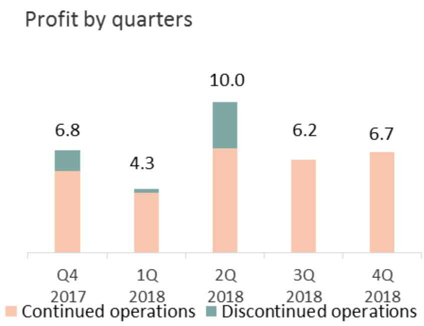
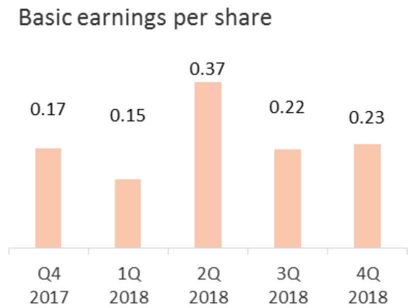
Interim Report January – December 2018
Summary of Results

Q4 2018 in comparison with Q3 2018

- Net profit EUR 6.7 m (EUR 6.2 m), of which EUR 6.0 m (EUR 5.7 m) is attributable to owners of the parent
- Earnings per share EUR 0.23 (EUR 0.22)
- Net income EUR 16.6 m (EUR 16.4 m)
- Operating expenses EUR 8.8 m (EUR 7.9 m)
- Loan provisions EUR 0.5 m (EUR 1.9 m)
- Income tax expenses EUR 0.5 m (EUR 0.5 m)
- Return on equity 16.1% (15.9%)
- Capital adequacy 19.4% (18.3%)





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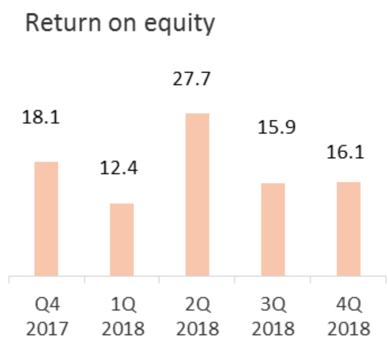
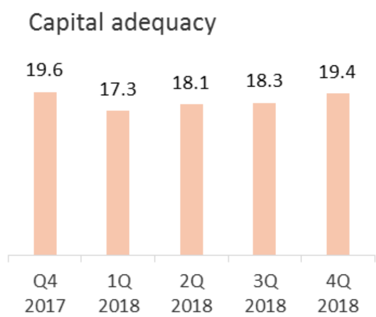


Earnings per share and return on equity ratios are based on the profit attributed to the shareholders and equity of AS LHV Group and do not include non-controlling interest.



*In accordance with IFRS, the proceeds and expenses of the discontinued operations have been separated from the corresponding income and expense items of the current and previous periods of the income statement and shown in a separate line on the income statement. The data with discontinued operations are presented in the LHV Factsheet

Managing Director's Statement

Dear investor in LHV,

LHV has had a strong fourth quarter. Our business is growing. The bank's customer numbers grew by nearly 7,500 in Q4, with the bank gaining a total of 27 thousand new customers in 2018. Loan volumes grew by EUR 107 million and fund volumes by EUR 11 million. Deposits of payment institutions continued to shrink, as planned, with the deposits of standard customers growing by EUR 114 million. Various activity indicators reached record levels, including wage receipts, number of asset-holding customers and payments, card use, card payment acceptance and number of new investment agreements.

LHV posted a profit of EUR 6.7 million in Q4. The profit for the quarter was positively affected by a broad-based growth in business volumes. The economic environment has remained favourable, but we continue monitoring domestic and external economic developments affecting Estonian enterprises. Corporate loan results were affected by write-downs associated with a single customer. Nonetheless, this is no characterisation of the surrounding business environment and cannot be deemed an indication of our loan portfolio, which continues to stand strong.

Highlights of the quarter included the Moody's investment-grade credit rating of Baa1, outlook stable, given to LHV Bank. A credit rating will ensure the acceptability of the guarantees provided by LHV Bank to guarantee beneficiaries beyond Estonian borders. The investment-grade rating will also facilitate the establishment of potential correspondent relations.

In December, we concluded a contract for the purchase of Versobank's loan portfolio for a total of nearly EUR 18.4 million. The claims arising from the loan portfolio against Estonian corporate customers amount to nearly EUR 17 million, and the claims against Estonian-resident private customers to nearly EUR 3 million.

Other significant events included launch of the option of making transactions with Baltic shares via the LHV mobile bank, with the aim of enhancing availability of investment services. In addition, we started offering three LHV car insurance products to our leasing customers at the beginning of October: LHV motor third party liability insurance, LHV casco insurance and LHV super casco insurance. The products have been developed in cooperation with the insurance firm Compensa.

The total volume of investment funds managed by LHV Asset Management exceeded EUR 1.2 billion as at the end of 2018. A bulk of the fund volume is composed of actively managed pension funds, where LHV's investment strategy clearly differs from that of competing pension funds.

2018 was a difficult year for investors, with only a few markets generating a positive yield. For example, European shares lost 10.6% and developing markets 10.3% of their value. LHV has previously decided to direct pension investments in alternative asset categories and the local market. This choice can be attributed to the elongated rise in international securities markets, which LHV Asset Management deems too expensive to invest in. The chosen strategy helped LHV to maintain the assets of the actively managed funds in 2018, with the corresponding yield falling between -0.1% and 1.1%. These yields are among the highest in actively managed funds on the market.

The amendment of the Investment Funds Act in December will have a significant effect on the fee structure of pension funds. Fixed fees will be significantly lowered, while providing the option of earning a performance bonus. At the same time, investment restrictions will be significantly eased, allowing funds access to a wider range of investment strategies. A majority of the amendments will enter into force in September 2019.

Other significant events included the issue of LHV Group's subordinated bonds. There was great interest in the bonds, with the issue volume thus raised to EUR 20 million. The subscription volume was the highest ever among our capital engagements. A total of 1,700 investors subscribed to LHV's bonds in the total amount of more than EUR 51 million. The bonds formed a part of our EUR 45 million bond programme, aimed at securing LHV's growth targets.

LHV is well capitalised. In October, the Financial Supervision Authority submitted the annual supervisory assessment in capital adequacy calculations, imposing an additional own funds requirement of 1.53% for LHV. By adding the internal buffers, the Supervisory Board of LHV decided to establish the minimum total capital ratio at 15.50% (hitherto 15.06%), and the minimum Tier 1 capital ratio at 12.10%. As at the end of the year, the corresponding indicators stood at 19.41% and 13.65%.

Business environment

Our greatest concern with respect to the long-term economic outlook lies in the difference in the dynamics of different European regions, as well as over-regulation, which adds to stagnation. There is no reward without risk – it is the core principle of market economy. The ever-increasing tendency to prohibit risk and produce red tape is bound to hamper potential development and curb revenues. Our concerns are further fuelled by the fact that Europe is falling behind, compared to United States and China.

In the short-term perspective, however, the base scenario still revolves around an annual economic growth of a few percentages in the euro area. LHV's trends of growth are also supported by the Estonian economic environment. The Estonian economy has shown good growth, with domestic risks mitigated by the balanced state budget, low public sector debt and positive external balance. We are waiting for the economy to slowly gain momentum. Nonetheless, it is becoming increasingly difficult to make any forecasts with regard to the surrounding economies. The trench tactics used in the trade wars, the ever-increasing volatility in the stock markets and the rise in the risk premiums of the sovereign bonds of developing markets are a cause for concern. The greatest problem with Europe lies in its failure to raise interest rates before the potential economic cooling, and to carry out the reforms required for improving the long-term outlook of weaker markets. With the Estonian economy being wide open to changes in the external environment, these trends will have a direct impact. Domestic risks include the tensions brewing on the labour market, albeit these can be alleviated by economic cooling, as well as the unstable tax environment and growing risks in the construction and trade sector.

Against such backdrop, the credit market, nonetheless, stands strong. All major credit products, including corporate loans and housing loans, are growing. The financial health of households remains strong, with the loan-to-deposit ratio improving. The share of overdue loans has dropped below 1%, largely covered by write-downs.

Financial results

The consolidated profit posted by the Group in Q4 of 2018 in the amount of EUR 6.7 million constitutes a EUR 0.6 million increase, compared to Q3, and a EUR 0.1 million decrease, compared to Q4 of 2017. While the profit posted in Q4 of 2017 included a major one-off positive boost in connection with the decrease in Mokilizingas write-downs, no one-off positive factors were evident in 2018. The profit attributable to the Group's shareholders in Q4 of 2018 grew by EUR 0.4 million, compared to last year.

The return on equity attributable to LHV's shareholders amounted to 16.1% in Q4 of 2018, growing by 0.2 percentage points, compared to Q3 of 2018 (15.9%).

The group's consolidated net loan portfolio grew by EUR 107 million during the quarter (EUR 35 million in Q3 of 2018), while consolidated deposits shrank by EUR 215 million (EUR 95 million growth in Q3 of 2018). Deposits of financial institutions shrank by EUR 318 million (EUR 41 million growth in Q3 of 2018).

The Group's own funds increased by EUR 25.6 million, compared to the previous quarter, and risk-weighted assets by EUR 87.1 million, raising the Tier 1 and total capital adequacy ratio to 13.7% and 19.4%. The increase in own funds was conditioned by the incorporation of the profit for Q3 of 2018 in the Group's own funds, and the subordinated bonds issued.

The bank's consolidated profit for Q3 amounted to EUR 5,3 million, i.e. a EUR 0.9 million increase from the previous quarter (EUR 4.4 million in Q3 of 2018). Customer numbers grew by nearly 7,500 (7,400 in Q3 of 2018), with the total number of customers amounting to more than 161,000.

The bank's loan portfolio grew by EUR 107 million in Q4 (EUR 35 million in Q3 of 2018), approaching EUR 919 million. Corporate loans showed the biggest growth among loan portfolios. Loan losses amounted to EUR 0.5 million in Q4, i.e. EUR 1.3 million less than in Q3.

Customer deposits shrank by EUR 204 million in Q4, conditioned by the drop in the deposits of payment institutions by EUR 318 million. The deposits of other customers showed a strong growth of EUR 114 million. The total volume of deposits amounted to EUR 1,448 million as at the end of Q4.

Asset Management posted a profit of EUR 1.9 million in Q4 (EUR 2.1 million in Q3 of 2018). Asset Management's net fee and commission income increased by EUR 0.1 million to EUR 3.6 million. Asset Management's operating expenses grew by EUR 0.1 million, compared to the previous quarter.

The total volume of funds managed by LHV grew by EUR 11 million during the quarter (EUR 37 million in Q3 of 2018). The number of active 2nd-pillar customers grew by 584 (a decrease of 335 in Q3 of 2018).

