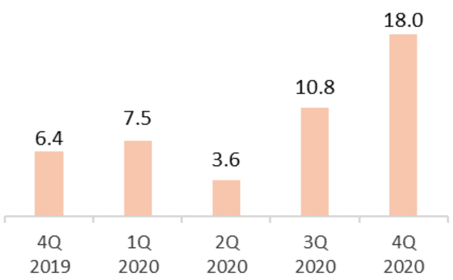
Interim Report January – December 2020
Summary of Results

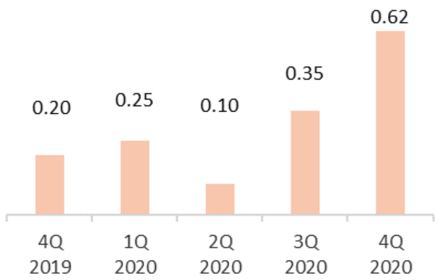
Profit by quarters



Q4 2020 in comparison with Q3 2020

- Net profit EUR 18.0 m (EUR 10.8 m), of which EUR 17.8 m (EUR 10.1 m) is attributable to owners of the parent
- Earnings per share EUR 0.62 (EUR 0.35)
- Net income EUR 35.4 m (EUR 23.5 m)
- Operating expenses EUR 11.4 m (EUR 10.7 m)
- Loan provisions EUR 2.24 m (EUR -0.03 m)
- Income tax expenses EUR 3.74 m (EUR 2.12 m)
- Return on equity 31.3% (18.9%)
- Capital adequacy 19.3% (20.0%)

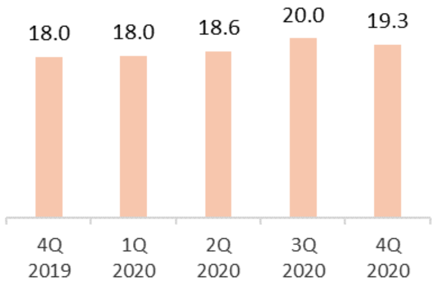
Basic earnings per share



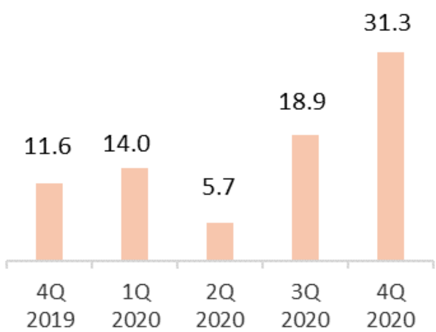
Q4 2020 in comparison with Q4 2019

- Net profit EUR 18.0 m (EUR 6.4 m), of which EUR 17.8 m (EUR 5.7 m) is attributable to owners of the parent
- Earnings per share EUR 0.62 (EUR 0.20)
- Net income EUR 35.4 m (EUR 19.9 m)
- Operating expenses EUR 11.4 m (EUR 11.4 m)
- Loan provisions EUR 2.24 m (EUR 1.55 m)
- Income tax expenses EUR 3.74 m (EUR 0.6 m)
- Return on equity 31.3% (11.6%)
- Capital adequacy 19.3% (18.0%)

Capital adequacy



Return on equity



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,

As a whole, 2020 has brought more questions than answers. On this background of new uncertainty, we're glad that there were more than just a few places where LHV's own view of things became clearer. Nevertheless, the health and economic crisis that has swept the world is a reminder that factors that may seem insignificant at first glance can have an outsize impact on the globally interwoven economic system.

The crisis has meant a number of changes: online retail is booming, tourism has come to a near standstill, and the ratio of those working from home to office workers has changed significantly. As for the less visible parts – the crisis-driven innovation – we will see the impacts only years later. The spread of digital solutions is accelerating in all sectors. The traditional, workforce-intensive economy must also adapt to the prospect of lower output from employees who fall ill and the need to find substitutes for them. This brings up the question: how has the past year impacted people's work ability and what has the crisis meant for the development of healthcare? It is likely that at this precise juncture, the seeds are being planted for revolutionary ideas in the healthcare sector that we will hear about years later. How will the crisis impact freight logistics? Or the movement of people in general, given the convergence of changes in the economy, fear of the virus and a more ecologically conscious world?

Yes, there are indeed more questions than answers. Especially if we factor in central banks' monetary policy steps and climate changes that affect the world as a whole. It isn't possible or advisable to try to predict everything. But paradoxically 2020 may in retrospect end up being a positive turning point when it comes to solving some bigger problems, for example in the field of the environment. Last year, climate change and ecological problems received a great deal of attention and the environmental problems featured most prominently among the world's most serious risks in a report released by the World Economic Forum.

