Interim Report January – March 2020
Summary of Results

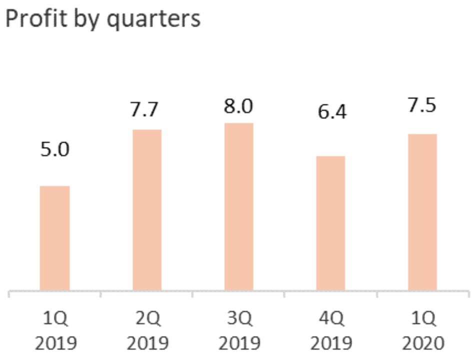
Q1 2020 in comparison with Q4 2019

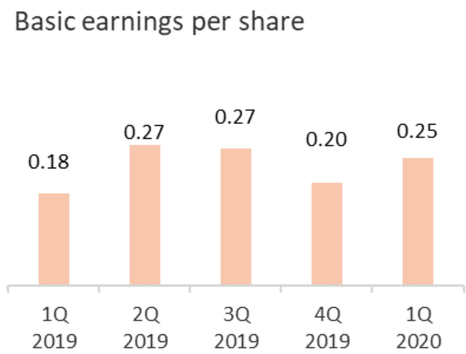
- Net profit EUR 7.5 m (EUR 6.4 m), of which EUR 7.1 m (EUR 5.7 m) is attributable to owners of the parent
- Earnings per share EUR 0.25 (EUR 0.20)
- Net income EUR 22.4 m (EUR 19.9 m)
- Operating expenses EUR 11.2 m (EUR 11.4 m)
- Loan provisions EUR 1.01 m (EUR 1.55 m)
- Income tax expenses EUR 2.81 m (EUR 0.6 m)
- Return on equity 14.0% (11.6%)
- Capital adequacy 18.0% (18.0%)

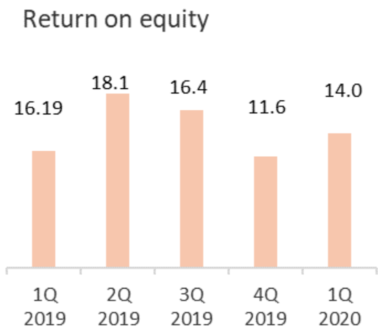
Q1 2020 in comparison with Q1 2019

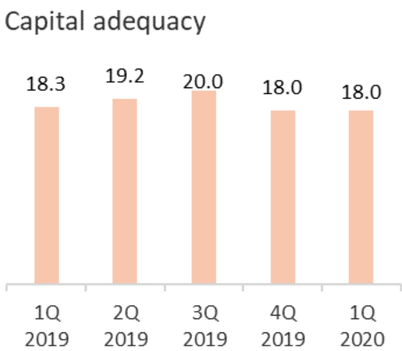
- Net profit EUR 7.5 m (EUR 5.0 m), of which EUR 7.1 m (EUR 4.7 m) is attributable to owners of the parent
- Earnings per share EUR 0.25 (EUR 0.18)
- Net income EUR 22.4 m (EUR 17.4 m)
- Operating expenses EUR 11.2 m (EUR 9.1 m)
- Loan provisions EUR 1.01 m (EUR 1.0 m)
- Income tax expenses EUR 2.81 m (EUR 2.3 m)
- Return on equity 14.0% (12.2%)
- Capital adequacy 18.0% (18.3%)

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.









Managing Director's Statement

Dear investor in LHV,

Over the last fifteen years, we have witnessed two major global crises shaking the economy, along with the corresponding broad-based rise in the price of (financial) assets as well as improvement in the living standards of the largest number of people. With the starting points of the two crises being utterly different, the economic models failed to forecast the consequences brought on by the Covid-19 virus.

Combining the activities of billions of economic agents, trillions of contracts, transformation of antecedent economic theories into a modern monetary theory and financial markets amplifying all of the above, we have created a complex system, which has failed for quite simple a reason.

These crises have a commonality – they are solved by central banks by way of expanding the money supply at an unprecedented scale. The scale decided by the European Central Bank and the Federal Reserve already in the early stages of the spread of the virus is on par with the scale used for navigating the financial crisis of 2009 over a course of numerous years. We have seen the virus wreak havoc on the economy, while the counter-measures taken by central banks and the support packages of governments will have a time lag. Various forecasters tend to agree that the sharp decline will be followed by an exponential growth. Some even predict a recovery of the previous levels within 12 months. Nonetheless, these forecasts can be considered rather optimistic.

LHV's three main business areas – provision of banking services, management of pension funds and servicing of financial intermediaries – are all affected by the virus, albeit in different manners. Indeed, I would much rather focus on our achievements in Q1 – including launch of Apple Pay, establishment of LHV Insurance, free-of-charge transactions with Baltic shares or the recognition of LHV Bank as the bank with the best service in Estonia. These must, however, succumb to the overview of our choices made for conquering the crisis.

Banking serves as a mirror of economy. The correlation of the corresponding results with the economic well-being of companies and private persons is obvious. Nonetheless, the scope of the correlation depends on various factors, including the structure and quality of the bank's credit portfolio, the structure and volume of own funds, the structure and volume of liquidity, efficiency of business operations, the organisation's ability to adapt and its previous experience. The external factors to which we are most vulnerable include swiftness of economic recovery, state measures for ensuring the financial capacity of private persons, and the decisions of central banks. In order to help government in providing state aid packages, we have invested 200 million euros at a negative interest rate to Estonian government bonds.

The virus-induced economic shutdown was completely unexpected. Depending on the restoration of the status quo, the economic decline for the year is estimated between 5% and 20%. A systemic risk has materialised. As a result, nearly all businesses have to deal with a partner's inability to fulfil obligations. Upon materialisation of a systemic risk, the only reasonable course of action for banks is to provide its loan clients with flexible solutions, including grace periods. Any other course of action would trigger a chain reaction, with the struggle to serve the loan causing default in payment to employees, suppliers and partners, undermining the entire economy, including banking as the mirror of economy. LHV was the first bank to announce grace periods for business clients in the first half of March. Private credit products soon followed. Thereby there will be no change in other terms and conditions of loan agreements during the grace period. For private clients, the grace period will be provided without an agreement fee. The temporary solution will contribute to economic recovery.

LHV's financial position will not be materially changed by the grace periods. Loan repayments will be slower than planned, with the existing loan portfolio remaining more or less on the same level. The number of new loan applications has clearly dropped, but LHV will continue providing loans, even in the deepest of crises. We have opted for a client-tailored approach in our loan decisions, both during boom-times and crises. On its path to recovery, the Estonian economy requires an open mind-set to financing. This approach will also show our loyalty to our clients. All in all, slower-than-planned loan repayments and the issue of new loans to some extent will still contribute to the growth in LHV's loan portfolio in 2020.

Indeed, we still have to curb our loan growth expectations, but only on the short-term horizon. From a strategic perspective, LHV will keep striving towards growth, albeit occasionally at a slower pace. Our revenues are growing, compared to 2019, fuelled mainly by the added revenues from the growth of the private loan portfolio at the end of the year. Compared to the current financial plan, we will have to lower the revenue target. Nonetheless, this can be partially covered by the cut-back on new recruitments and the postponement of certain investments. We strive to maintain a strong team in order to fulfil our growth ambitions.

The greatest factor affecting the financial results is the write-down of loans. For years, we have emphasised that the loan write-downs will be lower-than-planned during a strong credit cycle, but may increase multi-fold during a decline. We will therefore publish an updated financial plan, forecasting the greatest increase in write-downs in Q2, albeit individual, client-based write-downs may be expected during the following quarters. Mention must still be made of the fact that if the sureties provided by KredEx will be implemented, it allows to reinforce the current loan portfolio. A bulk of the clients can thus overcome temporary difficulties by way of a grace period.

As regards financial intermediaries, the decrease in the forecast volumes for certain clients are balanced out by the enhanced activity of other clients, and the engagement of new clients. In the long perspective, growth in the number of new clients and volume of payments will depend on continuation of international economic relations, the triumph of e-trade and the financing of FinTech business models. The corresponding impact may also be reversed. As a balancing measure, we are developing new products and expanding the client segments to target our solutions.

As regards management of pension funds, we are governed by the principles of maintaining capital over the long-term horizon, so as to secure a good starting point for making aggressive investments during a drop in the price of assets. LHV's pension fund management has largely been counter-cyclical. Even though the conservative approach produced a gap in terms of productivity in the last few years, the decline in financial markets over the past few months has had the smallest impact on LHV's actively managed pension funds. As a result, fund managers are now in a good position to choose suitably priced assets.

LHV's capitalisation and liquidity remains strong. Compared to the financial crisis, the capital levels of European banks have doubled. LHV is no exception. Our Tier 1 own funds stand at 14%, with the total capital adequacy ratio being 18.0%. As regards liquidity, deposits exceed loans by more than two times. Furthermore, LHV's liquidity structure is dispersed, consisting of deposits engaged from Estonian customers, financial intermediaries and various deposit platforms. We are on schedule with the covered bonds project, which will further disperse the financing options and lower the costs, and expect to carry out the issue at the beginning of the summer.

LHV is used to navigating storms. The company was established as an investment firm in 1999, on a market with an average wage of EUR 200. We built our pension funds from scratch in 2002. Without strong original brands, we have grown to become the second largest pension fund manager. LHV Bank was launched in 2009, during the height of the global financial crisis. By today, we rank third among universal banks in Estonia. We entered United Kingdom despite Brexit, with the profit generated in the business area representing the best possible justification for the decisions taken. When it comes to change, it is the speed of adaptation that counts. We expect to also do well this time.

Madis Toomsalu

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Financial Summary

The consolidated profit posted by the Group in Q1 of 2020 in the amount of EUR 7.5 million constitutes a EUR 1.1 million increase, compared to Q4 of 2019, and a EUR 2.5 million increase, compared to Q1 of 2019. The profit attributable to the Group's shareholders in Q1 of 2020 increased by EUR 2.4 million, year over year. According to the financial results of the first quarter, LHV Group exceeded the financial plan announced at the beginning of February.

The return on equity attributable to LHV's shareholders amounted to 14.0% in Q1 of 2020, growing by 2.5 percentage points, compared to Q4 of 2019 (11.6%). The results of the first quarter are negatively affected by the dividend income tax, which amounted to EUR 2.0 million.

The Group's consolidated net loan portfolio grew by EUR 52 million during the quarter (EUR 465 million in Q4 of 2019), while consolidated deposits grew by EUR 252 million (EUR 166 million growth in Q4 of 2019). Deposits of financial intermediaries grew by EUR 129 million (EUR 43 million decrease in Q4 of 2019).

The Group's own funds increased by EUR 5.9 million, compared to the previous quarter, and risk-weighted assets by EUR 28.4 million, with the Tier 1 and total capital adequacy ratio maintained at a stable 14.0% and 18.0%. The increase in own funds was conditioned by the incorporation of the profit for Q4 of 2019 in the Group's own funds.