Madis Toomsalu

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Financial Summary

Business volumes EUR million	**Q4 2018**	**Q3 2018**	**Quarter over quarter**	**Q4 2017**	**Year over year**
Loan portfolio	918.8	812.0	13%	732.0	26%
Financial investments	47.2	48.8	-3%	56.6	-17%
Deposits of customers	1 422.2	1 637.6	-13%	1 536.9	-7%
incl. deposits of financial intermediates	193.9	511.4	-62%	606.6	-68%
Equity (including minority interest)	157.8	150.6	5%	120.8	31%
Equity (owners' share)	153.6	147.2	4%	120.1	28%
Volume of funds managed	1 214.4	1 203.8	1%	1 102.8	10%
Assets managed by bank	1 392.9	1 323.4	5%	1 203.5	16%

Income statement EUR million	**Q4 2018**	**Q3 2018**	**Quarter over quarter**	**Q4 2017***	**Year over year**	**12M 2018**	**12M 2017***	**Year over year**
Net interest income	10.29	9.45	9%	8.19	26%	38.15	30.37	26%
Net fee and commission income	6.09	6.15	-1%	5.38	13%	25.05	21.00	19%
Other financial income	0.10	0.09	22%	-0.42	-126%	0.45	0.98	-54%
Total net operating income	16.48	15.69	5%	13.15	25%	63.65	52.35	22%
Other income	0.11	0.75	-88%	0.00	-	0.86	-0.15	-673%
Operating expenses	-8.78	-7.92	11%	-7.19	22%	-32.14	-27.40	17%
Loan losses	-0.54	-1.86	-71%	-0.53	2%	-4.88	-3.58	36%
Income tax expenses	-0.54	-0.50	8%	0.00	-	-3.61	-0.95	280%
Discontinued operations	0.00	0.00	-	1.37	-100%	3.32	1.93	72%
Net profit	6.72	6.17	9%	6.80	-1%	27.20	22.20	23%
Including attributable to owners of the parent	6.05	5.71	6%	5.69	6%	25.25	19.61	29%

Ratios EUR million	**Q4 2018**	**Q3 2018**	**Quarter over quarter**	**Q4 2017***	**Year over year**	**12M 2018**	**12M 2017***	**Year over year**
Average equity (attributable to owners of the parent)	150.4	143.8	6.6	117.1	33.3	136.9	111.2	25.7
Return on equity (ROE), %	16.09	15.89	0.20	19.42	-3.34	14.02	17.62	-3.6
Return on assets (ROA), %	1.5	1.4	0.1	1.7	-0.2	2.1	1.6	0.5
Interest-bearing assets, average								
Net interest margin (NIM) %	1 737.4	1 767.6	-30.2	1 581.4	159.0	1 700.3	1 332.3	368.0
Price spread (SPREAD) %	2.37	2.14	0.23	2.50	-0.14	2.24	2.66	-0.42
Cost/income ratio %	2.34	2.12	0.22	2.46	-0.14	2.15	2.56	-0.41
Profit attributable to owners before income tax	6.6	6.2	0.4	5.7	0.9	28.9	20.6	8.3

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

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

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

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

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

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

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

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

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

*From the reference data the revenue and expenses of discontinued operations are separated

Operating Environment

According to the forecast published by the Organisation for Economic Co-operation and Development in November 2018, global economic growth will decelerate this year to 3.5% i.e. the slowest in recent years. The upturn of trading, which has so far supported the recovery, has stopped and the global purchasing managers' index (PMI), which recognises the evaluation of the operating environment of the companies, is decreasing. The plunge of the oil price which began towards the end of 2018, is negatively affecting countries dependant on the export of the commodity, providing relief for the importers affected by the appreciation of the US dollar. The situation continues to improve on the labour market and the pace of wage growth is finally rising. Economic growth is less balanced compared to recent years – there are clearly major economies distinguishing, where the upward cycle has already peaked.

The values of increased assets illustrate the current expansive monetary policy, in which the investors have accepted an increasingly lower expected long-term rate of return. The central banks of developed countries led by the US are changing course, as a result of which there are new signs of a turning liquidity offer. The volatility of stock markets has significantly increased, as well as the differences in the interest rates of bonds with varying degrees of risk. The currencies of developing countries are under pressure. Risks with a negative impact on the global economy, led by a protectionist economic policy, have increased. Altogether, we may expect a slowdown of economic growth in the developed countries during the next year close to the long-term sustainable level, which is clearly lower compared to the decade preceding the financial crisis.

Eurozone economic growth decelerated in the second quarter to 1.7%. The economic growth based on domestic demand was broad-based, however we can still spot some weakness in export over recent quarters. The growth of industrial production has entangled compared to the beginning of the year, the problems in the automotive industry have had a negative impact. A decline of sentiment may be noticed in indicators that reflect the confidence of various sectors. The big picture of the economy is still good and the growth positive regarding all countries. The economies of Finland and Sweden, the countries that are independently the biggest export targets for Estonia, grew 2.4% and 1.6% in the third quarter respectively. This year, the deceleration of Finnish economic growth is expected which is mainly due to the decrease of external demand. The growth rate of import will, on the contrary, remain basically at the same level as the previous year, which is still in favour of Estonian trade. The economic and import growth of Sweden is also decelerating but remains favourable to Estonia. Riksbank has also taken a direction towards the increase of interest rates, which cools the economy but could have a positive effect on Estonian exporters through the appreciated Swedish krona.

The growth of the iEurozone's consumer prices has remained, for more than six months, at the level of 2.0% set by the European Central Bank, even though the core inflation is the lowest. According to the current plan, the exit from the current expansive monetary policy will be extremely slow – the bond purchasing programme was terminated in December 2018 and the interest rates shall not be increased before autumn of next year. According to the consensus expectations, the economic growth of the Eurozone shall drop to 1.8% in 2019. Since there are various headwinds blowing from export markets, the role of domestic demand and private consumption will become even more important. Consuming is supported positively by an increase in the labour force participation rate and the continuing decrease in the unemployment rate, which is also speeding up wage growth. At the same time, a looser budget policy is expected from the governments. Risks inside and outside the union have increased – the impact of the normalisation of monetary policy on stock and bond markets, the protective economic policy of the USA, the uncertainty accompanying the current Brexit process, increasing discontent and the populism in Italy and France. Next spring we will see the European Parliament elections, which will add even more tension.

Estonian economic growth accelerated in the third quarter of 2018 to 4.2%. The result was rather exceptional in the big picture since the indicators characterising the growth of economic activity weakened during the same period in Estonia and elsewhere. However, the economic picture was not as strong on a broad basis any more. Export growth decelerated significantly and the growth was led by domestic demand. As for the areas of activity, the growth was relatively uneven – almost half of the economic growth came from the construction and real estate sector. From the positive side, the investments showed signs of recovery, led by the investments of companies which is important for maintaining competitiveness. The inflationary pressure, which affects consumers negatively, is one of the highest of the Eurozone.

The bigger picture still remains good, which is also confirmed by the new outlook of the economic environment published by the Estonian Institute of Economic Research in October 2018. Estonian experts assess the economic climate to be good and outlook stable. The Economic Sentiment Index has slightly declined, however it remains higher compared to the long-term average. The picture is also strong by sectors, with only the service sector having a more negative attitude compared to the long-term average. Lack of skilled labour, but also little innovation and decreasing international competitiveness are pointed out as the main factors obstructing business. Private consumption is strong, supported by high confidence and the improved financial situation of families.

According to the forecast published by the Bank of Estonia in December, the economic growth of Estonia will decelerate to 3.2% in 2019. Further rapid economic growth is hindered by the high conjuncture related supply-side restrictions (lack of available resources) but also the deceleration of external demand. The main growth engine is domestic demand, led by private consumption and investments. Private consumption is still supported by the strong growth of salary and employment. In addition, the inflation rate should marginally decrease, which is aided by the stabilisation of energy prices and the major impact of tax increases remaining in the earlier years. The positive contribution of investments is also restored, which was negatively influenced by a high comparison base last year. The volume of research and development activity is growing fast and capital investment into products related to the right of use of intellectual property is becoming increasingly important. From the risks, we could consider the most important to be developments in the external environment, which could be negatively influenced above all by declined demand caused by trade restrictions and the related insecurity when making investments and the impacts related to the tightening of monetary policy. Within Estonia, it is primarily necessary to deal with the improvement of competitiveness and favour the re-learning of employees and the movement to sectors offering higher added value. There are still a lot of industries with low production in Estonia which will most likely disappear with the continual increase of employment expenses in the next few years.

Over the next twelve months, LHV is expecting a continuation of positive trends in the Estonian economy. Economic growth will decelerate close to the long-term sustainable potential level. The shortage in available resources will continue to increase the significance of the ability of businesses to adapt and be successful in raising productivity, which is why it is necessary to vigorously continue making additional investments. First and foremost, it is important to achieve long-term sustainable economic growth that is in balance between the various sectors.

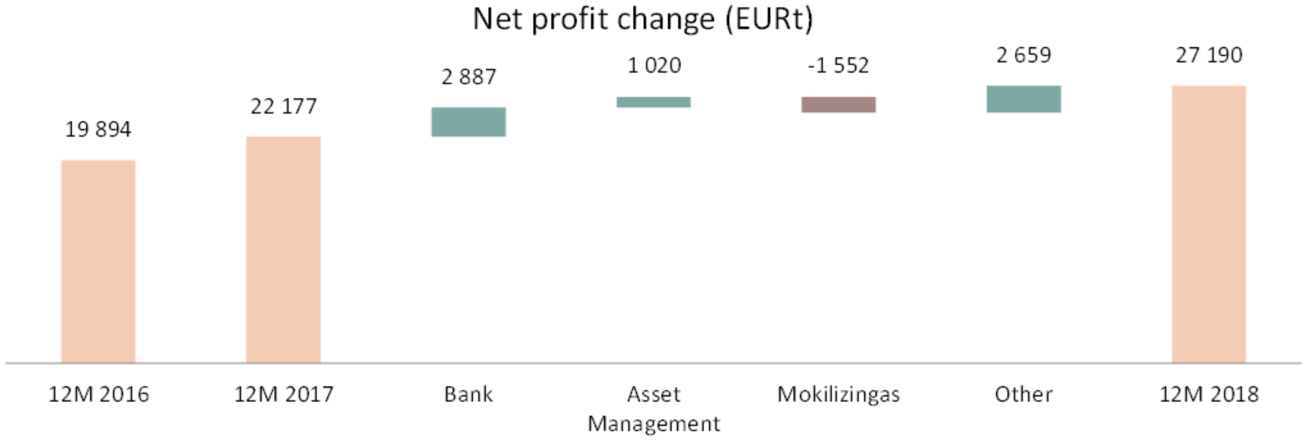
In terms of economic sectors, the risks are above average and might overheat in the building sector, accommodation and catering sector, and transport and storage. LHV is still conservative with regard to the housing market, monitoring the local and Scandinavian market, with increased attention on developments in Sweden. Regarding rental cash flow projects, there is a risk that there will not be enough demand to absorb the volumes being developed in the near future, so that corrections will take place in rental prices or vacancy rates.

As a positive note, we could highlight the still favourable financing environment, which will be influenced most in the coming years by the tightening monetary policy of developed countries. The increase of the amount outstanding from credit institutions still remains rapid. The demand for loans of households is strong, led by housing loans and car leasing. For new housing loans, the average interest rate which has started to increase is standing out. Due to poor investment activity and relatively high own funds, the loans taken by corporates are more modest than that of households. The ratio of loans to deposits and the proportion of overdue loans in the loan portfolio are at the post-crisis low levels. Historically low interest rates and strong competition between banks offer possibilities to local enterprises and they should be taking advantage of them more. LHV wishes to make a big and effective contribution to the finding and supporting of new growth sources, offering entrepreneurs long-term co-operation and value-creating involved thinking.

Financial Results of the Group

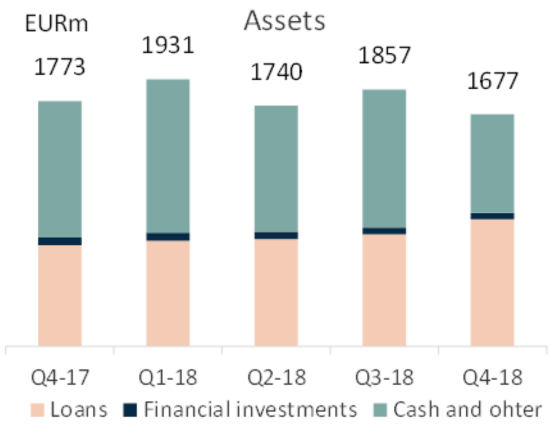
Compared to Q3 2018, the Group's net interest income increased in Q4 by 9%, standing at EUR 10.3 (Q3: 9.5) million. Net fee and commission income decreased by 1% and stood at EUR 6.1 (Q3: 6.2) million. In total, the net income of the Group increased by 9% in Q4, compared to Q3, amounting to EUR 16.5 (Q3: 15.7) million, with expenses increasing by 11% and amounting to EUR 8.8 (Q3: 7.9) million. The Group's operating profit for Q4 amounted to EUR 7.3 (Q3: 6.7) million. The loss from loan impairments mounted to EUR 0.5 million in Q4 (Q3: 1.9). The Group's total profit for Q4 amounted to EUR 6.7 million (Q3: 6.2). Compared to Q4 2017, the Group's net interest income increased by 26% and net fee and commission income by 13%.

In terms of business entities, AS LHV Pank posted in Q4 a consolidated profit of EUR 5.3 million and AS LHV Varahaldus a profit of EUR 1.9 million. The AS LHV Group on solo bases posted a loss of EUR 0.5 million.



The Group's volume of deposits as at the end of Q4 amounted to EUR 1 422 (Q3: 1 638) million, of which demand deposits formed EUR 1 304 (Q3: 1 509) million and term deposits EUR 118 (Q3: 129) million.