LHV's responsibility for ensuring the well-being of the environment and society has increased. In the past, we have placed great emphasis on impacts related to management and social risks, but in recent years, our focus on environmental risks has increased. In the year ended, we adopted the LHV sustainability strategy and our sustainability goals. In our most important steps in this field, we selected five UN sustainable development goals and joined the UN's sustainable banking framework. We have brought a number of green products to market. In the practical sense, we see LHV remaining a rapid-growth company in the future as well, but we believe we can realise this in harmony with the best management practices, positive social impacts and progress toward climate goals.

In the economic sense, 2020 saw the intensification of trends that started back in the last decade. State budget deficits grew and central banks were prepared to finance the shortfalls. A new doctrine became the order of the day – economic regions with sufficient size and influence, historically stable currencies and central banks that ensure an unlimited supply of money could not be allowed to become insolvent. Similarly to the past, when the interest rates breached the zero mark and entered negative territory, now obstacles to money supply were lifted. In the first six months of the pandemic, the balance sheet volumes of central banks responsible for printing money grew to a level that it took a decade to reach in the case of the late 2000s financial crisis.

Evaluating whether these measures were good or bad is a complicated enough task to be best left to future historians. But it is certain that fiscal and economic growth problems can indeed partially be patched by increasing the supply of money. It is less certain to what extent this kind of stopgap will increase inequality, whether the disparity is between countries with different debt levels, people who invest and spend, or different generations. This is an experiment in progress, and the continuation of the current definition of capitalism is at stake.

Yes, there are more questions than answers. But here at LHV, some answers do seem plain and simple. In complicated times, fundamental values are highly regarded, even though the work of building those values takes place in better days. It seems that thus far, we have succeeded in this building process. We have succeeded in remaining uncomplicated, bold and hard-working. We have made a point of investing into providing excellent customer service, making sure our own personnel have a high level of satisfaction, and bolstering strong investor relations. Our basic approach of laying confident plans atop a foundation of principles selected with a clear eye explains why we can consider Q4 and 2020 as a whole successful in spite of everything.

The most important events of Q4 were the acquisition of Danske's companies and public sector credit portfolio. As a result of the transaction, LHV's loan portfolio grew by EUR 254 million, breaking the EUR 2 billion mark for the first time, and growing further through the end of the year. LHV's loan portfolio has remained strong. At the height of the crisis, we had approved payment moratoria valued at EUR 350 million, and by the end of the year, EUR 155 million of planned moratoria were left by year's end. Over 90% of the moratoria that were due to expire are now back on an ordinary payment schedule.

The quarter was also characterised by a change in regulations governing pension funds. The greatest impact of the reform – the number of investors leaving pension funds and the second pillar in general – will be apparent in 2021. We believe that more discerning clients will continue saving for their retirement in the second pillar, the reasons being the tax effectiveness, good yields on LHV funds and aspects of the law of succession in regard to the second pillar. The LHV pension fund strategy continues to be aimed at achieving a high yield. We invest into different asset classes, but focus more on unlisted companies and real estate.

At the end of the year, we decisively increased our focus on the financial intermediaries business area. We announced the intention to establish a bank in the United Kingdom to more clearly separate our operating activities in Estonia and the UK. Separating operating activity will allow us to better highlight the bank's results and value for investors. The bank in the UK will be established as a subsidiary of AS LHV Group, and the step will be followed by staffing, capitalisation and application for a licence to operate as a credit institution. The application process could take a few years and requires permission from the local supervisory authority.

As to other events in the last years, the launch of Google Pay in Estonia and the lowering of transaction fees for foreign securities should be noted. At year end, a non-life insurance undertaking LHV Kindlustus received an activity licence from the Financial Supervision Authority. We hope to repeat the success of LHV Pank on this front.

During the quarter the international finance magazine Euromoney named LHV the best bank in Estonia for the third year running. The recognition came thanks to the bank's rapid growth, innovation and good economic results. The editors also took into consideration LHV's steps toward a more sustainable economy. A sustainable organisation – exactly the way we have strived to build LHV.

Madis Toomsalu

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Financial Summary

The Group's 2020 Q4 consolidated profit was EUR 18.0 million, having grown by EUR 7.2 million from 2020 Q3 and by EUR 11.6 million compared to the fourth quarter in the previous year. Loan discounts in Q4 were EUR 2.2 million. At the consolidated level, income tax on future dividend payments by subsidiaries was EUR 1.7 million in the fourth quarter.