The bank's consolidated profit for Q1 amounted to EUR 8.1 million, i.e. a EUR 2.5 million increase from the previous quarter (EUR 5.7 million in Q4 of 2019). Customer numbers grew by nearly 14,400 (13,100 in Q4 of 2019), with the total number of customers amounting to more than 216,600.

The bank's loan portfolio grew by EUR 52 million in Q1 (EUR 465 million in Q4 of 2019), amounting to EUR 1,739 million. Business loans and home loans showed the biggest growth among loan portfolios. Loan losses amounted to EUR 1.0 million in Q1, i.e. EUR 0.5 million less than in the previous quarter.

Customer deposits grew by EUR 245 million in Q1, with the deposits of financial intermediaries increasing by EUR 129 million and deposits of other customers by EUR 116 million. The total volume of deposits amounted to EUR 2,958 million as at the end of Q1.

Asset Management posted a profit of EUR -0.6 million in Q1 (EUR 0.9 million in Q4 of 2019), with the Q1 result affected by the income tax on dividends. Asset Management's net fee and commission income decreased by EUR 0.3 million to EUR 2.2 million. Asset Management's operating expenses shrank by EUR 0.1 million, compared to the previous quarter.

The total volume of funds managed by LHV grew by EUR 30 million during the quarter (EUR 46 million in Q4 of 2019). The number of active 2nd-pillar clients grew by 1,168 (an increase of 328 in Q4 of 2019).

Business volumes EUR million	**Q1 2020**	**Q4 2019**	**Quarter over quarter**	**Q1 2019**	**Year over year**
Loan portfolio	1 738.9	1 687.0	3%	990.7	76%
Financial investments	231.3	41.0	465%	26.2	783%
Deposits of customers	2 953.4	2 700.9	9%	1 567.0	88%
incl. deposits of financial intermediates	505.4	376.1	34%	226.8	123%
Equity (including minority interest)	207.2	206.0	1%	156.4	32%
Equity (owners' share)	203.0	200.8	1%	153.2	32%
Volume of funds managed	1 344.2	1 374.0	-2%	1 257.4	7%
Assets managed by bank	1 232.1	1 395.7	-12%	1 228.5	0%

Income statement EUR million	**Q1 2020**	**Q4 2019**	**Quarter over quarter**	**Q1 2019**	**Year over year**	**3M 2020**	**3M 2019**	**Year over year**
Net interest income	16.32	13.27	23%	10.95	49%	16.32	10.95	49%
Net fee and commission income	6.51	6.43	1%	6.23	4%	6.51	6.23	4%
Other financial income	-0.39	0.17	NA	0.18	NA	-0.39	0.18	NA
Total net operating income	22.44	19.87	13%	17.36	29%	22.44	17.36	29%
Other income	0.04	0.06	-33%	-0.02	NA	0.04	-0.02	NA
Operating expenses	-11.18	-11.36	-2%	-9.11	23%	-11.18	-9.11	23%
Loan losses	-1.01	-1.55	-35%	-0.95	6%	-1.01	-0.95	6%
Income tax expenses	-2.81	-0.59	376%	-2.27	24%	-2.81	-2.27	24%
Net profit	7.48	6.43	16%	5.01	49%	7.48	5.01	49%
Including attributable to owners of the parent	7.08	5.72	24%	4.69	51%	7.08	4.69	51%

Ratios EUR million	**Q1 2020**	**Q4 2019**	**Quarter over quarter**	**Q1 2019**	**Year over year**	**3M 2020**	**3M 2019**	**Year over year**
Average equity (attributable to owners of the parent)	201.9	197.6	4.3	153.4	48.5	201.9	153.4	48.5
Return on equity (ROE), %	14.0	11.6	2.4	12.2	1.8	14.0	12.2	1.8
Return on assets (ROA), %	1.0	0.9	0.1	1.1	-0.1	1.0	1.1	-0.1
Interest-bearing assets, average	3 121.1	2 903.9	217.2	1 715.3	1 405.8	3 121.1	1 715.3	1 405.8
Net interest margin (NIM) %	2.09	1.83	0.26	2.55	-0.46	2.09	2.55	-0.46
Price spread (SPREAD) %	2.05	1.78	0.27	2.51	-0.46	2.05	2.51	-0.46
Cost/income ratio %	49.7	57.0	-7.3	52.6	-2.9	49.7	52.6	-2.9
Profit attributable to owners before income tax	9.60	6.31	3.29	6.7	2.9	9.60	6.7	2.9

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

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

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

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

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

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

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

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

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

Operating Environment

The year 2019 witnessed the weakest economic growth since the financial crisis a decade ago. Global economy grew by 2.9%, with emerging economies taking the lead. In the developed world, growth was curbed by the trade tensions between China and United States, adding to uncertainties and fuelling the spread of protectionism. Europe, in turn, was thrown off by United Kingdom's failure to hammer out an internal compromise, which could then be put before the European Union. In such conditions, the European economy only grew by 1.5%.

Economic growth relied on private consumption and investments. Consequently, business areas whose final product is intended for domestic consumption, rather than export, proved more successful. Product manager surveys (PMI) and other current indicators suggested a continual fall in sentiment in the industrial sector. In the conditions of a trade slowdown, the number of new orders dropped, with pessimism spreading in the service sector at the end of the year.

The European economic growth was fuelled mainly by the investments made in Q2 and Q4. Private consumption remained a stable contributor throughout the year, against fluctuating export. Germany stood out as the greatest stumbling block, with its economy only growing a modest 0.6%. With the German economy depending largely on export, the global trade slowdown is a true cause for concern. Furthermore, the German economy is impaired by the technological and ideological changes in the global vehicle manufacturing industry. The slowdown in economic activity was also evident in other major European countries.

At 2.5%, wage increase kept a good pace, compared to previous periods. Mention must be made of Slovakia, Estonia and Latvia, where wages increased by more than 7%. At the same time, Finland and Malta only experienced an income growth of 1.5%. Nonetheless, this failed to exert sufficient pressure on inflation, which remained at 1.2% on annualised basis. The unemployment rate dropped by half a percentage point, meaning that the number of people employed in the euro area increased by 1 million.

Estonian GDP grew by 3.9% in Q4, i.e. 4.3% year-over-year. The quick economic growth was fuelled partially by the better-than-expected corporate export results (especially in agriculture) and optimism in the related investments. On the other hand, the growth can be attributed to the government's excise policy, with the collection of net product taxes contributing nearly one-fourth to the economic growth. Due to deteriorating competitiveness of the energy sector, the total contribution of the industrial sector proved negative, despite the worthy efforts made by the processing industry against the backdrop of a weakening export sector. The economic growth was sustained by the service sector. Led by IT services, the sector succeeded in significantly boosting export and creating additional value.

In the first months of 2020, the global economy has changed beyond recognition. With the explosive spread of the coronavirus, countries around the world have adopted restrictions on movement and entrepreneurship, with a bulk of the daily (service) economy completely halted. The transport of goods is still maintained but delivery times have been extended due to border controls, with disturbances in daily work restricting availability of input in various areas. Tourism and transport are among sectors affected the most, with revenues dropping as much as 95%. A bulk of hotels, restaurants and catering facilities have suspended their activities, asking employees to take a holiday, or commencing with downsizing. Nearly all other sectors have been impaired, as well. The economic structure differs in different countries. Nonetheless, we can claim that the economy has lost up to a third of its daily capacity.

Against the backdrop of the pandemic, oil prices on the global market have been completely destroyed. Hovering around USD 60 per barrel throughout 2019, the price effectively dropped by a half within two weeks in March, down to the level of USD 30 per barrel. Clearly, the restrictions effected against the spread of the virus weighed heavily on oil demand, serving as the principal cause for the price drop. Nonetheless, the situation also reflects the political tug o' war between Russia and OPEC over the limitation of oil production. USD 30 per barrel is not a sustainable price for most oil producers. We can thus expect some sort of a deal in the near future, with the price of oil rising by a few dozen percentages.

Even if we neglect the power struggle in oil production, the current situation is unprecedented in the world, with the paralyzation not triggered by any concrete economic factor. The economic standstill has been caused by the countries' decision to restrict, in the interests of public health, the movement of people and business operations to prevent an even more explosive spread of the virus. The countries of the world have therefore resorted to unprecedented budget stimuli, which serve the purpose of providing vital support to the most damaged enterprises and ensuring the income of those who have lost their jobs. The agreed-upon budget rules have been set aside for the moment, with the support packages amounting to an average of 5-10% of the GDP. The Estonian government has made a promise of a similar scale, with the announced support measures amounting to USD 2.5 billion, i.e. a little less than 10% of the annual GDP.

In addition to governments, central banks have stepped in, sustaining the economy by expanding the money supply. So far, the European Central Bank has left the base rates untouched, opting for alternative measures of alleviation. The targeted credit programme (TLTRO) offers banks up to EUR 3 trillion in liquidity, at an interest rate of up to –0.75%. At the same time, the ECB is lessening the collateral requirements, meaning that NCBs can accept loans to small enterprises and sole proprietors impaired by the corona restrictions as collateral to the ECB's credit operations. In the ECB's view, these measures should encourage banks to refinance small enterprises and sole proprietors by taking a loan from the ECB for a period of up to three years and at a negative interest rate.

Furthermore, the ECB also expanded the current asset purchase programme by EUR 120 billion for the year, simultaneously launching an extraordinary asset purchase programme for the additional purchase of up to EUR 750 billion in sovereign and private bonds. The asset purchases ultimately serve the purpose of maintaining favourable financing conditions within the monetary union. However, as the new programme also accommodates purchases of commercial securities, it also serves to provide liquidity directly to companies.