As at the end of Q4, the volume of loans granted by the Group amounted to EUR 919 (Q3: 812) million, increasing in Q4 by 13%. Compared to Q4 2017, the volume of the Group's deposits has increased by 7% and the volume of loans by 26% which was a result from from a decrease in financial intermediaries' deposits.



The Group's Liquidity, Capitalisation and Asset Quality

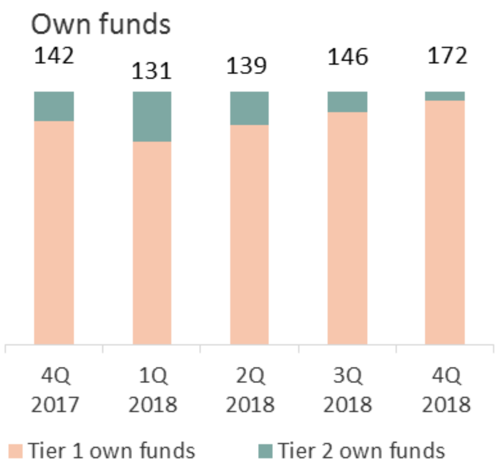
As at 31 December 2018, the Group's own funds stood at EUR 171.6 million (31 December 2017: EUR 141.6 million). LHV Group own funds are calculated based on regulative requirements. In Q4 the level of own funds increased by including the Q3 profit to own funds and by issuing new subordinated loan.

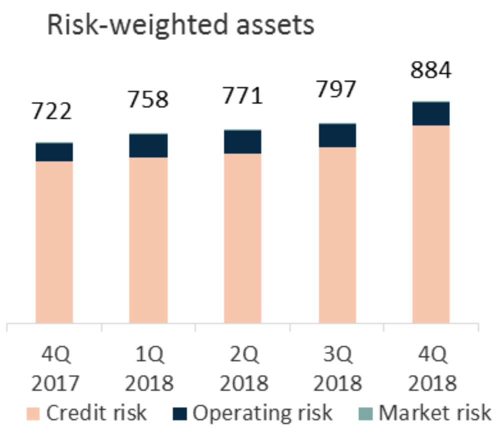
Compared to Group's internal capital adequacy ratio target 15.5%, the Group is well capitalised as at the end of the reporting period, with the capital adequacy ratio amounting to 19.4% (31 December 2017: 19.6%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10,4% and core Tier 1 capital adequacy ratio to 12.10%. Bank of Estonia informed on 17th of April 2018 that from 1st of January 2019 O-SII buffers for LHV Group will increase by 0.5%. LHV internal capital targets take it into account.

In the end of 2017 Estonian Financial Supervision Authority new prudential ratio - the minimum requirement for own funds and eligible liabilities (MREL), which is valid from 1st of January 2018. This ratio is included into resolution plan and LHV has to keep enough own funds and qualifying liabilities which can be used to cover losses in resolution planning. Minimum requirement was set at 5.79% and will be reviewed annually by Estonian Financial Supervision Authority. Group has set internal MREL minimal target at 6.08%. As of December 31 the MREL ratio was 11.43% (31st of December 2017 8.41%).

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 148.5 % as at the end of December (31 December 2017: 121.3%). Banks liquidity situation remained same in Q4, change in LCR levels are related to significantly higher financial intermediates deposits what Bank covers 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR in 235.3% (31.12.2017: 216.8%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 43% of the balance sheet (31 December 2017: 57%). The ratio of loans to deposits stood at 64% as at the end of the fourth quarter (31 December 2017: 48%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of December, provisions for estimated loan losses amounted to EUR 10.3 million in the balance sheet, i.e. approximately 1.1% of the loan portfolio (31 December 2017: EUR 8.1 million, 1.1%). Estimated loan losses make up 66.5% (31 December 2017: 46.7%) of the portfolio of loans overdue for more than 90 days. The increase in overdue loans is related to few clients



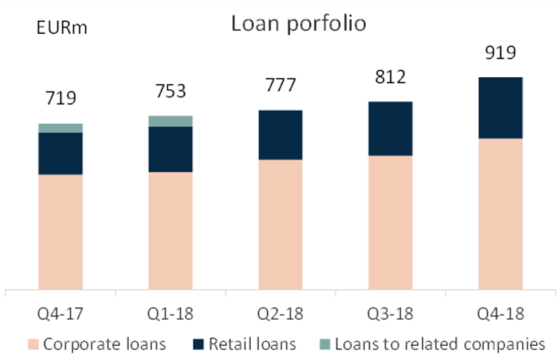


EUR thousand	31.12.2018	Proportion	31.12.2017	Proportion
Loans to customers	929 037		740 169	
including overdue loans:	22 483	2.4%	32 736	4.4%
1-30 days	6 142	0.7%	7 938	1.1%
31-60 days	709	0.1%	6 633	0.9%
61-90 days	177	0.0%	752	0.1%
91 and more days	15 454	1.7%	17 413	2.4%
Impairment of loans	-10 276	-1.1%	-8 125	-1.1%
Impairment % of loans overdue for more than 90 days	66.5%		46.7%	

Capital base	31.12.2018	31.12.2017	31.12.2016
Paid-in share capital	26 016	25 767	25 356
Share premium	46 653	46 304	45 892
Statutory reserves transferred from net profit	3 451	2 471	1 580
Other reserves	78	36	-40
Accumulated deficit	50 193	24 468	10 517
Intangible assets (subtracted)	-19 084	-7 940	-8 114
Net profit for the reporting period	13 605	19 603	17 816
Other adjustments	-194	0	0
Total Tier 1 capital	**120 718**	**110 709**	**93 007**
Subordinated debt	50 900	30 900	30 900
Total Tier 2 capital	**50 900**	**30 900**	**30 900**
Net own funds for capital adequacy	**171 618**	**141 609**	**123 907**
Capital requirements			
Central governments and central bank under standard method	938	945	1 498
Credit institutions and investment companies under standard method	5 376	6 950	7 415
Companies under standard method	579 836	428 428	334 314
Retail claims under standard method	133 250	144 237	114 689
Public sector under standard method	125	185	216
Housing real estate under standard method	39 903	20 039	7 079
Overdue claims under standard methods	7 963	20 956	2 313
Investment funds' shares under standard method	10 142	6 281	10 886
Other assets under standard method	10 557	13 824	7 610
Total capital requirements for covering the credit risk and counterparty credit risk	**788 090**	**641 845**	**486 020**
Capital requirement against foreign currency risk under standard method	3 957	3 551	5 032
Capital requirement against interest position risk under standard method	32	412	1 709
Capital requirement against equity portfolio risks under standard method	704	585	601
Capital requirement against credit valuation adjustment risks under standard method	41	15	24
Capital requirement for operational risk under base method	91 575	75 999	61 812
Total capital requirements for adequacy calculation	**884 399**	**722 407**	**555 198**
Capital adequacy (%)	**19.41**	**19.60**	**22.32**
Tier 1 capital ratio (%)	**13.65**	**15.32**	**16.75**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 107 million
- Net profit EUR 5.3 million



EUR million	Q4 2018	Q3 2018	Change %	Q4 2017	Change %	From the beginning of 2018	From the beginning of 2017	Change %
Net interest income	10.58	9.65	10%	8.38	26%	39.02	31.13	25%
Net fee and commission income	2.47	2.59	-5%	1.93	28%	11.10	7.70	44%
Other financial income	0.23	0.05	360%	-0.48	-	0.47	0.69	-32%
Total net operating income	13.28	12.29	8%	9.83	35%	50.59	39.51	28%
Other income	0.12	0.77	-84%	0.04	200%	0.95	0.01	15 750%
Operating expenses	-7.04	-6.32	11%	-5.41	30%	-25.74	-20.42	26%
Loan losses	-0.54	-1.86	-71%	-0.53	2%	-4.88	-3.58	36%
Income tax expenses	-0.54	-0.50	8%	0.00	-	-2.51	0.00	-
Net profit	5.27	4.38	20%	3.93	34%	18.41	15.52	19%
Loan portfolio	919	812	13%	719	28%			
Financial investments	39	41	-5%	50	-22%			
Deposits of customers	1 448	1 652	-12%	1 551	-7%			
incl. deposits of financial intermediates	194	511	-62%	607	-68%			
Subordinated liabilities	30	20	50%	20	50%			
Equity	126	120	5%	100	26%			

Q4 was successful in terms of business volumes. LHV Bank generated EUR 10.6 million in net interest income and EUR 2.5 million in net fee and commission income. In total, the bank's net income amounted to EUR 13.4 million, expenditure to EUR 7.0 million and loan provisions to EUR 0.5 million. The net profit of LHV Pank amounted to EUR 5.3 million in Q4. This constitutes a 20% increase from Q3 (4.4) and a 34% increase from Q4 2017 (4.9). Net interest income increased 10% compared to previous quarter. Net fee and commission income decreased 5% compared to Q3. Net operating income decreased by 8% compared to previous quarter. In Q4 other financial income amounted to EUR 0.2 million (Q3: financial income 0.1 million).
Securities brokerage fees, transaction fees and fees from cards are greatest contributor to fee and commission income. The quarterly profit before taxes was EUR 5.8 million and net profit EUR 5.3 million. As at the end of the quarter, the net profit exceeded the financial plan by EUR 1.0 million.

The increase in net interest income stems from the growth in business volumes. By the end of Q4, the total volume of the bank's loan portfolios amounted to EUR 919 million (Q3: EUR 812 million). The volume of portfolios grew 13% over the quarter.

The corporate credit portfolio that contains loans and guarantees grew by EUR 162.4 million on an annualised basis (+31%) and EUR 74.5 million on a quarterly basis (+12%). The main source of growth was real estate management, which has traditionally been well-financed by commercial banks, growing by EUR 76.0 million (+38%). Commercial real estate projects with a strong rental flow were the greatest contributor to growth, followed by loans issued to the processing industry, which grew by EUR 21.4

million (+32%). Loans issued in the wholesale and retail sector as well as the motor vehicles repair sector grew by EUR 12.4 million, year-over-year (+88%).

The growth in the portfolio was affected the most, compared to Q3 2018, by loans and guarantees issued for real estate purposes (EUR 46.1 million; +20%), followed by other services (EUR 16.5 million; +305%) as well as financing and insurance activities (EUR 14.0 million, +17%).

The largest amount of corporate loans was granted to the real estate sector, which accounts for 41% of the bank's total portfolio of corporate loans. A bulk of the real estate loans have been issued for projects with a high-quality rent flow. Real estate development ranks second, far behind. A majority of the real estate developments financed are located in Tallinn, with the projects located in other major Estonian cities and the vicinity of Tallinn contributing 15%. LHV's market share in the financing of new developments in Tallinn was approximately 25% at the end of Q4 2018. LHV's real estate development portfolio is well-positioned for potential changes in market trends – the financed projects have a good location, with the average risk to estimated price ratio standing at 55%, at an average.

Alongside the real estate sector, the greatest volume of credit was provided to companies pursuing financial and insurance activities (share: 15%), as well as the processing industry (share: 13%). As regards sectors with a higher-than-average risk, accommodation and catering contributes 2%, construction 2% and transport and warehousing 1% of the total portfolio volume.

Growth in the number of new customers accelerated in Q4, compared to previous quarters. Customer numbers grew by 7,500 during the quarter, with record-breaking levels of customer activity. The bank's deposit volume shrank by EUR -204 million during the quarter, with the loan stock growing by EUR 107 million. The deposit and loan base continued its strong growth. Standard customer deposits grew by EUR 114 million, with the deposits of financial institutions shrinking by EUR -318 million. Corporate loans grew by EUR 75 million and retail loans by EUR 31 million. Profit for the quarter amounted to EUR 5.8 million before taxes, with the net profit amounting to EUR 5.3 million.

At the beginning of the quarter, the Financial Supervision Authority submitted its annual supervisory assessment and the additional own funds requirement in the capital adequacy calculations. Changes were introduced in both the composition of and the requirements for additional own funds, compared to last year. Considering the larger systemic risk buffer imposed on the bank as of 1 January 2019, the Supervisory Board decided to set the minimum total capital ratio at 15.50%. At the end of the quarter, the bank issued new subordinated bonds of AS LHV Group in the total amount of EUR 10 million, with the aim of strengthening the bank's capital base for expanding business volumes.

