773**	**102 279**
Total liabilities and shareholders' equity	**1 985 914**	**640 366**

The balance sheet of parent company equals the balance sheet of the consolidated financial statements, as the subsidiary was sold during the year 2009.

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Cash flow statement of the parent

(in thousand Estonian kroons)

	2010	2009
Cash flows from operating activities		
Fee and commission income received	59 282	55 021
Fee and commission expense	-11 121	-8 085
Operating and other expenses paid	-83 462	-53 916
Dividends received	0	17
Interest received	41 474	15 703
Interest paid	-25 575	-7 711
Cash flows from operating activities before change in operating assets and liabilities	**-19 402**	**1 029**
Change in operating assets		
Settlement of currency forward contracts	3 003	-2 907
Net acquisition/disposal of trading portfolio	125	8 724
Loans granted and receivables from customers	-460 387	-129 156
Term deposits with other credit institutions	81 382	-81 461
Mandatory reserve at central bank	-21 362	-88 525
Stock exchange security deposit	-9 017	11
Other receivables and prepayments	-596	-617
Change in operating liabilities		
Demand deposits of customers	173 346	114 007
Term deposits of customers	1 117 796	391 184
Loans received	11 701	3 532
Issued bonds	0	-810
Financial liabilities for trading	-123	-419
Other liabilities and deferred income	9 393	3 195
Net cash generated from operating activities	**885 859**	**217 787**
Cash flows from investing activities		
Purchase of non-current assets	-5 077	-964
Proceeds from disposal of non-current assets	0	0
Disposal of subsidiaries, net of cash disposed	0	-54
Change in investment portfolio	-195 324	-56 514
Net cash used in investing activities	**-200 401**	**-57 438**
Cash flows from financing activities		
Subordinated loans received	46 940	0
Paid in share capital	0	64 000
Net cash generated from financing activities	**46 940**	**64 000**
Net increase in cash and cash equivalents	**732 398**	**224 349**
Cash and cash equivalents at the beginning of the year	233 299	8 950
Cash and cash equivalents at the end of the year	**965 697**	**233 299**

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Statement of changes in shareholders' equity
(in thousand Estonian kroons)

	Share capital	Reserve capital	Retained earnings	Total
Balance as at 01.01.2009	**36 000**	**1 518**	**-2 887**	**34 631**
Paid in share capital	64 000	0	0	64 000
Total comprehensive income for 2009	0	0	3 645	3 645
Balance as at 31.12.2009	**100 000**	**1 518**	**761**	**102 279**
Balance as at 01.01.2010	**100 000**	**1 518**	**761**	**102 279**
Transfers to statutory reserve capital	0	182	-182	0
Transfers to share capital through bonus issue	1 703	-1 700	-3	0
Total comprehensive income for 2010	0	0	-13 506	-13 506
Balance as at 31.12.2010	**101 703**	**0**	**-12 930**	**88 773**

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Signatures of the Management Board to the consolidated annual report

The Management Board has prepared the management report and the consolidated financial statements of AS LHV Pank for the financial year ended on 31 December 2010. The consolidated financial statements present a true and fair view of the Group's financial position, the results of operations and its cash flows.

19.04.2011

Chairman of the Management Board

Erki Kilu /signed/

Members of the Management Board:

Kerli Lõhmus	/signed/	**Indrek Nuume**	/signed/
Jüri Heero	/signed/	**Erki Kert**	/signed/

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of AS LHV Pank

We have audited the accompanying consolidated financial statements of AS LHV Pank and its subsidiary, which comprise the consolidated balance sheet as of 31 December 2010 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation, and true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AS LHV Pank and its subsidiary as of 31 December 2010, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

/signed/	/signed/
Tiit Raimla Auditor's Certificate No.287	Erki Mägi Auditor's Certificate No.523

19 April 2011

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

Proposal for covering of loss

The Management Board of LHV Pank proposes to the General Meeting of Shareholders to cover the loss for reporting period in the amount of EEK 13 506 thousand from retained earnings.

Signatures of the Supervisory Board to the consolidated annual report

The Supervisory Board has reviewed the annual report which consists of the management report and the financial statements, the auditor's report and the profit allocation proposal, and approved it for presentation at the General Meeting of Shareholders.

20.04.2011

Rain Lõhmus	/signed/	**Andres Viisemann**	/signed/
Tiina Mõis	/signed/	**Hannes Tamjärv**	/signed/
Raivo Hein	/signed/	**Heldur Meerits**	/signed/

Allocation of income according to EMTA classificators

EMTAK	Activity	2010	2009
66121	Security and commodity contracts brokerage	47 470	47 162
64191	Credit institutions (banks) (granting loans)	43 559	15 703
66191	Financial consultancy services	478	210
64911	Finance lease	88	132
	Total income	**91 595**	**63 207**