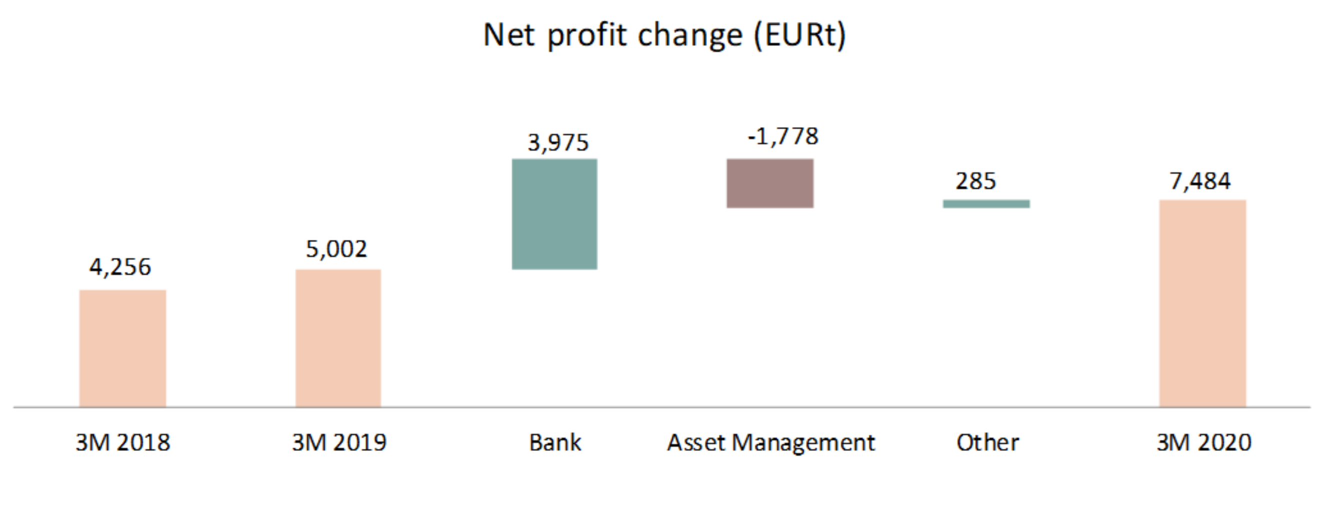
The decisions of the central bank have failed to have much effect on the economy so far. In a stress situation, the banks' concerns about the future are increasing, with the price of money showing a significant increase. Since the middle of March, the 3-month EURIBOR has risen by approximately 0.25 percentage, reaching -0.2%. The new targeted measure should take full effect after midsummer, fuelling expectations of a reversal of the interest rates.

In the current stage of the pandemic, it is virtually impossible to forecast the dynamics over a long-term horizon. Considering the current restrictions and the time frame established by the government, the economic decline can be estimated at 5-10% in Estonia in 2020. If the support measures proposed by the government are approved by the Parliament and swiftly implemented, the economic decline could prove lower than 5%. However, materialisation of all of the above preconditions is less likely with each passing day.

Financial Results of the Group

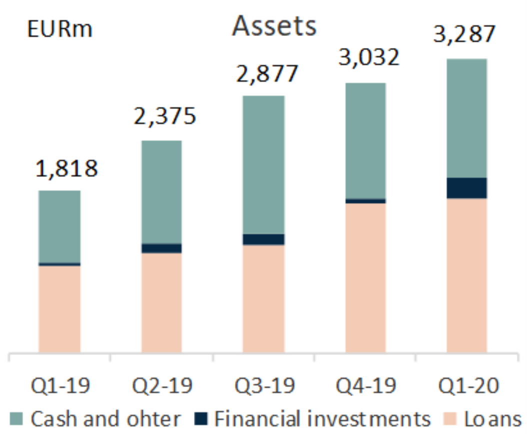
Compared to Q4 2019, the Group's net interest income increased in Q1 by 23%, standing at EUR 16.3 (Q4: 13,3) million. Net fee and commission income increased in Q1 by 1% and stood at EUR 6.5 (Q4: 6.4) million. In total, the net income of the Group increased by 13% in Q1, compared to Q4, amounting to EUR 22.4 (Q4: 19.9) million, with expenses decreasing 2% and amounting to EUR 11.2 (Q4: 11.4) million. The Group's operating profit for Q1 amounted to EUR 10.3 (Q4: 7.0) million. The loss from loan impairments mounted to EUR 1.01 million in Q1 (Q4: 1.55). The Group's total profit for Q1 amounted to EUR 7.5 million (Q4: 6.4). Compared to Q1 2019, the Group's net interest income increased by 49% and net fee and commission income increased by 4%.

In terms of business entities, AS LHV Pank posted in Q1 a consolidated profit of EUR 8.1 million and AS LHV Varahaldus a loss of EUR 0.6 million, which was due to the income tax paid on dividens. The AS LHV Group on solo bases posted a profit of EUR 7 million due to dividends paid put by the subsidiaries.



The Group's volume of deposits as at the end of Q1 amounted to EUR 2 953 (Q4: 2 701) million, of which demand deposits formed EUR 2 358 (Q4: 2 189) million and term deposits EUR 595 (Q4: 512) million.

As at the end of Q1, the volume of loans granted by the Group amounted to EUR 1 739 (Q4: 1 687) million, increasing in Q1 by 3%. Compared to Q1 2019, the volume of the Group's deposits has increased by 88% and the volume of loans by 76%.



The Group's Liquidity, Capitalisation and Asset Quality

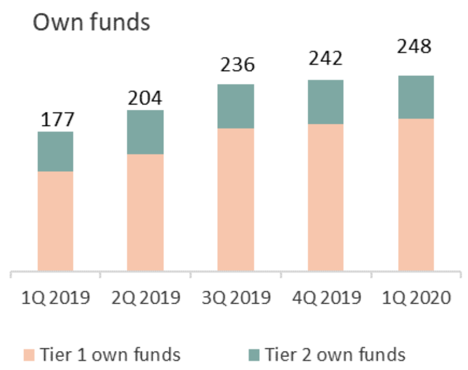
As at 31 March 2020, the Group's own funds stood at EUR 247.7 million (31 December 2019: EUR 241.8 million). LHV Group own funds are calculated based on regulative requirements. In Q1 the level of own funds changed by including the Q4 profit to own funds.

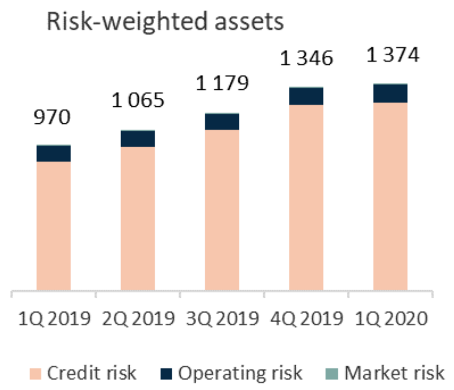
Compared to Group's internal capital adequacy ratio target 15.5%, the Group is well capitalised as at the end of the reporting period, with the capital adequacy ratio amounting to 18.0% (31 December 2019: 18.0%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10,4% and Tier 1 capital adequacy ratio to 12.10%.

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 March 31 the MREL ratio was 8.40% (31st of December 2019 8.94%). Estonian FSA informed LHV in January 2020 that MREL requirement will change from end of Q2 2021 to the level of 10.15%, as LHV is treated as systematic bank and will and bank has to keep sizable amount of suitable liabilities which could be converted to own funds in case of resolution process.

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 152.8 % as at the end of March (31 December 2019: 144.8%). Banks liquidity situation changed in Q1 due to high deposit growth. LHV increased the volume of liquid assets in order to be better prepared for a possible increase in volatility in the conditions of the crisis. Financial intermediates deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 264,2% (31.12.2019: 223.7%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 46% of the balance sheet (31 December 2019: 43%). The ratio of loans to deposits stood at 59% as at the end of the first quarter (31 December 2019: 62%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of March, provisions for estimated loan losses amounted to EUR 7.3 million in the balance sheet, i.e. approximately 0.4% of the loan portfolio (31 December 2019: EUR 6.1 million, 0.4%). Estimated loan losses make up 222.5% (31 December 2019: 149.8%) of the portfolio of loans overdue for more than 90 days.



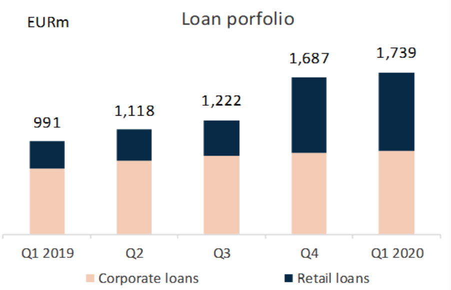


EUR thousand	31.03.2020	Proportion	31.12.2019	Proportion
Loans to customers	1 746 205		1 693 138	
including overdue loans:	38 320	2.2%	39 145	2.3%
1-30 days	27 354	1.6%	26 273	1.6%
31-60 days	5 297	0.3%	7 142	0.4%
61-90 days	2 390	0.1%	1 655	0.1%
91 and more days	3 279	0.2%	4 074	0.2%
Impairment of loans	-7 296	-0.4%	-6 104	-0.4%
Impairment % of loans overdue for more than 90 days	222.5%		149.8%	

Capital base	31.03.2020	31.12.2019	31.12.2018
Paid-in share capital	28 454	28 454	26 016
Share premium	70 136	70 136	46 653
Statutory reserves transferred from net profit	4 713	4 713	3 451
Other reserves	212	212	78
Retained earnings	88 821	69 452	50 193
Intangible assets (subtracted)	-18 300	-18 319	-19 084
Net profit for the reporting period (COREP)	0	12 186	13 605
Other adjustments	-1 385	-33	-194
Tier 1 capital	**172 651**	**166 801**	**120 718**
Additional Tier 1 capital	20 000	20 000	0
Total Tier 1 capital	**192 651**	**186 801**	**120 718**
Subordinated debt	55 000	55 000	50 900
Total Tier 2 capital	**55 000**	**55 000**	**50 900**
Net own funds for capital adequacy	**247 651**	**241 801**	**171 618**
Capital requirements			
Central governments and central bank under standard method	0	920	938
Credit institutions and investment companies under standard method	4 605	4 183	5 376
Companies under standard method	818 434	818 918	579 836
Retail claims under standard method	170 708	167 276	133 250
Public sector under standard method	2 800	2	125
Housing real estate under standard method	216 410	208 693	39 903
Overdue claims under standard methods	5 170	5 242	10 142
Investment funds' shares under standard method	8 257	8 052	7 963
Other assets under standard method	17 584	17 875	10 557
Total capital requirements for covering the credit risk and counterparty credit risk	**1 243 968**	**1 231 161**	**788 090**
Capital requirement against foreign currency risk under standard method	4 363	4 211	3 957
Capital requirement against interest position risk under standard method	0	0	32
Capital requirement against equity portfolio risks under standard method	1 276	959	704
Capital requirement against credit valuation adjustment risks under standard method	49	22	41
Capital requirement for operational risk under base method	124 638	109 546	91 575
Total capital requirements for adequacy calculation	**1 374 294**	**1 345 899**	**884 399**
Capital adequacy (%)	**18.02**	**17.97**	**19.41**
Tier 1 capital ratio (%)	**14.02**	**13.88**	**13.65**
Core Tier 1 capital ratio (%)	**12.56**	**12.39**	**13.65**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 52 million
- Net profit EUR 5.1 million
- (Net) growth in deposits EUR 245 million