The LHV car insurance was launched during the quarter in cooperation with Compensa, consisting of the following: LHV motor third party liability insurance, LHV casco insurance and LHV super casco insurance. During the quarter, the bank joined the EBA Clearing Instant Payments real-time euro payment system, adopting the transcript payments system and real-time incoming euro payments. Real-time outgoing euro payments will be adopted at the beginning of next year. The Baltic shares purchase and sales transactions were opened in the mobile bank.

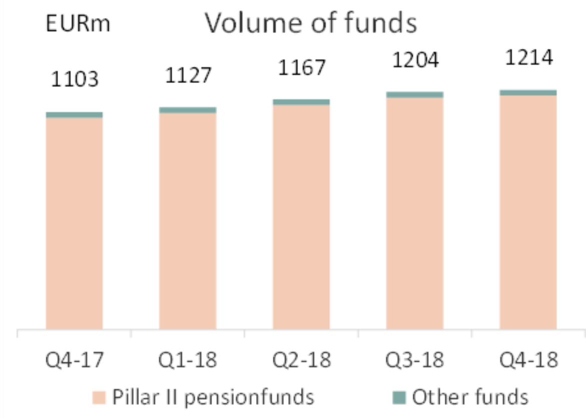
At the beginning of the quarter, the bank's organisational structure was changed, especially with regard to retail banking and financial institutions. Four major product management areas were created: customers and channels, investment, financing, and payment services. The aim of creating the product management areas was to centralise the management of similar products at a level lower than the management, and to improve the cooperation between product management and development in specific product groups.

Moody's Investors Service gave the bank an investment grade rating, with a stable outlook. It was the first time ever for the bank to receive a credit rating from an international rating agency. In establishing the rating, Moody's took account of the bank's strong capitalisation and profitability, which balances the bank's aggressive growth and the relatively recent loan portfolio. The credit rating is bound to support international business pursuits, facilitating correspondent relations with other banks, cooperation with international institutions in the provision of financing solutions or guarantees to customers, and enhancing the options of trade financing.

At the end of the quarter, the bank and AS Versobank (under liquidation) entered into a contract, pursuant to which the bank will acquire EUR 18.4 million worth of AS Versobank's loan stock. The exact price will be determined as of 1 January 2019. The price will be paid in lump sum upon completion of the transaction. The loan portfolio will be acquired as a loan stock company, consisting of loan and collateral agreements and two employees associated with the portfolio. The claims arising from the loan portfolio against Estonian corporate customers amount to nearly EUR 17 million, and the claims against Estonian-resident private customers to nearly EUR 3 million. Pursuant to the contract, the acquisition transaction is scheduled to be completed on 28 January 2019, with the satisfactory results of the audit of the loan portfolio serving as the precondition for completion of the transaction.

Overview of AS LHV Varahaldus

- The quarterly profit was EUR 1.9 million
- The volume of funds is EUR 1 214 million, growth of EUR 10 million



EUR million	Q4 2018	Q3 2018	Change %	Q4 2017	Change %	From the beginning of 2018	From the beginning of 2017	Change %
Net fee and commission income	3.63	3.56	2%	3.45	5%	13.95	13.3	5%
Net financial income	-0.17	-0.02	750%	0.01	-	-0.2	0.13	-
Operating expenses	-1.08	-0.95	14%	-1.57	-31%	-4.02	-6.27	-36%
Depreciation of non-current assets	-0.45	-0.45	0%	-0.1	350%	-1.8	-0.4	350%
Profit	1.93	2.14	-10%	1.79	8%	7.93	6.76	17%
Financial investments	7.9	7.5	5%	6.3	25%			
Subordinated liabilities	2.1	2.1	0%	2.1	0%			
Equity	29.0	27.0	7%	17.0	71%			
Assets under management	1 214.4	1 203.8	1%	1 102.8	10%			

In Q4, the operating income of LHV Varahaldus was EUR 3.63 million (EUR 3.56 million in Q3). The total volume of funds managed by LHV grew by EUR 10 million over the quarter (by EUR 37 million in Q3). The growth was modest, as the market ended the year with a major fall, which also had a negative influence on the volumes of funds. The growth came from organic growth of II pillar (new contributions).

Operating expenses in Q4 amounted to EUR 1.53 million (in Q3, 1.41 million), including the amortisation of fixed assets in the amount of EUR 0.45 million (same as the last quarter). In addition to this, new sales expenses were capitalised in the amount of EUR 0.47 million (EUR 0.42 million in Q3). The quarter was negatively affected by financial income and expense in the amount of EUR -0.13 million (in Q3, EUR +0.04 million), which was due to the fall in the financial markets and investments in own funds. Q4 profit was EUR 1.93 million (EUR 2.14 million in Q3).

LHV's actively managed pension funds have followed an investment strategy for some time that ensures that the price risk related to the international securities market is not excessively high. The year 2018, when the asset values dropped notably throughout the world, justified such a conservative approach to risk-taking. LHV's actively managed II pillar pension funds (except the pension fund Eesti that has operated for less than a year) ended the year with a rate of return of -0.1 up to +1.1%. These were the best results in Estonia among actively managed II pillar funds. In 2018, LHV pension funds made investment decisions directed to Estonia in the total volume of EUR 153 million (in 2017, in the volume of EUR 170 million).

The number of active II pillar clients increased by 0.6 thousand (decreased by 0.3 thousand in Q3). The number of people actively saving in II pillar increased by 1.1 thousand year on year.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q4 2018	12M 2018	Q4 2017	12M 2017
Continuing operations					
Interest income		12 197	45 622	9 765	35 494
Interest expense		-1 907	-7 471	-1 579	-5 133
Net interest income	9	**10 290**	**38 151**	**8 186**	**30 361**
Fee and commission income		8 378	32 844	7 038	26 402
Fee and commission expense		-2 285	-7 799	-1 661	-5 413
Net fee and commission income	10	**6 093**	**25 045**	**5 377**	**20 989**
Net gains/losses from financial assets measured at fair value		112	379	85	714
Foreign exchange gains/losses		-7	64	-506	265
Net gains from financial assets		**105**	**443**	**-421**	**979**
Other income		97	905	19	36
Other expense		-3	-43	-16	-182
Total other income		**94**	**862**	**3**	**-146**
Staff costs	11	-4 293	-15 756	-3 505	-12 991
Administrative and other operating expenses	11	-4 479	-16 387	-3 680	-14 407
Total expenses		**-8 772**	**-31 963**	**-7 185**	**-27 398**
Profit before impairment losses on loans and advances		**7 810**	**32 358**	**5 960**	**24 785**
Impairment losses on loans and advances		-542	-4 879	-534	-3 584
Profit before tax		**7 268**	**27 479**	**5 426**	**21 201**
Income tax expense		-544	-3 614	0	-951
Net profit for the reporting period from continued operations	2	**6 724**	**23 865**	**5 426**	**20 250**
Profit from discontinued operations	12	**0**	**3 324**	**1 366**	**1 927**
Net profit for the reporting period	2	**6 724**	**27 189**	**6 792**	**22 177**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
Revaluation of available-for-sale financial assets		78	42	-6	76
Total profit and other comprehensive income for the reporting period		**6 802**	**27 231**	**6 792**	**22 253**
Total profit of the reporting period attributable to:					
Owners of the parent		6 048	25 237	5 686	19 603
Non-controlling interest		676	1 952	1 106	2 574
Total profit for the reporting period	2	**6 724**	**27 189**	**6 792**	**22 177**
Total comprehensive income attributable to:					
Owners of the parent		6 126	25 279	5 680	19 679
Non-controlling interest		676	1 952	1 106	2 574
Total comprehensive income for the reporting period		**6 802**	**27 231**	**6 786**	**22 253**
Basic earnings per share (in euros)	17	0.23	0.97	0.22	0.77
Diluted earnings per share (in euros)	17	0.23	0.96	0.22	0.75

The Notes on pages 18 to 33 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	31.12.2018	31.12.2017
Assets			
Due from central bank	4, 5, 6, 13	639 862	920 714
Due from credit institutions	4, 5, 6, 13	25 791	26 312
Due from investment companies	4, 6, 13	17 005	14 186
Available-for-sale financial assets	4, 6, 7	298	775
Financial assets at fair value through profit or loss	4, 6, 7	46 856	55 859
Loans and advances to customers	4, 6, 8	918 761	732 043
Receivables from customers		3 721	9 800
Other financial assets		2 936	2 289
Other assets		1 651	1 516
Tangible assets		1 135	1 421
Intangible assets		15 470	4 327
Goodwill		3 614	3 614
Total assets	2	**1 677 100**	**1 772 856**
Liabilities			
Deposits of customers and loans received	14	1 443 782	1 542 929
Financial liabilities at fair value through profit or loss	6	11	2
Accounts payable and other liabilities	15	24 644	71 070
Subordinated debt	6	50 900	30 900
Total liabilities	2	**1 519 337**	**1 644 901**
Owner's equity			
Share capital		26 016	25 767
Share premium		46 653	46 304
Statutory reserve capital		3 451	1 413
Other reserves		2 090	2 507
Retained earnings / accumulated deficit		75 430	44 071
Total equity attributable to owners of the parent		**153 640**	**120 062**
Non-controlling interest		4 123	7 893
Total equity		**157 763**	**127 955**
Total liabilities and equity		**1 677 100**	**1 772 856**

The Notes on pages 18 to 33 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q4 2018	12M 2018	Q4 2017	12M 2017
Cash flow from operating activities					
Interest received		12 379	45 146	9 010	34 215
Interest paid		-2 181	-7 062	-1 336	-4 496
Fees and commissions received		8 378	32 844	7 036	26 400
Fees and commissions paid		-2 285	-7 799	-1 660	-5 412
Other income		94	891	17	-133
Staff costs paid		-3 681	-14 647	-3 061	-11 861
Administrative and other operating expenses paid		-3 707	-13 415	-3 346	-13 107
Income tax		-501	-3 070	0	-951
Cash flow from operating activities before change in operating assets and liabilities		**8 496**	**32 888**	**6 660**	**24 655**
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		-30	-115	47	278
Loans and advances to customers		-103 471	-199 259	-65 175	-190 320
Mandatory reserve at central bank		2 088	1 094	-2 689	-7 639
Security deposits		-249	-647	32	-1 348
Other assets		465	-597	-5 496	177
Net increase/decrease in operating liabilities:					
Demand deposits of customers		-204 341	-105 458	265 538	785 454
Term deposits of customers		-11 084	-9 316	3 242	-25 052
Loans received		9 278	15 528	6 000	6 000
Repayments of loans received		0	0	0	-779
Financial liabilities held for trading at fair value through profit and loss		9	8	2	-207
Other liabilities		-1 641	-38 271	58 444	45 217
Discontinued operations		0	-270	-6 878	-5 330
Net cash generated from/used in operating activities		**-300 480**	**-304 415**	**259 727**	**631 106**
Cash flow from investing activities					
Purchase of non-current assets		-2 161	-3 450	-632	-1 368
Proceeds from disposal of subsidiary		0	5 046	0	0
Proceeds from disposal and redemption of investment securities available for sale		1	520	-6	100
Net change of investments at fair value through profit or loss		1 899	9 473	3 559	19 962
Net cash flow from investing activities		**-261**	**11 589**	**2 921**	**18 694**
Cash flows from financing activities					
Contribution in share capital		0	598	0	822
Subordinated loan received		20 000	20 000	0	0
Dividends paid		0	-5 295	0	-3 803
Net cash from financing activities		**20 000**	**15 303**	**0**	**-2 981**
Effect of exchange rate changes on cash and cash equivalents	6	**-7**	**64**	**-517**	**254**
Net decrease/increase in cash and cash equivalents		**-280 748**	**-277 459**	**262 131**	**647 073**
Cash and cash equivalents at the beginning of the period		949 126	945 837	683 706	298 764
Cash and cash equivalents at the end of the period	13	**668 378**	**668 378**	**945 837**	**945 837**

The Notes on pages 18 to 33 are an integral part of the consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Other reserves	Accumulated deficit/ retained earnings	**Total equity attributable to owners of LHV Group**	Non-controlling interest	**Total equity**
Balance as at 01.01.2017	**25 356**	**45 892**	**1 580**	**1 244**	**28 335**	**102 407**	**5 319**	**107 726**
Transfer to statutory reserve capital	0	0	891	0	-891	0	0	**0**
Share options	0	0	0	129	828	957	0	**957**
Dividends paid	0	0	0	0	-3 804	-3 804	0	**-3 804**
Paid in share capital	411	412	0	0	0	823	0	**823**
Profit for the year	0	0	0	*0*	19 603	19 603	2 574	**22 177**
Other comprehensive loss	0	0	0	76	*0*	*76*	*0*	***76***
Total profit and other comprehensive income for the reporting period	0	0	0	76	19 603	19 679	2 574	22 253
Balance as at 31.12.2017	**25 767**	**46 304**	**2 471**	**1 449**	**44 071**	**120 062**	**7 893**	**127 955**
Balance as at 01.01.2018	**25 767**	**46 304**	**2 471**	**1 449**	**44 071**	**120 062**	**7 893**	**127 955**
Changes in accounting policies	0	0	0	0	10 617	10 617	0	**10 617**
Disposal of subsidiary	0	0	0	0	0	0	- 4 550	**-4 550**
Transfer to statutory reserve capital	0	0	980	0	-980	0	0	**0**
Dividends paid	0	0	0	0	-4 123	-4 123	-1 172	**-5 295**
Share options	0	0	0	599	608	1 207	0	**1 207**
Paid in share capital	249	349	0	0	0	598	0	**598**
Profit for the year	0	0	0	*0*	25 237	25 237	1 952	**27 189**
Other comprehensive loss	0	0	0	42	*0*	42	*0*	**42**
Total profit and other comprehensive income for the reporting period	0	0	0	42	25 237	25 237	1 952	**27 231**
Balance as at 31.12.2018	**26 016**	**46 653**	**3 451**	**2 090**	**75 430**	**153 640**	**4 123**	**157 763**

The Notes on pages 18 to 33 are an integral part of the consolidated interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Accounting Policies

The interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted in the European Union and accordance with International Financial Reporting Standards as adopted by European Union. The interim financial statements should be read in conjunction with the group's annual financial statements as at 31 December 2017.