The Group's 2020 Q4 profit for its shareholders was EUR 12.7 million higher than in the previous year. The biggest factor influencing the profit growth was the performance fee earned by Varahaldus in the amount of EUR 6.2 million.

The yield on equity held by LHV's shareholders was 31.3% in 2020 Q4, having grown by 12.4 percentage points from 2020 Q3 (18.9%).

The Group's consolidated net loan portfolio grew by EUR 353 million in the quarter (EUR 52 million in 2020 Q3) and consolidated deposits grew by EUR 904 million (for comparison: growth in 2020 Q3 was EUR 129 million). Deposits related to payment intermediaries grew by EUR 457 million (EUR 57 million in 2020 Q3).

The Group's own funds decreased by EUR 7.5 million from the previous quarter and risk-weighted assets grew by EUR 51 million. The decrease in own funds was mainly due to getting the licence for LHV Kindlustus. Insurance companies are subject to separate capital requirements and investments made in the Insurance company are deducted when calculating the Group's own funds.

The bank's Q4 consolidated profit was EUR 18.0 million, which is EUR 7.2 million higher than the profit of the previous quarter (EUR 10.8 million in 2020 Q3). The number of the bank's clients grew by over 23 000 in the quarter (11 000 in 2020 Q3), with the total number of the bank's clients now around 259 000.

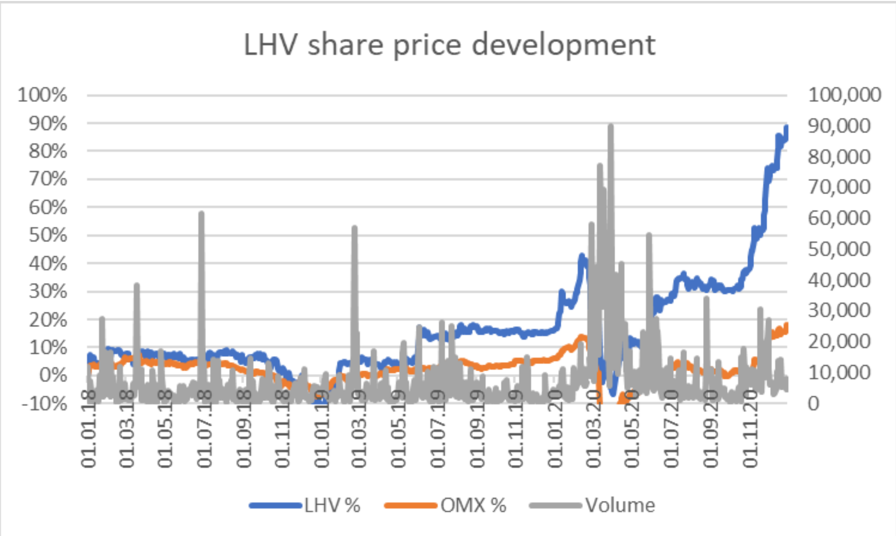
The bank's loan portfolio grew by EUR 353 million in Q4 (EUR 52 million in 2020 Q3), reaching EUR 2 209 million. Among the loans, business loans and home loans grew the most.

The deposits of the bank's clients grew by EUR 884 million in Q4, while the balance of the deposits of payment intermediaries grew by EUR 457 million and the deposits of the remaining clients grew by EUR 427 million. By the end of Q4, the total volume of deposits amounted to EUR 4 119 million.

LHV Varahaldus earned a profit of EUR 7.1 million in Q4 (EUR 0.8 million in 2020 Q3). Income from service fees of LHV Varahaldus grew by EUR 6.3 million from the previous quarter, amounting to EUR 8.5 million. The operating expenses of LHV Varahaldus increased by EUR 0.2 million in the quarter.

The aggregate volume of the funds managed by LHV grew by EUR 41 million in the quarter (a growth of EUR 56 million in 2020 Q3). The number of active second pillar clients grew by 3 538 in the quarter (a growth of 4 012 in 2020 Q3).

There is only one class of shares issued by LHV, each share gives 1 voting right. The shares of LHV Group are traded on NASDAQ Tallinn main list since May 2016. Graph below presents LHV Group share performance against OMX Tallinn index. LHV Group share has outperformed the index and has risen 88%, when comparison index has increased by 18%. At the end of Q4, LHV Group share price was 19.50 euros and based on the stock price, LHV's market value was EUR 562 million.