EUR million	Q1 2020	Q4 2019	Change %	Q1 2019	Change %	From the beginning of 2020	From the beginning of 2019	Change %
Net interest income	16.25	13.23	23%	11.24	45%	16.25	11.24	45%
Net fee and commission income	4.33	3.99	9%	2.70	60%	4.33	2.70	60%
Other financial income	-0.09	0.06	NA	-0.01	NA	-0.09	-0.01	NA
Total net operating income	20.49	17.28	19%	13.93	47%	20.49	13.93	47%
Other income	0.06	0.08	-25%	-0.01	NA	0.06	-0.01	NA
Operating expenses	-9.43	-9.58	-2%	-7.51	26%	-9.43	-7.51	26%
Loan losses	-1.01	-1.55	-35%	-0.95	6%	-1.01	-0.95	6%
Income tax expenses	-1.97	-0.59	234%	-1.29	53%	-1.97	-1.29	53%
Net profit	8.14	5.65	44%	4.17	95%	8.14	4.17	95%
Loan portfolio	1 739	1 687	3%	991	75%			
Financial investments	223	33	577%	19	1 107%			
Deposits of customers	2 958	2 713	9%	1 583	87%			
incl. deposits of financial intermediates	505	376	34%	227	123%			
Subordinated liabilities	71	71	0%	37	92%			
Equity	181	172	5%	129	40%			

Q1 was successful in terms of business volumes. LHV Bank generated EUR 16.3 million in net interest income and EUR 4.3 million in net fee and commission income. In total, the bank's net income amounted to EUR 20.5 million, expenditure to EUR 9.4 million and loan provisions to EUR 1.01 million. The net profit of LHV Pank amounted to EUR 8.1 million in Q1. This constitutes a 44% increase from Q4 (5.7) and a 95% increase from Q1 2019 (4.2). Net interest income increased 23% compared to previous quarter. Net fee and commission income increased 9% compared to Q4. Net operating income increased by 19% compared to previous quarter. In Q1 other financial expenses amounted to EUR 0.09 million (Q4: financial income 0.06 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 10.11million and net profit EUR 8.1 million. As at the end of the quarter, the net profit exceeded the financial plan by EUR 1.9 million.

The increase in net interest income stems from the growth in business volumes. By the end of Q1, the total volume of the bank's loan portfolios amounted to EUR 1 739 million (Q4: EUR 1 687 million). The volume of portfolios grew 3% over the quarter.
The corporate credit portfolio that contains loans and guarantees grew by EUR 190.6 million on an annualised basis (+26%) and by EUR 21.8 million on a quarterly basis (+2%). The main source of growth was real estate management, which has traditionally been well-financed by commercial banks, growing by EUR 62.1 million (+22%). Commercial real estate projects with a strong rental flow were the greatest contributor to growth, followed by loans issued to the agricultural, forestry and fishing sector, which grew by EUR 39.9 million (+237%). Loans issued in the administrative and auxiliary service sector grew by EUR 22.8 million, year-over-year (+97%).

The greatest contributors to portfolio growth, compared to Q4 2019, included loans and guarantees issued to the arts, entertainment and recreational sector (EUR 14.5 million; +47%), followed by the accommodation and catering sector (EUR 9.7 million; +48%) and the financial and insurance sector (EUR 5.8 million; +6%).

The largest amount of corporate loans was granted to the real estate sector, which accounts for 38% 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 rental flow. Real estate development ranks second, far behind. A majority of the real estate developments financed are located in Tallinn, with the projects in other major Estonian cities and the vicinity of Tallinn contributing 19%. LHV's market share in the financing of new developments in Tallinn was approximately one-third at the end of Q1 2020. 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 highest volume of loans has been issued to the processing industry (proportion: 13%) and financial and insurance activities (11%). As regards sectors with a higher-than-average risk, accommodation and catering contributes 3%, construction 2% and transport and warehousing 1% of the total portfolio volume.

The year started out successfully and at a good pace, until the international crisis brought on by the new type of coronavirus COVID-19 and the emergency situation announced by the Government of the Republic on March 12 lay their burden on the bank's quarterly results.

The bank's customer numbers grew by 14,400 during the quarter. By the end of the quarter, the increase in customer numbers dropped to a monthly 4,300. While a bulk of the bank's staff worked from home, client offices maintained their regular business offices. Standard client activity dropped by nearly 30% by the end of the quarter. Nonetheless, the activities of financial intermediaries saw a record-breaking growth.

Deposits grew by EUR 245 million and loans by EUR 52 million during the quarter. Deposits of standard customers grew by EUR 70 million, deposits of financial intermediaries by 129 million and deposits engaged through deposit platforms by EUR 45 million. To enhance the efficiency of liquid resources, the bank participated in the Estonian sovereign bond issue, subscribing and receiving the total issue volume of EUR 200 million. Corporate loans grew by EUR 20 million and retail loans by EUR 32 million. The demand for corporate loans dropped to minimum by the end of the quarter. In retail loans, the demand for leasing dropped by more than 80% and the demand for consumer financing contracts by more than 50%. With regard to loans granted, a grace period had been given to nearly a thousand clients by the end of the quarter, with companies contributing 30% and private persons 70%.

Net profit for the quarter amounted to EUR 8.1 million. Net profit doubled, compared to the same period last year. Net profit was negatively affected by the increase in loan write-down triggered by the grace periods, as well as deterioration in macro-economic indicators and the credit rating of certain large corporate loans. Upon announcement of the emergency situation, the bank suspended all recruitments and reduced the costs on various events, training and business trips, as well as the budget allocated for marketing, repairs and certain projects.

New products launched during the quarter included the option of opening a child account via the Internet Bank, as well as Apple Pay. Apple Pay is a payment solution for iPhone and other Apple smart devices, allowing a contactless payment at a POS, as well as on the Internet and in various apps. With Apple Pay, there is no need for a bankcard. Alongside other banks, the bank temporarily raised the contactless payment limit to EUR 50 for the duration of the emergency situation.

We also made transactions with Baltic shares free of charge. With this step, the bank made investing available to everyone. The bank's mobile app allows to conveniently open an account, enter into the investment agreement and effect the first stock transactions with Baltic shares without any charge. The change in service charges, along with the volatile stock markets, significantly boosted the volume of securities transactions, generating larger-than-planned revenues for the bank.

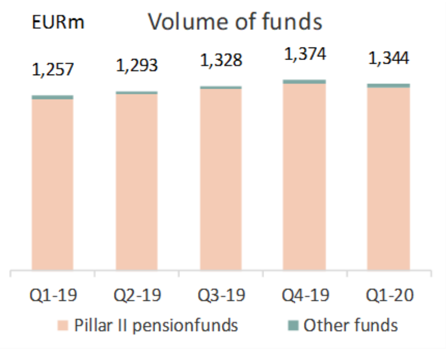
Real-time GBP payments were opened for financial intermediaries. By launching the option of making GBP payments, the bank gained a unique advantage - the opportunity to offer financial intermediaries real-time EUR and GBP payments via the LHV Connect application programming interface. LHV Connect is the bank's first API, which provides such options. The first clients have already used the GBP payment service, with several larger clients currently interfacing.

On the proposal of the Financial Supervision Authority, the European Central Bank granted the bank permission to issue covered bonds so as to allow the bank to engage longer-term financing secured by mortgage loans, reducing the cost of money intended for lending. As the next step, the bank plans to secure a rating for the covered bond prospectus and carry out a covered bond issue. We plan to sell the covered bonds to institutional investors, such as pension funds or investment banks. With the issue of the covered bonds, the bank's financing structure will be further reinforced. This can be considered a stable source of funding, making the issue of long-term loans more favourable for the bank.

At the beginning of the year, Moody's maintained the bank's investment-grade credit rating at Baa1. The bank was also declared the bank with the best service in Estonia. LHV also published the "Pangasaladus" book, giving an overview of the first twenty years of operation.

Overview of AS LHV Varahaldus

- The quarterly profit before income tax was EUR 608 thousand
- 2nd-pillar fund asset volume: EUR 1 321 million, dropping by EUR 28 million during the quarter
- Client numbers have grown, with the number of active 2nd-pillar clients amounting to nearly 178 thousand
- Launch of the new pension fund Green



EUR million	Q1 2020	Q4 2019	Change %	Q1 2019	Change %	3M 2020	3M 2019	Change %
Net fee and commission income	2.17	2.44	-11%	3.52	-38%	2.17	3.52	-38%
Net financial income	-0.32	0.08	NA	0.15	NA	-0.32	0.15	NA
Operating expenses	-1.09	-1.15	-5%	-1.03	6%	-1.09	-1.03	6%
Depreciation of non-current assets	-0.48	-0.48	0%	-0.45	7%	-0.48	-0.45	7%
Profit	0.28	0.89	-69%	2.19	-87%	0.28	2.19	-87%
Financial investments	7.9	8.0	-1%	7.7	3%			
Subordinated liabilities	1.6	1.6	0%	2.1	-24%			
Equity	24.0	29.0	-17%	25.0	-4%			
Assets under management	1 344.0	1 374.0	-2%	1 257.4	7%			

LHV Asset Management generated EUR 608 thousand in operating income in Q1. This constitutes a EUR 200 thousand decrease from last quarter. The management fees of LHV's pension funds dropped again in February. Compared to last year, the management fee for actively managed pension funds M, L and XL is two times lower, i.e. 0.6% at the beginning of February, compared to the previous 1.2%. Due to the stock market decline, the fund volume has decreased, compared to budget forecast, in turn negatively affecting the management fee charged for the services. Earnings before taxes were also lowered by the drop in the value of own shares, triggered by the fund volume decrease. This conditioned financial expenses in the total amount of EUR 270 thousand in March. In March, a dividend payment was made to the Group in the amount of EUR 4.4 million. The corresponding income tax generated a net loss of EUR 563 thousand in Q1.

The economic shutdown brought on by the coronavirus in Q1 of 2020 had a very negative effect on the stock markets. Despite a strong January, all major markets dropped to red by the end of the quarter. Measured in EUR, S&P 500 dropped by 18.1%, MSCI World by 19.2% and Euro Stoxx 50 a significant 25.3%. Passively managed index funds took the greatest hit in the quarter, with LHV Pension Fund Index dropping by 21.8%. The drop in actively managed funds remained modest, with pension funds M, L and XL dropping by 2.1%, 2.7% and 3.5%, accordingly. As at the end of March, LHV's actively managed pension funds show the best yield in their risk categories, both on the short-term and long-term horizon.

After a major decline in March, the more aggressive funds L and XL added further to their positions through new investments in Scandinavia, Western Europe, United States and Asia. As regards OTC transactions, mention must be made of the Peetri Keskus and Valge Maja investments completed in the first months of the year. Against the backdrop of the economic decline brought on by the corona crisis and the emergency situation, Asset Management is keeping a keen eye on the market in order to identify new, potentially attractive investments. Special attention is also paid to the successful management of OTC assets, ensuring that the value of investments is measured fairly, considering the circumstances.

The number of active 2nd-pillar pension fund clients grew by more than a thousand during the quarter. Client numbers grew both in February and March, at a time when the stock markets collapsed under the weight of the coronavirus. LHV's actively managed pension funds entered the decline at a significantly lower stock risk level, compared to competitors. Therefore, the yield has suffered much less, compared to the aggressive funds of other market participants. As at the end of the quarter, LHV's 2nd-pillar pension funds had nearly 178 thousand active clients.