The accounting policies adopted are consistent with those of the previous financial year except for the financial reporting standards that are presented at the end of this report in Note 19. Specification has been added to cash and cash equivalents accounting policy:

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits with central bank and other banks and investment companies, term deposits with original maturities of three months or less, that are available for use without any significant restrictions and which are subject to an insignificant risk of changes in value.

These condensed consolidated interim financial statements are not audited and do not contain the entire range of data required for the preparation of the financial statements.

The financial figures of the interim financial statements have been presented in thousands of euros, unless otherwise indicated. The interim financial statements have been consolidated and include the results of AS LHV Group and its subsidiaries AS LHV Varahaldus (100% interest), AS LHV Pank (100% interest), OÜ Cuber Tehnology (100% interest) and AS LHV Finance (65% interest). As of March 31 the quarterly report included also the results of UAB Mokilizingas (50% interest+1 share) which in current report is presented as discontinued operations as UAB Mokilizinas was sold in Q2.

NOTE 2 Business Segments

The Group divides its business activities into segments according to its legal structure. The business segments form a part of the Group, with a separate access to financial data and which are subject to regular monitoring of operating profit by the Group's decision-maker. The Management Board of AS LHV Group has been designated as the decision-maker responsible for allocation of funds and assessment of the profitability of the business activities. The result posted by a segment includes revenue and expenditure directly related to the segment.

The revenue of a reported segment includes gains from transactions between the segments, i.e. loans granted by AS LHV Pank to other group companies. The division of interest income and fee and commission income by customer location has been presented in Notes 9 and 10. The breakdown of interest income by customer location does not include the income from current accounts, deposits and investments in securities. The Group does not have any customers, whose income would account for more than 10% of the corresponding type of revenue.

Q4 2018	**Retail banking**	**Private banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Hire-purchase and consumer finance in Lithuania**	**Treasury activities**	**Intra-segment elimi-nations**	**Total**
Interest income	2 613	263	7 158	0	2 535	0	1 255	-1 627	12 197
Interest expense	0	0	-1 283	-42	-332	0	-1 877	1 627	-1 907
Net interest income	**2 613**	**263**	**5 875**	**-42**	**2 203**	**0**	**-622**	**0**	**10 290**
Fee and commission income	3 523	363	167	3 628	135	0	562	0	8 378
Fee and commission expense	-2 001	0	-14	0	-142	0	-128	0	-2 285
Net fee and commission income	**1 522**	**363**	**153**	**3 628**	**-7**	**0**	**434**	**0**	**6 093**
Net income	**4 135**	**626**	**6 028**	**3 586**	**2 196**	**0**	**-188**	**0**	**16 383**

Net gains from financial assets	-2	0	0	-126	0	0	233	0	105
Administrative and other operating expenses, staff costs	-3 537	-303	-1 602	-1 529	-524	0	-1 183	0	-8 678
Operating profit	**596**	**323**	**4 426**	**1 931**	**1 672**	**0**	**-1 138**	**0**	**7 810**
Impairment losses on loans and advances	-76	0	-725	0	259	0	0	0	-542
Income tax	-158	-34	-338	0	0	0	-14	0	-544
Discontinued operations	0	0	0	0	0	0	0	0	0
Net profit	**362**	**289**	**3 363**	**1 931**	**1 931**	**0**	**-1 152**	**0**	**6 724**
Total assets	**1 005 454**	**94 412**	**535 836**	**31 193**	**51 383**	**0**	**127 748**	**-168 926**	**1 677 100**
Total liabilities	**1 105 619**	**238 898**	**177 086**	**2 610**	**39 577**	**0**	**51 380**	**-95 834**	**1 519 337**

Q4 2017	**Retail banking**	**Private banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Hire-purchase and consumer finance in Lithuania**	**Treasury activities**	**Intra-segment elimi-nations**	**Total**
Interest income	2 156	272	5 061	2	2 181	0	1 642	-1 549	9 765
Interest expense	0	0	-896	-44	-276	0	-1 912	1 549	-1 579
Net interest income	**2 156**	**272**	**4 165**	**-42**	**1 905**	**0**	**-270**	**0**	**8 186**
Fee and commission income	3 035	246	177	3 451	127	0	2	0	7 038
Fee and commission expense	-1 272	0	-55	0	-167	0	-167	0	-1 661
Net fee and commission income	**1 763**	**246**	**122**	**3 451**	**-40**	**0**	**-165**	**0**	**5 377**
Net income	**3 919**	**518**	**4 287**	**3 409**	**1 865**	**0**	**-435**	**0**	**13 563**
Net gains from financial assets	-26	0	0	54	0	0	-449	0	-421
Administrative and other operating expenses, staff costs	-2 956	-269	-1 326	-1 669	-497	0	-465	0	-7 182
Operating profit	**937**	**249**	**2 961**	**1 794**	**1 368**	**0**	**-1 349**	**0**	**5 960**
Impairment losses on loans and advances	-102	0	-275	0	-157	0	0	0	-534
Income tax	0	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	1 366	0	0	1 366
Net profit	**835**	**249**	**2 686**	**1 794**	**1 211**	**1 366**	**-1 349**	**0**	**6 792**
Total assets	**1 061 023**	**99 630**	**565 451**	**19 128**	**43 255**	**54 154**	**97 496**	**-167 281**	**1 772 856**
Total liabilities	**1 189 006**	**256 916**	**190 442**	**2 586**	**33 149**	**45 427**	**31 198**	**-103 823**	**1 644 901**

NOTE 3 Risk Management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2017.

There have been no major changes in the risk management department or in any risk management policies since the year end.

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

31.12.2018	**Estonia**	**Latvia**	**Lit-huania**	**Finland**	**The Nether-lands**	**Ger-many**	**Other EU**	**USA**	**Other**	**Total**
Due from banks and investment companies	650 321	0	0	0	0	0	13 599	16 541	2 197	**682 658**
Financial assets at fair value	8 392	772	17 242	0	0	1	20 704	43	0	**47 154**
Loans and advances to customers	886 881	52	10 561	1 524	1	6	18 432	175	1 129	**918 761**
Receivables from customers	3 706	1	5	0	0	0	0	0	9	**3 721**
Other financial assets	111	0	0	0	0	0	0	2 825	0	**2 936**
Total financial assets	**1 549 411**	**825**	**27 808**	**1 524**	**1**	**7**	**52 735**	**19 584**	**3 335**	**1 655 230**
Deposits of customers and loans received	1 154 012	10 041	951	3 414	576	13 274	220 173	3 085	38 256	**1 443 782**
Subordinated debt	50 900	0	0	0	0	0	0	0	0	**50 900**
Accounts payable and other financial liabilities	21 381	0	4	27	0	0	13	3	0	**21 428**
Financial liabilities at fair value	11	0	0	0	0	0	0	0	0	**11**
Total financial liabilities	**1 226 304**	**10 041**	**955**	**3 441**	**576**	**13 274**	**220 186**	**3 088**	**38 256**	**1 516 121**

Unused loan commitments in the amount of EUR 188 841 thousand are for the residents of Estonia.

31.12.2017	**Estonia**	**Latvia**	**Lit-huania**	**Finland**	**The Nether-lands**	**Ger-many**	**Other EU**	**USA**	**Other**	**Total**
Due from banks and investment companies	919 599	47	2 528	0	0	0	3 051	28 152	7 835	**961 212**
Financial assets at fair value	7 466	779	17 456	0	0	29 867	1 064	2	0	**56 634**
Loans and advances to customers	650 871	3 644	46 269	998	91	42	26 580	45	3 503	**732 043**
Receivables from customers	8 481	372	947	0	0	0	0	0	0	**9 800**
Other financial assets	109	0	0	0	0	0	0	2 180	0	**2 289**
Total financial assets	**1 586 526**	**4 842**	**67 200**	**998**	**91**	**29 909**	**30 695**	**30 379**	**11 338**	**1 761 978**
Deposits of customers and loans received	848 642	5 024	825	2 717	12 505	632	639 608	2 855	30 121	**1 542 929**
Subordinated debt	30 900	0	0	0	0	0	0	0	0	**30 900**
Accounts payable and other financial liabilities	60 382	3 047	3 360	27	0	0	13	3	0	**66 832**
Financial liabilities at fair value	2	0	0	0	0	0	0	0	0	**2**
Total financial liabilities	**939 926**	**8 071**	**4 185**	**2 744**	**12 505**	**632**	**639 621**	**2 858**	**30 121**	**1 640 663**

Unused loan commitments in the amount of EUR 168 228 thousand are for the residents of Estonia and in the amount of EUR 11 345 thousand for the residents of Lithuania.

NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

31.12.2018	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	1 304 239	24 949	94 113	16 780	4 390	**1 444 471**
Subordinated debt	0	832	2 496	13 311	59 426	**76 065**
Accounts payable and other financial liabilities	0	21 428	0	0	0	**21 428**
Unused loan commitments	0	188 841	0	0	0	**188 841**
Financial guarantees by contractual amounts	0	9 314	0	0	0	**9 314**
Foreign exchange derivatives (gross settled)	0	11	0	0	0	**11**
Financial liabilities at fair value	0	18 559	0	610	0	**19 169**
Total liabilities	**1 304 239**	**263 934**	**96 609**	**30 701**	**63 816**	**1 759 299**
Financial assets by contractual maturity dates						
Due from banks and investment companies	682 658	0	0	0	0	**682 658**
Financial assets at fair value (debt securities)	0	20 690	0	15 845	2 161	**38 696**
Loans and advances to customers	0	63 584	198 293	634 077	154 853	**1 050 807**
Receivables from customers	0	3 721	0	0	0	**3 721**
Other financial assets	0	18 559	0	610	0	**19 169**
Foreign exchange derivatives (gross settled)	2 936	0	0	0	0	**2 936**
Total financial assets	**685 594**	**106 554**	**198 293**	**650 532**	**157 014**	**1 797 987**
Maturity gap from financial assets and liabilities	**-618 645**	**-157 380**	**101 684**	**619 831**	**93 198**	**38 688**

31.12.2017	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	1 409 662	37 104	90 332	3 335	2 864	**1 543 297**
Subordinated debt	0	532	1 596	8 511	35 554	**46 193**
Accounts payable and other financial liabilities	0	66 832	0	0	0	**66 832**
Unused loan commitments	0	179 572	0	0	0	**179 572**
Financial guarantees by contractual amounts	0	5 999	0	0	0	**5 999**
Foreign exchange derivatives (gross settled)	0	11 825	0	661	0	**12 486**
Financial liabilities at fair value	0	2	0	0	0	**2**
Total liabilities	**1 409 662**	**301 8668**	**91 928**	**12 507**	**38 418**	**1 854 381**
Financial assets by contractual maturity dates						
Due from banks and investment companies	961 212	0	0	0	0	**961 212**
Financial assets at fair value (debt securities)	0	180	30 952	17 005	2 084	**50 221**
Loans and advances to customers	0	55 668	171 720	488 968	95 517	**811 873**
Receivables from customers	0	9 800	0	0	0	**9 800**
Other financial assets	2 289	0	0	0	0	**2 289**
Foreign exchange derivatives	0	11 825	0	661	0	**12 486**
Total financial assets	**963 501**	**77 473**	**202 672**	**506 634**	**97 601**	**1 847 881**
Maturity gap from financial assets and liabilities	**-446 161**	**-224 393**	**110 744**	**494 127**	**59 183**	**-6 500**

It is possible to take a short-term loan from the central bank against the security of the majority of instruments in the bond portfolio.
All cashflows from financial assets and –liabilities except derivatives include all contractual cash flows.

NOTE 6 Open Foreign Currency Positions

31.12.2018	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	651 175	2 224	18 319	2 536	1 430	6 973	**682 658**
Financial assets at fair value	22 750	0	1 174	1	23 230	0	**47 154**
Loans and advances to customers	902 843	0	14 707	220	957	34	**918 761**
Receivables from customers	2 802	0	374	42	0	503	**3 721**
Other financial assets	840	0	0	0	2 096	0	**2 936**
Total assets bearing currency risk	**1 580 410**	**2 224**	**34 574**	**2 799**	**27 713**	**7 511**	**1 655 230**
Liabilities bearing currency risk							
Deposits from customers and loans received	1 356 671	2 194	41 600	6 363	29 297	7 657	**1 443 782**
Financial liabilities at fair value	0	0	0	0	3	8	**11**
Accounts payable and other financial liabilities	15 299	50	2 238	410	120	3 311	**21 428**
Subordinated debt	50 900	0	0	0	0	0	**50 900**
Total liabilities bearing currency risk	**1 422 870**	**2 244**	**43 838**	**6 773**	**29 420**	**10 976**	**1 516 121**
Open gross position derivative assets at contractual value	698	0	25 921	2 912	5 128	3 575	**38 234**
Open gross position derivative liabilities at contractual value	37 536	0	0	0	698	0	**38 234**
Open foreign currency position	**132 815**	**-2**	**-140**	**4**	**79**	**-300**	**132 455**

31.12.2017	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	922 431	2 587	28 237	892	1 359	5 706	**961 212**
Financial assets at fair value	21 998	0	0	4	34 603	29	**56 634**
Loans and advances to customers	730 165	0	4	14	1 832	28	**732 043**
Receivables from customers	9 357	7	204	11	145	76	**9 800**
Other financial assets	288	0	0	0	2 001	0	**2 289**
Total assets bearing currency risk	**1 684 239**	**2 594**	**28 445**	**921**	**39 940**	**5 839**	**1 761 978**
Liabilities bearing currency risk							
Deposits from customers and loans received	1 457 593	2 534	33 134	3 558	42 646	3 464	**1 542 929**
Financial liabilities at fair value	0	0	0	1	1	0	**2**
Accounts payable and other financial liabilities	63 596	66	259	82	54	2 775	**66 832**
Subordinated debt	30 900	0	0	0	0	0	**30 900**
Total liabilities bearing currency risk	**1 552 089**	**2 600**	**33 393**	**3 641**	**42 701**	**6 239**	**1 640 663**
Open gross position derivative assets at contractual value	699	0	4 959	2 763	3 615	450	**12 486**
Open gross position derivative liabilities at contractual value	11 787	0	0	0	699	0	**12 486**
Open foreign currency position	**121 062**	**-7**	**10**	**43**	**155**	**51**	**121 315**

NOTE 7 Fair Value of Financial Assets and Liabilities

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

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

	Level 1	Level 2	Level 3	31.12.2018	Level 1	Level 2	Level 3	31.12.2017
Financial assets at fair value through profit and loss								
Shares and fund units*	510	7 590	0	**8 100**	430	6 261	0	**6 691**
Available-for-sale bonds and shares	0	0	298	**298**	555	0	220	**775**
Bonds at fair value through profit and loss	38 697	0	0	**38 697**	49 138	0	0	**49 138**
Interest rate swaps and foreign exchange forwards	0	59	0	**59**	0	30	0	**30**
Total financial assets	**39 207**	**7 649**	**298**	**47 154**	**50 123**	**6 291**	**220**	**56 634**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	11	0	**11**	0	2	0	**2**
Total financial liabilities	**0**	**11**	**0**	**11**	**0**	**2**	**0**	**2**

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 590 (31.12.2017: 6 261) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 0.5% of the number of units in each of the mandatory pension fund managed by it.

Hierarchy levels:

1. Level 1 – the price quoted on active market
2. Level 2 – a technique which uses market information as input (rates and interest curves of arms-length transactions)
3. Level 3 – other methods (e.g. discounted cash flow method) with estimations as input

Interest rate swaps are instruments, where the fair value is determined via the model-based approach by using the inputs available on the active market. The fair value of such non-market derivatives is calculated as a theoretical net present value (NPV), by using independent market parameters and without assuming the presence of any risks or uncertainties. The NPV is discounted by using the risk-free profitability rate available on the market.

As at 31.12.2018 the fair value of corporate loans and overdraft is EUR 319 thousand (0.05%) lower than their carrying amount (31.12.2017: 1 009 thousand, 0.1% higher). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of loans does not materially differ from their carrying amount as at 31 December 2018 and 31 December 2017. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

Lease interest rates offered to customers generally correspond to interest rates prevailing in the market for such products. Considering that the interest rate environment has been relatively stable since the Group started to provide leasing, consequently the fair value of lease agreements does not materially differ from their carrying amount. As significant management judgment is required to determine fair value, leases are classified as level 3 in the fair value hierarchy. Leveraged loans, hire-purchase and credit cards 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 effective interest rate of consumer loans issued is at the same level as the interest rate of the loan product offered in the market and it can be stated that the carrying amount of loans does not significantly differ from their fair value. The fair value level of leveraged loans, hirepurchase, credit cards and consumer loans is 3 as significant judgmental assumptions are used for the valuation process.

Other receivables from customers, along with accrued expenses and other current receivables have been generated in the course of ordinary business and are subject to payment over a short period of time. Their fair value does not thus differ from the carrying amount. These receivables and payables do not bear any interest. The fair value of accounts payable, accrued expenses and other payables is determined based on hierarchy level 3.

Customer deposits with fixed interest rates are mostly short-term with the deposits priced pursuant to market conditions. The fair value of the deposits determined via discounting future cash flows does not thus materially differ from the carrying amount. In determining the fair value of customer deposits, considerable management judgements are used. Customer deposits are thus categorised under hierarchy level 3.

From all the subordinated loans received EUR 20 000 thousand were received in November 2018, EUR 15 000 thousand were received in October 2015 and the rest in 2014. Subordinated loans were issued on market terms and considering the movements in loan and interest market, we can say that the market conditions are similar as they were when issuing the subordinated loans so that the fair value of the loans does not materially differ from their net book value. In determining the fair value of loans, considerable management judgements are used. Loans issued are thus categorised under hierarchy level 3.

NOTE 8 Breakdown of Loan Portfolio by Economic Sectors

	31.12.2018	%	31.12.2017	%
Individuals	214 702	23.1%	191 744	25.9%
Real estate activities	246 930	26.6%	197 697	26.7%
Manufacturing	98 073	10.6%	68 252	9.2%
Arts and entertainment	34 582	3.7%	29 292	4.0%
Financial activities	95 697	10.3%	78 113	10.6%
Wholesale and retail trade	24 378	2.6%	21 112	2.9%
Administrative and support service activities	39 808	4.3%	33 947	4.6%
Transportation and storage	11 076	1.2%	5 876	0.8%
Agriculture	20 231	2.2%	8 717	1.2%
Other service activities	25 669	2.8%	15 485	2.1%
Construction	35 808	3.9%	19 421	2.6%
Information and communication	4 115	0.4%	8 439	1.1%
Professional, scientific and technical activities	18 779	2.0%	13 958	1.9%
Education	2 391	0.3%	2 218	0.3%
Other sectors	56 798	6.1%	45 897	6.2%
Total	**929 037**	**100%**	**740 168**	**100%**
Provision	-10 276		-8 125	
Total loan portfolio	**918 761**	**100%**	**732 043**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q4 2018**	**12M 2018**	**Q4 2017**	**12M 2017**
Balances with credit institutions and investment companies	38	141	23	41
Bonds	31	136	42	206
Leasing	598	2 439	443	1 845
Leverage loans and lending of securities	103	456	100	147
Consumer loans	1 493	5 313	1 160	4 018
Hire purchase	1 029	4 055	1 021	4 182
Business loans	7 796	27 701	5 548	21 703
Creditcard loans	202	770	183	694
Other loans	907	4 611	1 245	2 658
Total	**12 197**	**45 622**	**9 765**	**35 494**
Interest expense				
Deposits of customers and loans received	-595	-1 880	-328	-1 224
Balances with the central bank	-678	-3 360	-715	-1 773
Subordinated liabilities	-634	-2 231	-536	-2 136
including loans between related parties	-93	-357	-83	-336
Total	**-1 907**	**- 7 471**	**-1 579**	**-5 133**
Net interest income	**10 290**	**38 151**	**8 186**	**30 361**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q4 2018**	**12M 2018**	**Q4 2017**	**12M 2017**
Estonia	12 128	44 822	9 457	34 307
Lithuania	0	523	244	940
Total	**12 128**	**45 345**	**9 701**	**35 247**

NOTE 10 Net Fee and Commission Income

Fee and commission income	Q4 2018	12M 2018	Q4 2017	12M 2017
Security brokerage and commissions paid	535	3 687	605	3 081
Asset management and similar fees	4 231	16 371	3 938	14 983
Currency conversion revenues	528	1 639	312	977
Fees from cards and payments	2 412	8 766	1 631	5 875
Other fee and commission income	672	2 381	552	1 487
Total	**8 378**	**32 844**	**7 038**	**26 403**
Fee and commission expense				
Security brokerage and commissions paid	-127	-544	-129	36
Expenses related to cards	-854	-2 765	-601	-2 026
Expenses related to acquiring	-820	-2 834	-567	-1 982
Other fee and commission expense	-484	-1 656	-364	-1 441
Total	**-2 285**	**-7 799**	**-1 661**	**-5 413**
Net fee and commission income	**6 093**	**25 045**	**5 377**	**20 990**

Fee and commission income by customer location:	Q4 2018	12M 2018	Q4 2017	12M 2017
Estonia	8 340	32 677	6 990	26 124
Latvia	0	0	44	50
Lithuania	0	0	0	71
Luxembourg	38	167	48	202
Total	**8 378**	**32 844**	**7 082**	**26 447**

NOTE 11 Operating Expenses

	Q4 2018	12M 2018	Q4 2017	12M 2017
Wages, salaries and bonuses	3 363	12 190	2 673	9 873
Social security and other taxes*	930	3 566	832	3 118
Total personnel expenses	**4 293**	**15 756**	**3 505**	**12 991**
IT expenses	750	2 322	528	1 743
Information services and bank services	173	625	144	567
Marketing expenses	599	2 023	1 002	3 656
Office expenses	255	677	116	456
Transportation and communication expenses	66	225	57	222
Staff training and business trip expenses	162	626	213	475
Other outsourced services	780	3 136	603	2 807
Other administrative expenses	514	2 304	315	1 949
Depreciation of non-current assets	773	2 972	334	1 297
Operational lease payments	281	1 153	297	1 027
Other operating expenses	126	324	71	208
Total other operating expenses	**4 479**	**16 387**	**3 680**	**14 407**
Total operating expenses	**8 772**	**32 143**	**7 185**	**27 398**

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

NOTE 12 Discontinued operations

	Q4 2018	12M 2018	Q4 2018	12M 2017
Other financial income	0	2 949	0	0
Net interest income	0	1 619	1 684	5 142
Net fee and commission income	0	956	609	1 190
Personnel expenses	0	-535	-440	-1 673
Operating expenses	0	-1 131	-859	-2 866
Impairment losses on loans	0	-390	574	431
Income tax expenses	0	-144	-202	-297
Net profit from discontinued operations	**0**	**3 324**	**1 366**	**1 927**

NOTE 13 Balances with the Central Bank, Credit Institutions and Investment Companies

	31.12.2018	31.12.2017
Term deposits with maturity less than 3 months*	42 796	40 498
Legal reserve with the central bank	14 280	15 375
Other receivables from central bank*	625 582	905 339
Total	**682 658**	**961 212**
*Cash and cash equivalents in the Statement of Cash Flows	668 378	945 837

The breakdown of receivables by countries has been presented in Note 4. Demand deposits include receivables from investment companies in the total amount of EUR 17 005 thousand (31 December 2017: EUR 14 186 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 30 September 2018 was 1% (31 December 2017: 1%) of all financial resources (customer deposits and loans received). The reserve requirement is to be fulfilled as a monthly average in euros or in the foreign financial assets approved by the central bank.