March saw the launch of the new pension fund Green. It is the first pension fund focusing on sustainability and a green mind-set on the Estonian market. Pursuant to the conditions of the Green fund, the proportion of stocks must, at any given moment in time, be at least 75%, with the fund making investments both in funds governed by sustainability standards and single stocks.

In March, the much-debated pension reform was rejected for the second time, and submitted to Supreme Court. We are not expecting the matter to be settled before the autumn of 2020. As one of the measures set forth by the supplementary budget prompted by the emergency, we expect the temporary suspension of 2nd-pillar contributions to take effect in July 2020 and last until August 2021. The proposed solution also allows to compensate the loss of yield. The decision will have a lower-than-3% impact on the fund volume forecast for 2020.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q1 2020	3M 2020	Q1 2019	3M 2019
Continuing operations					
Interest income		20 979	20 979	12 913	12 913
Interest expense		-4 655	-4 655	-1 968	-1 968
Net interest income	9	**16 324**	**16 324**	**10 945**	**10 945**
Fee and commission income		9 463	9 463	8 464	8 464
Fee and commission expense		-2 955	-2 955	-2 239	-2 239
Net fee and commission income	10	**6 508**	**6 508**	**6 225**	**6 225**
Net gains from financial assets measured at fair value		-366	-366	198	198
Foreign exchange rate gains/losses		-23	-23	-19	-19
Net gains from financial assets		**-389**	**-389**	**179**	**179**
Other income		44	44	1	1
Other expense		-8	-8	-25	-25
Total other income		**36**	**36**	**-24**	**-24**
Staff costs		-5 769	-5 769	-4 553	-4 553
Administrative and other operating expenses		-5 407	-5 407	-4 553	-4 553
Total expenses	11	**-11 176**	**-11 176**	**-9 106**	**-9 106**
Profit before impairment losses on loans and advances		**11 303**	**11 303**	**8 219**	**8 219**
Impairment losses on loans and advances	21	-1 011	-1 011	-951	-951
Profit before income tax		**10 292**	**10 292**	**7 268**	**7 268**
Income tax expense		-2 809	-2 809	-2 265	-2 265
Net profit for the reporting period	2	**7 483**	**7 483**	**5 003**	**5 003**
Other comprehensive income/loss:					
Items that may be reclassified subsequently to profit or loss:					
Changes in the fair value of debt instruments measured at FVOCI		0	0	0	0
Total profit and other comprehensive income for the reporting period		**7 483**	**7 483**	**5 003**	**5 003**
Total profit of the reporting period attributable to:					
Owners of the parent		7 079	7 079	4 691	4 691
Non-controlling interest		404	404	312	312
Total profit for the reporting period	2	**7 483**	**7 483**	**5 003**	**5 003**
Total profit and other comprehensive income attributable to:					
Owners of the parent		7 079	7 079	4 691	4 691
Non-controlling interest		404	404	312	312
Total profit and other comprehensive income for the reporting period		**7 483**	**7 483**	**5 003**	**5 003**
Basic earnings per share (in euros)	16	0.25	0.25	0.18	0.18
Diluted earnings per share (in euros)	16	0.24	0.24	0.18	0.18

The Notes on pages 20 to 36 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	31.03.2020	31.12.2019
Assets			
Due from central bank	4, 5, 6, 12	1 247 442	1 232 733
Due from credit institutions	4, 5, 6, 12	32 326	32 947
Due from investment companies	4, 6, 12	4 413	5 473
Equity instruments at fair value through other comprehensive income	4, 6, 7	432	432
Financial assets at fair value through profit or loss	4, 6, 7	230 889	40 530
Loans and advances to customers	4, 6, 8, 21	1 738 909	1 687 034
Receivables from customers		2 783	3 551
Other financial assets		2 300	2 246
Other assets		2 731	1 961
Tangible assets	19	6 816	6 686
Intangible assets	19	14 686	14 705
Goodwill		3 614	3 614
Total assets	2	**3 287 341**	**3 031 912**
Liabilities			
Deposits of customers and loans received	14	2 979 098	2 726 562
Financial liabilities at fair value through profit or loss	6	55	8
Accounts payable and other liabilities	15	26 038	24 314
Subordinated debt	6, 20	75 000	75 000
Total liabilities	2	**3 080 191**	**2 825 884**
Owner's equity			
Share capital		28 454	28 454
Share premium		70 136	70 136
Statutory reserve capital		4 713	4 713
Other reserves		3 756	3 280
Retained earnings		95 901	94 228
Total equity attributable to owners of the parent		**202 960**	**200 811**
Non-controlling interest		4 190	5 217
Total equity		**207 150**	**206 028**
Total liabilities and equity		**3 287 341**	**3 031 912**

The Notes on pages 20 to 36 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q1 2020	3M 2020	Q1 2019	3M 2019
Cash flows from operating activities					
Interest received		20 889	20 889	12 844	12 844
Interest paid		-3 161	-3 161	-1 821	-1 821
Fees and commissions received		9 463	9 463	8 463	8 463
Fees and commissions paid		-2 955	-2 955	-2 239	-2 239
Other income received		-32	-32	-98	-98
Staff costs paid		-4 961	-4 961	-4 095	-4 095
Administrative and other operating expenses paid		-4 100	-4 100	-3 243	-3 243
Income tax		-2 255	-2 255	-2 265	-2 265
Cash flows from operating activities before change in operating assets and liabilities		**12 888**	**12 888**	**7 546**	**7 546**
Net increase/decrease in operating assets:					
Net increase/(decrease) in financial assets at fair value through profit or loss		-51	-51	45	45
Loans and advances to customers		-52 145	-52 145	-76 383	-76 383
Mandatory reserve at central bank		-3 061	-3 061	-1 385	-1 385
Security deposits		-54	-54	-34	-34
Other assets		-854	-854	-425	-425
Net increase/decrease in operating liabilities:					
Demand deposits of customers		181 724	181 724	118 615	118 615
Term deposits of customers		83 398	83 398	26 131	26 131
Financial liabilities held for trading at fair value through profit and loss		47	47	23	23
Other liabilities		697	697	-5 728	-5 728
Net cash generated from/used in operating activities		**222 589**	**222 589**	**68 405**	**68 405**
Cash flows from investing activities					
Purchase of non-current assets		-1 115	-1 115	-1 007	-1 007
Net changes of investment securities at fair value through profit or loss		-190 673	-190 673	20 270	20 270
Net cash flows from/used in investing activities		**-191 788**	**-191 788**	**19 263**	**19 263**
Cash flows from financing activities					
Dividends paid		- 6 383	- 6 383	- 6 664	-6 664
Repayments of the subordinated loans received		-233	-233	-251	-251
Net cash flows from/used in financing activities		**-7 071**	**-7 071**	**-6 915**	**-6 915**
Effect of exchange rate changes on cash and cash equivalents	6	**-23**	**-23**	**-19**	**-19**
Net increase/decrease in cash and cash equivalents		**23 707**	**23 707**	**80 734**	**80 734**
Cash and cash equivalents at the beginning of the period		1 230 987	1 230 987	668 378	668 378
Cash and cash equivalents at the end of the period	12	**1 254 694**	**1 254 694**	**749 112**	**749 112**

The Notes on pages 20 to 36 are an integral part of the condensed 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	Retained earnings	**Total equity attributable to owners of LHV Group**	Non-controlling interest	**Total equity**
Balance as at 01.01.2019	**26 016**	**46 653**	**3 451**	**2 090**	**75 430**	**153 640**	**4 123**	**157 763**
Transfer to statutory reserve capital	0	0	1 262	0	-1 262	0	0	**0**
Dividends paid	0	0	0	0	-5 463	-5 463	-1 201	**-6 664**
Share options	0	0	0	345	0	345	0	**345**
Profit for the reporting period	0	0	0	*0*	4 691	4 691	312	**5 003**
Other comprehensive income/loss	0	0	0	0	*0*	0	*0*	**0**
Total profit and other comprehensive income for the reporting period	0	0	0	0	4 691	4 691	312	**5 003**
Balance as at 31.03.2019	**26 016**	**46 653**	**4 713**	**2 435**	**73 396**	**153 213**	**3 234**	**156 447**
Balance as at 01.01.2020	**28 454**	**70 136**	**4 713**	**3 280**	**94 228**	**200 811**	**5 217**	**206 028**
Dividends paid	0	0	0	0	-5 406	-5 406	-1 431	**-6 837**
Share options	0	0	0	476	0	476	0	**476**
Profit for the reporting period	*0*	*0*	*0*	*0*	7 079	*7 079*	*404*	***7 483***
Other comprehensive income/loss	*0*	*0*	*0*	0	*0*	0	*0*	0
Total profit and other comprehensive income for the reporting period	0	0	0	0	7 079	7 079	404	**7 483**
Balance as at 31.03.2020	**28 454**	**70 136**	**4 713**	**3 756**	**95 901**	**202 960**	**4 190**	**207 150**

The Notes on pages 20 to 36 are an integral part of the condensed consolidated interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted by the European Union, and consists of condensed consolidated financial statements and selected explanatory notes.

The accounting policies and methods of computation used in the preparation of the interim report are the same as the accounting policies and methods of computation used in the annual report for the year ended 31 December 2019, which comply with the International Financial Reporting Standards, as adopted by the European Union (IFRS EU).

These condensed consolidated interim financial statements have been reviewed, not audited and do not contain the entire range of information required for the preparation of complete financial statements. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report prepared for the year ended 31 December 2019, which has been prepared in accordance with the International Financial Reporting Standards (IFRS EU).

The financial figures of the condensed consolidated 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).

NOTE 2 Business Segments

The Group divides its business activities into segments according to its legal structure, except LHV Pank divides its business activities by 3 main business segments: retail banking, corporate banking and financial intermediates. 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.