NOTE 14 Deposits of Customers and Loans Received

Deposits/loans by type	Individuals	Financial intermediates	Legal entities	Public sector	31.12.2018
Demand deposits	374 491	193 893	727 803	7 935	1 304 122
Term deposits	57 605	0	54 456	5 734	117 795
Loans received	0	0	21 528	0	21 528
Accrued interest liability	197	0	131	9	337
Total	**432 293**	**193 893**	**803 918**	**13 678**	**1 443 782**

Deposits/loans by type	Individuals	Financial intermediates	Legal entities	Public sector	31.12.2017
Demand deposits	278 430	606 600	518 346	6 203	1 409 579
Term deposits	51 075	0	70 221	5 816	127 112
Loans received	0	0	6 000	0	6 000
Accrued interest liability	144	0	87	7	238
Total	**329 649**	**606 600**	**594 654**	**12 026**	**1 542 929**

LHV Pank signed an unsecured 10-year loan agreement with the European Investment Fund (EIF) in the amount of EUR 12.5 million to increase the borrowing possibilities of small and medium-sized enterprises. As at 31.12.2018, the Bank had utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 722 thousand euros. From Nordic Investment Bank possible 20 000 thousand euro loan the Bank had utilized 10 000 thousand euros as of 31.12.2018. The nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been implemented.

NOTE 15 Accounts payable and other liabilities

Financial liabilities	31.12.2018	31.12.2017
Trade payables and payables to merchants	2 153	8 946
Other short-term financial liabilities	1 925	1 878
Accrued interest on subordinated loans	314	210
Payments in transit	16 800	55 661
Financial guarantee contracts issued	236	137
Subtotal	**21 428**	**66 832**
Performance guarantee contracts issued	243	159
Tax liabilities	1 218	700
Payables to employees	1 488	1 238
Other short-term liabilities	276	2 141
Subtotal	**3 216**	**4 238**
Total	**24 644**	**71 070**

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 recognised as current liabilities.

NOTE 16 Contingent Liabilities

Irrevocable transactions	Performance guarantees	Financial guarantees	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 31 December 2018	11 927	9 314	55	188 841	**210 137**
Liability in the contractual amount as at 31 December 2017	10 129	5 999	51	179 572	**195 751**

NOTE 17 Basic Earnings and Diluted Earnings Per Share

In order to calculate basic earnings per share, net profit has been divided by the weighted average number of shares issued.

	Q4 2018	12M 2018	Q4 2017	12M 2017
Total profit attributable to owners of the parent (EUR thousand)	6 048	25 237	5 686	19 603
Weighted average number of shares (in thousands of units)	26 016	25 892	25 767	25 562
Basic earnings per share (EUR)	0.23	0.97	0.22	0.77
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	26 472	26 373	26 207	26 049
Diluted earnings per share (EUR)	0.23	0.96	0.22	0.75

NOTE 18 Capital Management

The goal of the Group's capital management is to:

- ✓ 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;
- ✓ comply with capital requirements as established by supervision authorities.

The amount of capital that the Group managed as of 31.12.2018 was 183 250 thousand euros (31.12.2017: 141 609 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.

The Group follows the general principles in its capital management:

- The Group must be adequately capitalized at all times, ensuring the necessary capital to ensure economic preservation and enables financing of new profitable growth opportunities;
- The main focus of the capital management is on tier 1 own funds, because only tier 1 own funds can absorb losses. All other capital layers in use are dependent of tier 1 own funds volume;
- Capital of the Group can be divided in two: 1) regulative minimum capital and 2) capital buffer held by the Group. In order to reach its long-term economic goals the Group must on one hand strive towards proportional lowering of the regulative minimumcapital (through minimizing risks and high transparency). On the other hand, the Group must strive towards sufficient and conservative capital reserve, which will ensure economic preservation even in the event of severe negative risk scenario;
- The risk appetite set by the Group is an important input to capital management planning and capital goal setting. Higher risk appetite requires marinating higher capital buffer.

Capital base	**31.12.2018**	**31.12.2017**
Paid-in share capital	26 016	25 767
Share premium	46 653	46 304
Reserves	3 451	2 471
Other reserves	78	36
Accumulated loss	50 193	24 468
Intangible assets (subtracted)	-19 084	-7 940
Profit for the reporting period	25 237	19 603
Other adjustments	-194	0
Total Tier 1 capital	**132 350**	**110 709**
Subordinated liabilities	50 900	30 900
Total Tier 2 capital	**50 900**	**30 900**
Total net own funds	**183 250**	**141 609**

The Group has complied with all capital requirements during the financial year and in previous year.

NOTE 19 Transactions with related parties

In preparing the financial statements of the Group, the following entities have been considered related parties:

- owners that have significant impact on the Group and the entities related to them;
- members of the management board 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	4Q 2018	12M 2018	4Q 2017	12M 2017
Interest income	**20**	**67**	**12**	**63**
incl. management	7	29	5	27
incl. shareholders that have significant influence	13	38	7	36
Fee and commission income	**7**	**11**	**4**	**8**
Incl. management	0	2	2	2
incl. shareholders that have significant influence	7	9	2	6
Interest expenses from deposits	**13**	**42**	**11**	**41**
incl. management	0	2	1	1
incl. shareholders that have significant influence	13	40	10	40
Interest expenses from subordinated loans	**93**	**357**	**83**	**336**
incl. management	2	7	2	7
incl. shareholders that have significant influence	91	350	81	329

Balances	31.12.2018	31.12.2017
Loans and receivables as at the year-end	**3 328**	**2 820**
incl. management	2 079	1 736
incl. shareholders that have significant influence	1 250	1 084
Deposits as at the year-end	**33 509**	**22 995**
incl. management	222	283
incl. shareholders that have significant influence	33 287	22 712
Subordinated loans as at the year-end	**5 904**	**4 999**
incl. management	135	104
incl. shareholders that have significant influence	5 769	4 895

The table provides an overview of the material balances and transactions involving related parties. All other transactions involving the close relatives and the entities related to members of the management board and supervisory board and the minority shareholders of the parent company AS LHV Group have occurred according to the overall price list. The management and shareholders with significant influence include also their related entities and persons.

Loans granted to related parties are issued at market conditions.

In Q4, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 362 thousand (Q4 2017: EUR 335 thousand), including all taxes. As at 31.12.2018, remuneration for December and accrued holiday pay in the amount of EUR 91 thousand (31.12.2017: EUR 84 thousand) is reported as a payable to management (Note 15). The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 31.12.2018 and 31.12.2017 (pension liabilities, termination benefits, etc.). In Q3 2018, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 10 thousand (Q4 2017: EUR 10 thousand).

Management is related to the share-based compensation plan. In Q4 2018 the share-based compensation to management amounted to EUR 128 thousand (Q2 2017: EUR 112 thousand).
The Group has signed contracts with the members of the Management Board, which do not provide for severance benefits upon termination of the contract. In any matters not regulated by the contract, the parties adhere to the procedure specified in the legislation of the Republic of Estonia.

NOTE 20 Changes in accounting policies

FINANCIAL ASSETS AND LIABILITIES
Financial assets

Financial assets are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets at fair value through profit or loss where transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired, the Group has transferred substantially all risks and rewards and upon substantial modification. Transfers of financial assets with retention of all or substantially all risks and rewards include for example repurchase transactions and securities lending transactions. Financial assets at fair value are recognised on the statement of financial position on trade date. Financial assets measured at amortised cost are recognised on trade date. The Group classifies and subsequently measures its financial assets in the following categories: financial instruments at fair value through profit or loss; fair value through other comprehensive income and amortised cost. The classification will depend on if the financial asset is a debt instrument, an equity instrument or a derivative.

Debt instruments (Loans and debt securities)

The classification is based on a combination of assessing the business model for managing the financial assets and whether the contractual cash flows consist of solely payments of principal and interest (‘SPPI’). The business model assessment is performed for homogenous portfolios/products identified based on how the business is managed in the divisions of the Group. The assessment is based on reasonable scenarios taking into consideration how the portfolio is evaluated and reported to management; the risks affecting the performance of the portfolio and how these risks are managed; how managers are compensated; and the frequency, value and timing of sales including the reasons for the sales. In determining if the cash flows consist solely of principal and interest, the principal is defined as the fair value of the debt instrument at initial recognition, which can change over the life if there are repayments or capitalisation of interest. Interest cash flows are consistent with components per a basic lending arrangement including consideration for time value of money, credit risk, liquidity risk as well as administrative costs and profit margin. If there are contractual features introducing an exposure to other risks or volatility, it is not considered to consist of solely payments of principal and interest. SPPI tests are performed as a part of new product approval tests. In implementation of IFRS 9 SPPI was applied to 22 larger products carried at amortised cost. All products exept one remained in accounting with same treatment. With remaining one – margin loan, the product conditions were changed so that one functionality was taken out of the product and then product passed SPPI. All the LHV products remained with same accounting treatment as before.

Debt instruments are presented in the statement of financial position line items: Due from central banks, credit institutions and investment companies; Loans and advances to customers; Available-for-sale financial assets; Financial assets at fair value through profit or loss; Receivables from customers and Other financial assets, and include instruments in the following measurement categories.

Fair value through profit or loss: Debt instruments are classified in this category if not meeting the criteria for amortised cost or fair value through other comprehensive income. This is the case if the business model is held for trading; where financial assets are considered held for trading if they are held with the intention to be sold in the short-term and for the purpose of generating profits. Debt instruments are mandatorily measured at fair value through profit or loss if the assets are managed and evaluated on a fair value basis or the assets are held with an intention to sell, or alternatively, if the cash flows do not consist of solely payments of principal and interest.

Fair value through other comprehensive income: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to both hold assets to collect contractual cash flows and to sell the assets (b) the contractual cash flows consist of solely payments of principal and interest. The assets are measured at fair value and gains and losses arising from changes in fair value are reported in other comprehensive income and accumulated in equity. The cumulative gain or loss is reclassified from equity to profit or loss upon derecognition of the debt instrument. Interest is calculated by applying the effective interest method on interest-bearing financial assets and expected credit losses are recognised in profit or loss.

Amortised cost: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to hold assets to collect contractual cash flows and (b) the contractual cash flow characteristics consist of solely payments of principal and interest. The gross carrying amount of these assets is measured using the effective interest method and adjusted for expected credit losses.

Equity instruments

Equity instruments are per default classified as financial assets at fair value through profit or loss. An irrevocable election can be made on initial recognition to classify equity instruments (not held for trading) at fair value through other comprehensive income.

Derivatives

Derivatives are classified as fair value through profit or loss (held for trading).

Modification

The Group may renegotiate loans and modify contractual terms. If the new terms are substantially different from the original terms, the Group derecognises the original financial asset and recognises a new asset. The Group also assesses whether the new financial asset is credit-impaired at initial recognition. If the terms are not substantially different, the modification does not result in derecognition and the Group recalculates the gross carrying amount based on the new cash flows using the original effective interest rate of the financial asset and recognises a modification gain or loss.

Reclassification

In rare circumstances debt instruments (financial assets) excluding those designated at fair value through profit or loss on initial recognition, can be reclassified if there has been a change in the business model for managing the financial asset.

Financial liabilities

Financial liabilities are measured at fair value on initial recognition. In case the financial liabilities are measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or the issuance of the financial liability are recognised in profit or loss. For other financial liabilities direct transaction cost are recognised as a deduction from the fair value.

Financial liabilities are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are either classified as held for trading or designated as fair value through profit or loss on initial recognition (fair value option).

Financial liabilities held for trading are primarily derivatives not designated as hedging instruments.

Other financial liabilities

The category other financial liabilities primarily include the Group’s short-term and long-term borrowings. After initial recognition other financial liabilities are measured at amortised cost, using the effective interest method. The statement of financial position line items Deposits from customers and loans received, Accounts payable and other liabilities and Subordinated debt are included in this category.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Embedded derivatives

Some combined contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. If the host contract is a financial asset in scope of IFRS 9 the contract is assessed for classification in its entirety and the embedded derivative is not separated.

Repurchase agreements

When the Group borrows or purchases securities subject to a commitment to resell them (a ‘reverse repo’), the securities are not included in the statement of financial position. Payments made are recognised as Loans and advances to customers. Reverse repurchase agreements are measured at amortised cost.

REVENUES AND EXPENSES

Interest income and interest expense

The effective interest method is applied to recognise interest income and interest expenses in profit or loss for financial assets and financial liabilities measured at amortised cost.

The effective interest method is a method of calculating the gross carrying amount of a financial asset or the amortised cost of a financial liability and of allocating interest income and interest expenses. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. When calculating future payments, all payments included in the terms and conditions of the contracts, such as advance payments, are taken into consideration. The calculation of the effective interest rate includes fees that are an integral part of the effective interest rate. However, expected credit losses are not taken into account.

If a financial asset subsequently has become credit impaired the interest income is recognised applying the effective interest rate to the amortised cost, i.e. gross carrying amount adjusted for the loss allowance. In case a financial asset is credit-impaired at initial recognition, the expected credit losses are included in the estimated cash flows to calculate a credit adjusted effective interest rate which then is applied to recognise the interest income.

Fee and commission income

The recognition of revenue from contracts with customers is reported as fee and commission income. This does not apply for revenue from leasing contracts or financial instruments and other contractual obligations within the scope of IFRS 9 Financial Instruments.

Fees that are included in the calculation of the effective interest rate of a financial instrument measured at amortised cost, such as loan origination fees, are allocated over the expected tenor of the instrument applying the effective interest method and presented in Net interest income.

Fee and commission income is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which LHV expects to be entitled in exchange for the service. The major types of fees are described below.

Fee and commission income for asset custody and asset management to customers is recognised as revenue over the period in which the services are provided. Performance based fees are recognised when it is highly probable that a significant reversal of recognised revenue will not occur, which is most often when the performance criteria are fulfilled.

Brokerage fees, commission and fees from negotiating a transaction for a third party, such as arrangement of acquisitions or purchase or sale of a business, are recognised on completion of the transaction.

Expenses that are directly related to the generation of fee and commission income are recognised as fee and commission expense.

Net financial income

Gains and losses arising from changes in fair value of financial assets and liabilities measured at fair value through profit or loss are reported under the item Net financial income. For financial liabilities designated at fair value through profit or loss the change in fair value relating to change in own credit risk is accounted for in other comprehensive income.

Dividend income

Dividends are recognised when the entity’s legal right to receive payment is established.

EXPECTED CREDIT LOSS

Measurement

The impairment requirements are based on an expected credit loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

All financial assets measured at amortised cost and fair value through other comprehensive income, as well as lease receivables, financial guarantees contracts, contract assets and certain loan commitments are in scope for expected credit loss.

ECLs on financial assets measured at amortised cost and lease receivables are presented as allowances, i.e., as an integral part of the measurement of those assets in the statement of financial position. The allowance reduces the gross carrying amount. ECLs on loan commitments and financial guarantee contracts are presented as provisions, i.e., as a liability, in the statement of financial position. Adjustment to the loss allowance and provision due to changes in ECLs is recognised in the statement of profit or loss as net expected credit losses.

The assessment of credit risk, and the estimation of ECL, shall be unbiased and probability-weighted, and shall incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. LHV uses both models and expert based individual assesments for calculating ECLs.

The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

Significant increase in credit risk

At the end of each reporting period the Group performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Indicators include payments that are past due >30 days and <90 days and financial assets that have been classified as watch-list or with forbearance measures (loans whose contractual terms have been revised due to the customer’s financial difficulties). A quantitative indicator is calculated based on the change in lifetime probability of default (PD) by comparing the scenario-weighted lifetime PD at the reporting date with the scenario-weighted lifetime PD at initial recognition. In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. The approach is symmetrical, meaning that in subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial assets moves back to Stage 1.

Definition of default

Financial instruments in default are in Stage 3. LHV applies a definition of default for accounting purposes that is consistent with how it is defined in the capital requirements regulation, which includes financial assets past due more than 90 days. All financial assets in Stage 3 are considered credit-impaired.

Modelling

The ECL is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD), as well as the timing of the loss. The Group’s IFRS 9 methodology for ECL measurement is based on existing internal scoring and rating models.

PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The expected PD for each individual instrument incorporates a consideration of past events, current market conditions and reasonable and supportable information about future economic conditions. LHV uses existing scoring and rating models that are adjusted according to specific IFRS 9 requirements. The models are calibrated based on a combination of assets class and product type.

EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held. LHV uses existing LGD models adjusted to meet IFRS 9 requirements. When measuring ECL, LHV uses the maximum contractual period during which LHV is exposed to risk.

Forward-looking information

The Group uses internally developed macroeconomic forecasts as the basis for the forward-looking information incorporated in the ECL measurement. In order to ensure an unbiased estimation of credit losses under IFRS 9, at least three scenarios shall be used. One of the scenarios shall be the base case scenario, representing the most likely outcome, which is also applied in the regular financial planning and budgeting process, while other case scenarios shall represent more optimistic or pessimistic outcomes.

Forecasts are developed internally in the Credit Management Department that consults with the experts from Risk Control Unit, business and finance. As available without undue cost, external experts and externally developed ‘benchmark forecasts’ should be consulted. The referred benchmark forecasts include but are not limited to World Economic Outlook by the IMF, European Economic Forecasts by the European Commission and Economic Forecasts by Bank of Estonia. The scenarios shall be approved by the Risk and Capital Committee.

Scenarios should be developed for a time horizon over which reliable projections can be made, typically for a time horizon of 3 years. At minimum, selected macro indicators have to be forecasted for a period of two years following the current year. In general, scenarios shall be reviewed on a quarterly basis. In case of significant changes in the macroeconomic environment and outlook, the scenarios shall be updated.

Individual assesments and Management´s judgement

The Group uses both models and expert based judgement in order to determine ECLs. The degree of judgement that is required to estimate ECL depends on the model outcome, materiality and the availability of detailed information. The model provides guidance and transparency as to how economic events could affect the impairment of financial assets. Expert based judgement may be applied to the modelled outcome to incorporate an estimated impact of factors not captured by the model. Such individual ECL assesments may be applied to significant exposures at a counterparty level. These assesments are decided by the Credit Committee. In addition there may be a need for adjustments at a portfolio level, which is decided by the Risk and Capital Committee.

New and amended critical judgements for IFRS 9 and IFRS 15 from 2018

EXPECTED CREDIT LOSS MODEL

When calculating expected credit loss (ECL) there are a number of key concepts that require a high level of judgement. Estimating expected credit loss is, by its very nature, uncertain and the accuracy of these estimates depends on many factors, e.g. macroeconomic forecasts and involves complex modelling and judgements. The assessment of significant increase in credit risk is a new concept under IFRS 9 Financial Instruments and will require significant judgement. At the end of each reporting period the Group shall perform an assessment of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument, using key risk indicators that are used in the Group's existing risk management processes. Another area requiring significant judgement is the incorporation of forward-looking information and macroeconomic scenarios. IFRS 9 requires an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. LHV uses internally developed macroeconomic forecasts as the basis for the forward-looking information in the ECL measurement. LHV uses both models and expert based judgement in order to determine ECLs. The objective of applying expert based judgement is to incorporate the estimated impact of factors not captured in the modelled ECL. The degree of judgement that is required to estimate expected credit losses depends on the outcome from calculations, materiality and the availability of detailed information. The models, assessment and assumptions are regularly reviewed by the risk organisation of the Group and approved by the Group Risk Committee.

FEE AND COMMISSION INCOME

In recognising fee and commission income LHV makes judgements to determine the amount and timing of revenue from contracts with customers.

When LHV performs e.g. custody, asset management or administration of clients investment policies the fees are based on the time period the service is provided and/or on the amounts of underlying assets. LHV's judgement is that the customer simultaneously receives and consumes the service and LHV's obligations are therefore satisfied over the time the service is provided.

When LHV performs e.g. brokerage, negotiations of transactions for third parties such as arrangement of acquisitions or purchase or sale of businesses or acts as an arranger in loan syndications LHV's judgement is that the customer obtains control of the asset and LHV's obligations are satisfied at the time of the completion of the transaction.

When fees are based on LHV's performance LHV recognise revenue based on judgements when it is highly probable that a significant reversal of recognised revenue will not occur, which is most often when the performance criteria are fulfilled.

ASSETS RECOGNISED FROM THE COSTS TO OBTAIN OR FULFIL A CONTRACT, DEFERRED ACQUISITION COSTS

LHV recognise as an asset, costs to obtain contracts that would not have incurred if the contract had not been obtained, mainly sales commissions to obtain investment contracts.

The amortisation period for the asset is based on assumptions about average lifetime of the contracts including assumptions about surrenders and lapses.

LEASES

In addition, since 1 January 2019 the IFRS 16 Leases will apply to the Group's financial reporting.

IFRS 16, applicable to annual periods beginning on 1 January 2019 or after that date, eliminates the classification of leases as either operating leases or finance leases, as required by IAS 17, and, instead, introduces a single lease accounting model. As at the date of this report, the Group is assessing the IFRS 16 impact on its financial statements.

Shareholders of AS LHV Group

AS LHV Group has a total of 26 016 485 ordinary shares, with a nominal value of 1 euro.

As at 31 December 2018, AS LHV Group has 5 615 shareholders:

- 13 104 054 shares (50.4%) were held by members of the Supervisory Board and Management Board, and related parties.
- 12 912 431 shares (49.6%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 31 December 2018:

Number of	Participation	Name of shareholder
3 357 920	12.9%	AS Lõhmus Holdings
2 538 367	9.8%	Rain Lõhmus
2 111 344	8.1%	Viisemann Investments AG
1 595 620	6.1%	Ambient Sound Investments OÜ
1 210 215	4.7%	OÜ Krenno
999 456	3.8%	AS Genteel
951 978	3.7%	AS Amalfi
722 297	2.8%	OÜ Kristobal
636 260	2.5%	SIA Krugmans
589 177	2.3%	OÜ Bonaares

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 24 397 shares.
Rain Lõhmus holds 2 538 367 shares, AS Lõhmus Holdings 3 357 920 shares and OÜ Merona Systems 581 718 shares.
Andres Viisemann holds 4 909 shares. Viisemann Holdings OÜ holds 433 055 shares and Viisemann Investment AG holds 2 111 344 shares.
Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 595 620 shares.
Tiina Mõis does not hold shares. AS Genteel holds 999 456 shares.
Heldur Meerits does not hold shares. AS Amalfi holds 951 978 shares.
Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 490 190 shares and Lame Maakera OÜ holds 3 670 shares.
Sten Tamkivi holds 355 shares. OÜ Seikatsu holds 10 825 shares.

Supervisory Boards and Management Boards of AS LHV Group and its Subsidiaries

AS LHV Group
Supervisory board: Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Tauno Tats, Andres Viisemann, Sten Tamkivi
Management board: Madis Toomsalu

AS LHV Varahaldus
Supervisory board: Erki Kilu, Madis Toomsalu, Andres Viisemann
Management board: Mihkel Oja, Joel Kukemelk

AS LHV Pank
Supervisory board: Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Madis Toomsalu, Andres Viisemann
Management board: Jüri Heero, Erki Kilu, Andres Kitter, Meelis Paakspuu, Indrek Nuume, Martti Singi, Kadri Kiisel

AS LHV Finance
Supervisory board: Erki Kilu, Rain Lõhmus, Veiko Poolgas, Jaan Koppel
Management board: Kadri Kiisel

OÜ Cuber Tehnology
Management board: Jüri Laur

Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to December 2018 period the condensed consolidated interim financial statements of AS LHV Group for the 12-month period ended 31 December 2018.

The management board confirms that according to their best knowledge the interim report presents a fair view of LHV Group AS's assets, liabilities, financial position and profit or loss of the issuer and the entities involved in the consolidation as a whole according to the International Financial Reporting Standards as they are adopted by the European Union and contains a description of the main risks and doubts.

28.01.2019

Madis Toomsalu