Q1 2020	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Other activities	Intra-segment eliminations	Total
Interest income	8 452	10 452	0	3 087	285	2 545	-3 842	20 979
Interest expense	-2 662	-1 481	-31	-494	0	-3 829	3 842	-4 655
Net interest income	**5 790**	**8 971**	**-31**	**2 593**	**285**	**-1 284**	**0**	**16 324**
Fee and commission income	1 984	375	2 174	173	4 757	0	0	9 463
Fee and commission expense	-271	-5	0	-154	-2 523	-2	0	-2 955
Net fee and commission income	**1 713**	**370**	**2 174**	**19**	**2 234**	**-2**	**0**	**6 508**
Net income	**7 503**	**9 341**	**2 143**	**2 612**	**2 519**	**-1 286**	**0**	**22 832**

Net gains from financial assets	-26	-1	-296	0	-1	6 994	-7 059	-389
Administrative and other operating expenses, staff costs	-3 506	-2 096	-1 565	-457	-2 532	-984	0	-11 140
Operating profit	**3 971**	**7 244**	**282**	**2 155**	**-14**	**4 724**	**-7 059**	**11 303**
Impairment losses on loans and advances	-77	-748	0	-174	-12	0	0	-1 011
Income tax	-376	-634	-844	-826	-129	0	0	-2 809
Net profit	**3 518**	**5 862**	**-562**	**1 155**	**-155**	**4 724**	**-7 059**	**7 483**

3M 2020	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Other activities**	**Intra-segment elimi-nations**	**Total**
Interest income	8 452	10 452	0	3 087	285	2 545	-3 842	20 979
Interest expense	-2 662	-1 481	-31	-494	0	-3 829	3 842	-4 655
Net interest income	**5 790**	**8 971**	**-31**	**2 593**	**285**	**-1 284**	**0**	**16 324**
Fee and commission income	1 984	375	2 174	173	4 757	0	0	9 463
Fee and commission expense	-271	-5	0	-154	-2 523	-2	0	-2 955
Net fee and commission income	**1 713**	**370**	**2 174**	**19**	**2 234**	**-2**	**0**	**6 508**
Net income	**7 503**	**9 341**	**2 143**	**2 612**	**2 519**	**-1 286**	**0**	**22 832**
Net gains from financial assets	-26	-1	-296	0	-1	6 994	-7 059	-389
Administrative and other operating expenses, staff costs	-3 506	-2 096	-1 565	-457	-2 532	-984	0	-11 140
Operating profit	**3 971**	**7 244**	**282**	**2 155**	**-14**	**4 724**	**-7 059**	**11 303**
Impairment losses on loans and advances	-77	-748	0	-174	-12	0	0	-1 011
Income tax	-376	-634	-844	-826	-129	0	0	-2 809
Net profit	**3 518**	**5 862**	**-562**	**1 155**	**-155**	**4 724**	**-7 059**	**7 483**
Total assets 31.03.2020	**1 168 651**	**1 752 976**	**27 289**	**65 412**	**324 624**	**181 730**	**-233 341**	**3 287 341**
Total liabilities 31.03.2020	**2 165 571**	**489 173**	**3 070**	**53 380**	**422 037**	**75 584**	**-128 624**	**3 080 191**

Q1 2019	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Other activities**	**Intra-segment elimi-nations**	**Total**
Interest income	3 688	7 611	0	2 570	122	1 190	-2 268	12 913
Interest expense	-590	-1 400	-42	-325	0	-1 879	2 268	-1 968
Net interest income	**3 098**	**6 211**	**-42**	**2 245**	**122**	**-689**	**0**	**10 945**
Fee and commission income	1 541	297	3 521	138	2 967	0	0	8 464
Fee and commission expense	-101	-12	0	-152	-1 970	-4	0	-2 239
Net fee and commission income	**1 440**	**285**	**3 521**	**-14**	**997**	**-4**	**0**	**6 225**

Net income	**4 538**	**6 496**	**3 479**	**2 231**	**1 119**	**-693**	**0**	**17 170**
Net gains from financial assets	-4	0	192	0	0	4 391	-4 400	179
Administrative and other operating expenses, staff costs	-2 541	-1 947	-1 483	-428	-2 130	-601	0	-9 130
Operating profit	**1 993**	**4 549**	**2 188**	**1 803**	**-1 011**	**3 097**	**-4 400**	**8 219**
Impairment losses on loans and advances	-70	-727	0	-151	-3	0	0	-951
Income tax	-175	-350	-972	-760	-8	0	0	-2 265
Net profit	**1 748**	**3 472**	**1 216**	**892**	**-1 022**	**3 097**	**-4 400**	**5 003**

3M 2019	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Other activities**	**Intra-segment elimi-nations**	**Total**
Interest income	3 688	7 611	0	2 570	122	1 190	-2 268	12 913
Interest expense	-590	-1 400	-42	-325	0	-1 879	2 268	-1 968
Net interest income	**3 098**	**6 211**	**-42**	**2 245**	**122**	**-689**	**0**	**10 945**
Fee and commission income	1 541	297	3 521	138	2 967	0	0	8 464
Fee and commission expense	-101	-12	0	-152	-1 970	-4	0	-2 239
Net fee and commission income	**1 440**	**285**	**3 521**	**-14**	**997**	**-4**	**0**	**6 225**
Net income	**4 538**	**6 496**	**3 479**	**2 231**	**1 119**	**-693**	**0**	**17 170**
Net gains from financial assets	-4	0	192	0	0	4 391	-4 400	179
Administrative and other operating expenses, staff costs	-2 541	-1 947	-1 483	-428	-2 130	-601	0	-9 130
Operating profit	**1 993**	**4 549**	**2 188**	**1 803**	**-1 011**	**3 097**	**-4 400**	**8 219**
Impairment losses on loans and advances	-70	-727	0	-151	-3	0	0	-951
Income tax	-175	-350	-972	-760	-8	0	0	-2 265
Net profit from continued operations	**1 748**	**3 472**	**1 216**	**892**	**-1 022**	**3 097**	**-4 400**	**5 003**
Total assets 31.03.2019	**1 032 692**	**582 837**	**29 391**	**52 332**	**163 648**	**126 636**	**-169 223**	**1 818 313**
Total liabilities 31.03.2019	**1 238 521**	**193 112**	**3 938**	**43 060**	**227 676**	**51 364**	**-95 805**	**1 661 866**

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 2019.

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

31.03.2020	Estonia	Latvia	Lit-huania	Finland	Ger-many	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 257 212	0	0	0	0	9 381	4 228	11 275	2 085	**1 284 181**
Financial assets at fair value	211 212	757	15 529	0	3 679	136	7	0	1	**231 321**
Loans and advances to customers	1 707 112	773	243	5 580	874	5 843	374	15 003	3 107	**1 738 909**
Receivables from customers	2 783	0	0	0	0	0	0	0	0	**2 783**
Other financial assets	109	0	0	0	0	0	2 191	0	0	**2 300**
Total financial assets	**3 178 428**	**1 530**	**15 772**	**5 580**	**4 553**	**15 360**	**6 800**	**26 278**	**5 193**	**3 259 494**
Deposits of customers and loans received	1 955 678	11 700	1 170	39 081	418 209	62 867	895	450 573	38 925	**2 979 098**
Subordinated debt	75 000	0	0	0	0	0	0	0	0	**75 000**
Accounts payable and other financial liabilities	20 484	0	0	0	0	0	0	0	0	**20 484**
Financial liabilities at fair value	55	0	0	0	0	0	0	0	0	**55**
Total financial liabilities	**2 051 217**	**11 700**	**1 170**	**39 081**	**418 209**	**62 867**	**895**	**450 573**	**38 925**	**3 074 637**

Unused loan commitments in the amount of EUR 374 232 thousand are for the residents of Estonia.

31.12.2019	Estonia	Latvia	Lit-huania	Finland	Ger-many	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 229 169	0	0	0	0	10 972	4 929	23 041	3 042	**1 271 153**
Financial assets at fair value	8 484	760	19 951	0	9 840	1 907	4	0	16	**40 962**
Loans and advances to customers	1 656 373	445	287	5 574	840	19 951	379	0	3 185	**1 687 034**
Receivables from customers	3 551	0	0	0	0	0	0	0	0	**3 551**
Other financial assets	110	0	0	0	0	0	2 136	0	0	**2 246**
Total financial assets	**2 897 687**	**1 205**	**20 238**	**5 574**	**10 680**	**32 830**	**7 448**	**23 041**	**6 243**	**3 004 946**
Deposits of customers and loans received	1 870 475	12 725	1 503	19 564	372 390	394 310	1 241	0	54 354	**2 726 562**
Subordinated debt	75 000	0	0	0	0	0	0	0	0	**75 000**
Accounts payable and other financial liabilities	20 739	0	4	27	0	13	3	3	0	**20 789**
Financial liabilities at fair value	8	0	0	0	0	0	0	0	0	**8**
Total financial liabilities	**1 966 222**	**12 725**	**1 507**	**19 591**	**372 390**	**394 323**	**1 244**	**3**	**54 354**	**2 822 359**

Unused loan commitments in the amount of EUR 359 230 thousand are for the residents of Estonia.

NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

31.03.2020	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	2 357 662	302 807	298 932	18 506	2 903	**2 980 810**
Subordinated debt	0	1 318	3 954	21 090	80 973	**107 335**
Accounts payable and other financial liabilities	0	20 484	0	0	0	**20 484**
Unused loan commitments	0	374 232	0	0	0	**374 232**
Financial guarantees by contractual amounts	0	11 427	0	0	0	**11 427**
Foreign exchange derivatives (gross settled)	0	32 804	0	637	0	**33 441**
Financial liabilities at fair value	0	55	0	0	0	**55**
Total liabilities	**2 357 662**	**743 127**	**302 886**	**40 233**	**83 876**	**3 527 784**
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 284 181	0	0	0	0	**1 284 181**
Financial assets at fair value (debt securities)	0	10 642	201 539	10 253	0	**222 434**
Loans and advances to customers	0	123 435	244 091	1 071 516	610 157	**2 049 199**
Receivables from customers	0	2 783	0	0	0	**2 783**
Other financial assets	2 300	0	0	0	0	**2 300**
Foreign exchange derivatives (gross settled)	0	32 804	0	637	0	**33 441**
Total financial assets	**1 286 481**	**169 664**	**445 630**	**1 082 406**	**610 157**	**3 594 338**
Maturity gap from financial assets and liabilities	**-1 071 181**	**-573 463**	**142 744**	**1 042 173**	**526 281**	**66 554**

31.12.2019	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	2 189 665	41 522	476 248	18 721	2 906	**2 729 062**
Subordinated debt	0	1 244	3 731	19 500	85 575	**112 138**
Accounts payable and other financial liabilities	0	20 789	0	0	0	**20 789**
Unused loan commitments	0	359 230	0	0	0	**359 230**
Financial guarantees by contractual amounts	0	14 139	0	0	0	**14 139**
Foreign exchange derivatives (gross settled)	0	14 942	0	615	0	**15 557**
Financial liabilities at fair value	0	8	0	0	0	**8**
Total liabilities	**2 189 665**	**451 874**	**479 979**	**38 836**	**88 481**	**3 250 923**
Financial assets by contractual maturity dates						
Due from banks and investment companies	1 271 153	0	0	0	0	**1 271 153**
Financial assets at fair value (debt securities)	0	10 883	13 018	8 429	0	**32 330**
Loans and advances to customers	0	113 590	251 806	1 029 520	582 889	**1 977 805**
Receivables from customers	0	3 551	0	0	0	**3 551**
Other financial assets	2 246	0	0	0	0	**2 246**
Foreign exchange derivatives (gross settled)	0	14 942	0	615	0	**15 557**
Total financial assets	**1 273 399**	**142 966**	**264 824**	**1 038 564**	**582 889**	**3 302 642**
Maturity gap from financial assets and liabilities	**-916 266**	**-308 908**	**-215 155**	**999 728**	**494 408**	**51 720**

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

31.03.2020	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 257 305	1 208	12 966	1 985	2 300	8 417	**1 284 181**
Financial assets at fair value	227 601	0	0	1	3 689	31	**231 321**
Loans and advances to customers	1 723 717	2	14 159	146	752	133	**1 738 909**
Receivables from customers	2 152	40	430	28	0	133	**2 783**
Other financial assets	109	0	0	0	2 191	0	**2 300**
Total assets bearing currency risk	**3 210 884**	**1 250**	**27 555**	**2 160**	**8 932**	**8 713**	**3 259 494**
Liabilities bearing currency risk							
Deposits from customers and loans received	2 906 169	6 623	22 680	10 956	21 510	11 160	**2 979 098**
Financial liabilities at fair value	5	0	0	1	1	48	**55**
Accounts payable and other financial liabilities	16 167	13	2 955	27	25	1 297	**20 484**
Subordinated debt	75 000	0	0	0	0	0	**75 000**
Total liabilities bearing currency risk	**2 997 341**	**6 636**	**25 635**	**10 984**	**21 536**	**12 505**	**3 074 637**
Open gross position derivative assets at contractual value	637	5 388	0	9 041	12 870	5 505	**33 441**
Open gross position derivative liabilities at contractual value	30 548	0	2 256	0	637	0	**33 441**
Open foreign currency position	**183 632**	**2**	**-336**	**217**	**-371**	**1 713**	**184 857**

31.12.2019	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	1 231 788	514	27 690	1 053	1 362	8 745	**1 271 153**
Financial assets at fair value	24 714	0	0	1	16 241	5	**40 962**
Loans and advances to customers	1 685 519	4	62	584	788	77	**1 687 034**
Receivables from customers	2 548	10	601	56	0	335	**3 551**
Other financial assets	110	0	0	0	2 136	0	**2 246**
Total assets bearing currency risk	**2 944 679**	**528**	**28 353**	**1 695**	**20 528**	**9 163**	**3 004 946**
Liabilities bearing currency risk							
Deposits from customers and loans received	2 655 331	4 538	27 138	8 139	20 356	11 061	**2 726 562**
Financial liabilities at fair value	5	0	0	1	1	1	**8**
Accounts payable and other financial liabilities	17 110	62	1 201	345	245	1 826	**20 789**
Subordinated debt	75 000	0	0	0	0	0	**75 000**
Total liabilities bearing currency risk	**2 747 446**	**4 600**	**28 339**	**8 485**	**20 602**	**12 888**	**2 822 359**
Open gross position derivative assets at contractual value	615	4 054	0	6 816	713	3 359	**15 557**
Open gross position derivative liabilities at contractual value	14 942	0	0	0	615	0	**15 557**
Open foreign currency position	**182 906**	**-18**	**14**	**26**	**25**	**-366**	**182 587**

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	31.03.2020	Level 1	Level 2	Level 3	31.12.2019
Financial assets at fair value through profit and loss								
Shares and fund units*	533	7 892	0	**8 425**	500	7 695	0	**8 195**
Equity instruments at fair value through other comprehensive income	0	0	432	**432**	0	0	432	**432**
Bonds at fair value through profit and loss	222 434	0	0	**222 434**	32 331	0	0	**32 331**
Interest rate swaps and foreign exchange forwards	0	30	0	**30**	0	4	0	**4**
Total financial assets	**222 967**	**7 922**	**432**	**231 321**	**32 831**	**7 699**	**432**	**40 962**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	55	0	**55**	0	8	0	**8**
Total financial liabilities	**0**	**55**	**0**	**55**	**0**	**8**	**0**	**8**

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 892 (31.12.2019: 7 695) 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 31.03.2020 the fair value of corporate loans and overdraft is EUR 273 thousand (0,03%) lower than their carrying amount (31.12.2019: 8 478 thousand, 0.97% higher). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of retail loans does not materially differ from their carrying amount as at 31 March 2020 and 31 December 2019. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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 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 majority of the customer deposits include demand deposits. 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.

Subordinated loans in the amount of EUR 40 000 thousand were received in 2019, subordinated loans in the amount of EUR 20 000 thousand were received in 2018 and EUR 15 000 thousand were received in 2015. 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 carrying value. In determining the fair value of loans, considerable management judgements are used. Subordinated debt are thus categorised under hierarchy level 3.

NOTE 8 Breakdown of Loan Portfolio by Economic Sectors

	31.03.2020	%	31.12.2019	%
Individuals	762 585	43.7%	738 152	43.6%
Real estate activities	366 161	21.0%	353 405	20.9%
Manufacturing	120 324	6.9%	114 104	6.7%
Arts and entertainment	56 030	3.2%	42 638	2.5%
Financial activities	69 235	4.0%	71 690	4.2%
Wholesale and retail trade	67 991	3.9%	80 767	4.8%
Administrative and support service activities	66 594	3.8%	67 064	4.0%
Transportation and storage	15 894	0.9%	15 337	0.9%
Agriculture	60 328	3.5%	59 657	3.5%
Other service activities	12 595	0.7%	7 290	0.4%
Construction	30 957	1.8%	38 951	2.3%
Information and communication	11 744	0.7%	7 017	0.4%
Professional, scientific and technical activities	56 934	3.3%	47 368	2.8%
Education	1 922	0.1%	1 976	0.1%
Other sectors	46 911	2.8%	47 722	2.8%
Total	**1 746 205**	**100%**	**1 693 138**	**100%**
Impairment	-7 296		-6 104	
Total loan portfolio	**1 738 909**	**100%**	**1 687 034**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q1 2020**	**3M 2020**	**Q1 2019**	**3M 2019**
From balances with credit institutions and investment	97	97	55	55
From debt securities	83	83	73	73
Leasing	918	918	646	646
Leverage loans and lending of securities	151	151	102	102
Consumer loans	2 103	2 103	1 546	1 546
Hire purchase	983	983	1 023	1 023
Corporate loans	10 995	10 995	7 837	7 837
Credit card loans	213	213	199	199
Mortgage loans	4 409	4 409	736	736
Other loans	1 027	1 027	696	696
Total	**20 979**	**20 979**	**12 913**	**12 913**
Interest expense				
Deposits of customers and loans received	-1 565	-1 565	-550	-550
Balances with the central bank	-1 846	-1 846	-586	-586
Subordinated liabilities	-1 244	-1 244	-832	-832
including loans between related parties	-90	-90	-89	-89
Total	**-4 655**	**-4 655**	**-1 968**	**-1 968**
Net interest income	**16 324**	**16 324**	**10 945**	**10 945**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q1 2020**	**3M 2020**	**Q1 2019**	**3M 2019**
Estonia	20 799	20 799	12 786	12 786
Total	**20 799**	**20 799**	**12 786**	**12 786**

NOTE 10 Net Fee and Commission Income

Fee and commission income	Q1 2020	3M 2020	Q1 2019	3M 2019
Security brokerage and commissions paid	1 252	1 252	528	528
Asset management and similar fees	3 034	3 034	4 175	4 175
Currency exchange fees conversion revenues	736	736	497	497
Fees from cards and payments	3 329	3 329	2 512	2 512
Other fee and commission income	1 112	1 112	752	752
Total	**9 463**	**9 463**	**8 464**	**8 464**
Fee and commission expense				
Security brokerage and commissions paid	-271	-271	-121	-121
Expenses related to cards	-1 177	-1 177	-774	-774
Expenses related to acquiring	-924	-924	-817	-817
Other fee and commission expense	-583	-583	-527	-527
Total	**-2 955**	**-2 955**	**-2 239**	**-2 239**
Net fee and commission income	**6 508**	**6 508**	**6 225**	**6 225**

Fee and commission income by customer location:	Q1 2020	3M 2020	Q1 2019	3M 2019
Estonia	9 463	9 463	8 433	8 433
Luxembourg	0	0	31	31
Total	**9 463**	**9 463**	**8 464**	**8 464**

NOTE 11 Operating Expenses

	Q1 2020	3M 2020	Q1 2019	3M 2019
Wages, salaries and bonuses	4 489	4 489	3 529	3 529
Social security and other taxes*	1 280	1 280	1 024	1 024
Total personnel expenses	**5 769**	**5 769**	**4 553**	**4 553**
IT expenses	744	744	644	644
Information services and bank services	273	273	220	220
Marketing expenses	476	476	708	708
Office expenses	195	195	143	143
Transportation and communication expenses	81	81	53	53
Staff training and business trip expenses	124	124	122	122
Other outsourced services	851	851	759	759
Other administrative expenses	1 502	1 502	658	658
Depreciation of non-current assets	1 005	1 005	1 025	1 025
Operational lease payments	82	82	86	86
Other operating expenses	74	74	135	135
Total other operating expenses	**5 407**	**5 407**	**4 553**	**4 553**
Total operating expenses	**11 176**	**11 176**	**9 106**	**9 106**

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

NOTE 12 Balances with the Central Bank, Credit Institutions and Investment Companies

	31.03.2020	31.12.2019
Demand and term deposits with maturity less than 3 months*	36 739	38 420
Statutory reserve capital with the central bank	29 487	29 426
Demand deposit from central bank*	1 217 955	1 206 307
Total	**1 284 181**	**1 271 153**
*Cash and cash equivalents in the Statement of Cash Flows	1 254 694	1 244 727

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 4 413 thousand (31 December 2019: EUR 5 473 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 31 March 2020 was 1% (31 December 2019: 1%) of all financial resources (customer deposits and loans received). The reserve requirement is to be fulfilled as a monthly average in euros or in the foreign financial assets approved by the central bank.

NOTE 13 Deposits of Customers and Loans Received

Deposits/loans by type	Individuals	Financial intermediates	Legal entities	Public sector	31.03.2020
Demand deposits	585 386	505 386	1 245 065	21 626	2 357 463
Term deposits	457 738	0	128 729	5 480	591 947
Loans received	0	0	25 643	0	25 643
Accrued interest liability	3 782	0	259	4	4 045
Total	**1 046 906**	**505 386**	**1 399 696**	**27 110**	**2 979 098**

Deposits/loans by type	Individuals	Financial intermediates	Legal entities	Public sector	31.12.2019
Demand deposits	525 938	376 068	1 267 180	20 293	2 189 479
Term deposits	415 349	0	90 100	3 100	508 549
Loans received	0	0	25 643	0	25 643
Accrued interest liability	2 692	0	196	3	2 891
Total	**943 979**	**376 068**	**1 383 119**	**23 396**	**2 726 562**

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 31.03.2020, the Bank had utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 2 163 thousand euros. From Nordic Investment Bank possible 20 000 thousand euro loan the Bank had utilized 20 000 thousand euros as of 31.03.2020 and repaid the principal in the amount of EUR 4 444 thousand euros. The nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been implemented.

NOTE 14 Accounts payable and other liabilities

Financial liabilities	31.03.2020	31.12.2019
Trade payables and payables to merchants	2 616	5 033
Other short-term financial liabilities	2 384	3 067
Lease liabilities	4 439	4 672
Accrued interest on subordinated loans	445	444
Payments in transit	10 416	7 395
Financial guarantee contracts issued	184	178
Subtotal	**20 484**	**20 789**

Performance guarantee contracts issued	274	266
Tax liabilities	2 865	1 230
Payables to employees	2 066	1 705
Other short-term liabilities	349	324
Subtotal	**5 554**	**3 525**
Total	**26 038**	**24 314**

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 15 Contingent Liabilities

Irrevocable transactions	Performance guarantees	Financial guarantees	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 31 March 2020	10 793	11 427	258	374 232	**396 710**
Liability in the contractual amount as at 31 December 2019	11 078	14 139	10	359 230	**384 457**

NOTE 16 Basic Earnings and Diluted Earnings Per Share

In order to calculate basic earnings per share, net profit attributable to owners of the parent has been divided by the weighted average number of shares issued. The dilution effect when calculating the Diluted earnings per share comes from the share options granted to management and key employees.

	Q1 2020	3M 2020	Q1 2019	3M 2019
Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)	7 079	7 079	4 691	4 691
Weighted average number of shares (in thousands of units)	28 454	28 454	26 016	26 016
Basic earnings per share (EUR)	0.25	0.25	0.18	0.18
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	29 160	29 160	26 540	26 540
Diluted earnings per share (EUR)	0.24	0.24	0.18	0.18

NOTE 17 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 31.03.2020 was 247 651 thousand euros (31.12.2019: 241 801 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 in all situations;
- 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	**31.03.2020**	**31.12.2019**
Paid-in share capital	28 454	28 454
Share premium	70 136	70 136
Reserves	4 713	4 713
Other reserves	212	212
Accumulated loss	88 821	69 452
Intangible assets (subtracted)	-18 300	-18 319
Profit for the reporting period (COREP)	0	12 186
Other adjustments	-1 385	-33
Total Core Tier 1 capital	**172 651**	**166 801**
Additional Tier 1 capital	20 000	20 000
Total Tier 1 capital	**192 651**	**186 801**
Subordinated liabilities	55 000	55 000
Total Tier 2 capital	**55 000**	**55 000**
Total net own funds	**247 651**	**241 801**

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

NOTE 18 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	**Q1 2020**	**3M 2020**	**Q1 2019**	**3M 2019**
Interest income	**15**	**15**	**17**	**17**
incl. management	9	9	9	9
incl. shareholders that have significant influence	6	6	8	8
Fee and commission income	**10**	**10**	**5**	**5**
Incl. management	0	0	0	0
incl. shareholders that have significant influence	10	10	5	5

Interest expenses from deposits	**10**	**10**	**10**	**10**
incl. management	0	0	0	0
incl. shareholders that have significant influence	10	10	10	10
Interest expenses from subordinated loans	**90**	**90**	**89**	**89**
incl. management	2	2	2	2
incl. shareholders that have significant influence	88	88	87	87

Balances	**31.03.2020**	**31.12.2019**
Loans and receivables as at the year-end	**3 298**	**3 290**
incl. management	2 472	2 399
incl. shareholders that have significant influence	824	892
Deposits as at the year-end	**23 199**	**16 063**
incl. management	509	283
incl. shareholders that have significant influence	22 690	15 780
Subordinated loans as at the year-end	**5 065**	**5 054**
incl. management	129	118
incl. shareholders that have significant influence	4 936	4 936

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 Q1, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 413 thousand (Q1 2019: EUR 375 thousand), including all taxes. As at 31.03.2020, remuneration for March and accrued holiday pay in the amount of EUR 103 thousand (31.12.2019: EUR 73 thousand) is reported as a payable to management. The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 31.03.2020 and 31.12.2019 (pension liabilities, termination benefits, etc.). In Q1 2020, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 30 thousand (Q1 2019: EUR 15 thousand).

Management is related to the share-based compensation plan. In Q1 2020 the share-based compensation to management amounted to EUR 194 thousand (Q1 2019: EUR 155 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 19 Tangible and intangible assets

(in thousands of euros)	**Tangible assets**	**Right of use assets**	**Total tangible assets**	**Intangible assets**	**Costs incurred for the acquisition of customer contracts**	**Total intangible assets**
Balance as at 31.12.2018						
Cost	4 129	0	4 129	15 324	12 436	27 760
Accumulated depreciation and amortisation	-2 994	0	-2 994	-10 859	-1 431	12 290
Carrying amount 31.12.2018	**1 135**	**0**	**1 135**	**4 465**	**11 005**	**15 470**
Changes in accounting policies	0	5 676	5 676	0	0	5 676
Purchase of non-current assets	1 336	0	1 336	864	0	864

Disposal of non-current assets	-15	0	-15	0	0	0
Write-off of on-current assets	-338	0	-338	-1 435	0	-1 435
Depreciation/amortisation charge	-562	-899	-1 461	-1 751	- 1461	-3 213
Balance as at 31.12.2019						
Cost	5 112	5 676	10 788	8 352	14 020	22 372
Accumulated depreciation and amortisation	-3 203	-899	-4 102	-4 775	-2 892	-7 667
Carrying amount 31.12.2019	**1 909**	**4 777**	**6 686**	**3 577**	**11 128**	**14 705**
Purchase of non-current assets	503	0	503	142	405	547
Depreciation/amortisation charge	-191	-182	-373	-125	-441	-566
Balance as at 31.03.2020						
Cost	5 615	5 676	11 291	8 494	14 425	22 919
Accumulated depreciation and amortisation	-3 394	-1 081	-4 475	-4 900	-3 333	-8 233
Carrying amount 31.03.2020	**2 221**	**4 595**	**6 816**	**3 594**	**11 092**	**14 686**

NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)

	Year of issue	Amount	Interest rate	Maturity date
Subordinated Tier 2 liabilities	2015	15 000	6.5%	October 29, 2025
Subordinated Tier 2 liabilities	2018	20 000	6.0%	November 28, 2028
Subordinated Tier 2 liabilities	2019	20 000	6.0%	November 28, 2028
Additional subordinated Tier 2 liabilites	2019	20 000	8.0%	Perpetual
Subordinated debt as at 31.03.2019		50 900		
Subordinated debt as at 30.06.2019		75 000		
Subordinated debt as at 31.12.2019		75 000		
Subordinated debt as at 31.03.2020		75 000		

NOTE 21 Loans and advances to customers

(in thousands of euros)	**31.03.2020**	**31.12.2019**
Loans to legal entities	**983 620**	**795 986**
incl. corporate loans	804 565	795 924
incl. retail loans	42 521	40 967
incl. leasing	70 935	66 078
incl. overdraft	48 588	42 801
incl. leveraged loans	2 084	3 148
incl. hire-purchase	231	277
incl. credit card loans	389	402
incl. credit letters	6 278	5 389
Loans to individuals	**762 585**	**738 152**
incl. hire-purchase	14 983	16 133
incl. mortgage loans	610 585	587 855
incl. consumer loans	50 657	49 412
incl. private loans	46 118	44 776
incl. leasing	24 259	23 410
incl. leveraged loans	2 893	2 840
incl. credit card loans	6 679	7 263
incl. overdraft	30	34
incl. study loan	818	750
incl. real estate leasing	5 563	5 679
Total	**1 746 205**	**1 693 138**
Impairment provisions	-7 296	-6 104
Total	**1 738 909**	**1 687 034**

Changes in impairments in 3M 2020	**Corpo-rate loans incl. overdraft**	**Retail loans**	**Consumer loans**	**Credit cards**	**Hire-purc-hase**	**Leasing**	**Leveraged loans**	**Other loans incl. mortgage**	**Credit letters**	**Total**
Balance as at 1 January	**-3 666**	**-153**	**-624**	**-53**	**-112**	**-639**	**-6**	**-851**	**0**	**-6 104**
Impairment provisions/reversals set up during the year	-1 305	-1	-110	-17	29	-169	-1	210	-8	-1 372
Written off during the reporting period	256	2	0	3	-29	-53	0	0	1	180
Balance as at March 31 2020	**-4 715**	**-152**	**-734**	**-67**	**-112**	**-861**	**-7**	**-641**	**-7**	**-7 296**

	Realized impairments	**The projected impact of the IFRS 9 macroscenarios**	**The projected special impairments**
Impairments (in thousand of euros)	**Q1 2020**	**Q2 2020**	**Q2-Q4 2020**
Total	**1 011**	**4 861**	**13 703**

Shareholders of AS LHV Group

AS LHV Group has a total of 28 454 079 ordinary shares, with a nominal value of 1 euro.

As at 31 March 2020, AS LHV Group has 8 873 shareholders:

- 13 873 852 shares (48.76%) were held by members of the Supervisory Board and Management Board, and related parties.
- 14 580 227 shares (51.24%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 31 March 2019:

Number of	Participation	Name of shareholder
3 618 920	12.7%	AS Lõhmus Holdings
2 538 367	8.9%	Rain Lõhmus
2 186 432	7.7%	Viisemann Investments AG
1 653 709	5.8%	Ambient Sound Investments OÜ
1 210 215	4.3%	OÜ Krenno
1 082 744	3.8%	AS Genteel
1 031 310	3.6%	AS Amalfi
782 488	2.8%	OÜ Kristobal
688 199	2.4%	SIA Krugmans
638 276	2.2%	OÜ Bonaares

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 34 940 shares.
Rain Lõhmus holds 2 538 367 shares, AS Lõhmus Holdings 3 618 920 shares and OÜ Merona Systems 581 718 shares.
Andres Viisemann holds 18 082 shares. Viisemann Holdings OÜ holds 570 000 shares and Viisemann Investment AG holds 2 186 432 shares.
Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 653 709 shares.
Tiina Mõis does not hold shares. AS Genteel holds 1 082 744 shares.
Heldur Meerits does not hold shares. AS Amalfi holds 1 031 310 shares.
Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 508 109 shares, Astrum OÜ holds 371 shares, Lame Maakera OÜ holds 13 976 shares, Kuu on Päike OÜ holds 7 130, Higgsi Boson OÜ holds 2 260 shares, Kõver Aegruum holds 3 100 shares and Desoksüribonukleiinhape DNA OÜ holds 6 840 shares.
Sten Tamkivi holds 391 shares. OÜ Seikatsu holds 15 143 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: Vahur Vallistu, 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 March 2020 period the condensed consolidated interim financial statements of AS LHV Group for the 3-month period ended 31 March 2020.

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 and contains a description of the main risks and doubts. The Condensed Consolidated Interim Financial Statements have been prepared according to the principles of the International Accounting Standard IAS 34 "Interim Financial Reporting".

21.04.2020

Madis Toomsalu