Business volumes EUR million	**Q4 2020**	**Q3 2020**	**Quarter over quarter**	**Q4 2019**	**Year over year**
Loan portfolio	2 208.8	1 855.8	19%	1 687.0	31%
Financial investments	330.1	430.7	-23%	41.0	706%
Deposits of customers	4 119.8	3 215.5	28%	2 700.9	53%
incl. deposits of financial intermediates	1 053.6	597.0	76%	376.1	180%
Equity (including minority interest)	245.3	224.6	9%	206.0	19%
Equity (owners' share)	236.8	218.7	8%	200.8	18%
Volume of funds managed	1 537.1	1 495.9	3%	1 374.0	12%
Assets managed by bank	1 864.0	1 494.3	25%	1 395.7	34%

Income statement EUR million	**Q4 2020**	**Q3 2020**	**Quarter over quarter**	**Q4 2019**	**Year over year**	**12M 2020**	**12M 2019**	**Year over year**
Net interest income	19.89	16.73	19%	13.27	50%	68.49	47.40	44%
Net fee and commission income	14.18	6.47	119%	6.43	121%	33.35	25.68	30%
Other financial income	1.32	0.34	288%	0.17	676%	1.59	0.67	137%
Total net operating income	35.39	23.54	50%	19.87	78%	103.43	73.75	40%
Other income	0.03	0.07	-57%	0.06	-50%	0.12	0.09	33%
Operating expenses	-11.40	-10.75	6%	-11.36	0%	-43.99	-39.27	12%
Loan losses	-2.24	0.03	NA	-1.55	45%	-10.89	-3.22	238%
Income tax expenses	-3.74	-2.12	76%	-0.59	534%	-8.83	-4.26	107%
Net profit	18.04	10.77	68%	6.43	181%	39.84	27.09	47%
Including attributable to owners of the parent	17.84	10.10	77%	5.72	212%	37.96	24.80	53%

Ratios EUR million	**Q4 2020**	**Q3 2020**	**Quarter over quarter**	**Q4 2019**	**Year over year**	**12M 2020**	**12M 2019**	**Year over year**
Average equity (attributable to owners of the parent)	228.1	213.7	14.4	197.6	30.4	218.8	177.2	41.6
Return on equity (ROE), %	30.6	18.9	11.7	11.6	19.0	17.2	14.0	3.2
Return on assets (ROA), %	1.6	1.1	0.5	0.9	0.7	1.0	1.15	-0.0
Interest-bearing assets, average	4 490.4	3 855.4	635.0	2 903.9	1 586.4	3 965.1	2 320.6	1 644.5
Net interest margin (NIM) %	1.80	1.70	0.10	1.8	0.00	1.70	2.04	-0.34
Price spread (SPREAD) %	1.70	1.70	0.00	1.8	-0.10	1.70	1.99	-0.3
Cost/income ratio %	32.2	45.4	-13.0	57.0	-24.8	42.5	53.2	-10.7
Profit attributable to owners before income tax	21.07	12.15	8.9	6.31	14.8	45.9	28.8	17.1

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 coronavirus pandemic that swept the world in early 2020 is still reshaping the global political and economic agenda. After a record economic contraction in the second quarter, the summer witnessed a surprisingly rapid rebound. Total economic output in the G20 grew by 8.1% in Q3, yet GDP shrank by 2% overall for the year. The biggest contribution to the recovery of GDP came from India (+21.9%). As China had already experienced its own rebound by that time, the Q3 recovery there was more modest (+2.7%).

A similar development was seen in Europe, where the recovery was driven by the countries that had been hardest hit in the second quarter (France, Spain, UK and Italy). The countries in the Baltic Sea region were among those relatively spared by the crisis, as due to the milder spread of the virus in the region, the restrictions were also not as severe as elsewhere in Europe. Economic activity remained higher and as a result, the damage from the crisis was lesser. The fact that tourism makes up a lower share of GDP in the Baltic Sea region's economies than it does in southern Europe also undoubtedly played a role.

Unemployment generally increased in Europe in the second half of the year. Compared to the second quarter, by November approximately a million more people were unemployed in the Eurozone. A couple of months earlier, the numbers were even greater. Adding the UK and other European countries' figures to the Eurozone, the growth in unemployment amounted to over 2.5 million people. As the brunt has been borne by companies operating in the service sphere (tourism, hospitality, restaurants and catering, and transport), where the share of unregistered workforce has been greater, the actual situation may be even more serious. The statistics simply do not reflect the termination of many employment relationships.

The Eurozone's already low inflation slowed significantly after the spring outbreak. In the summer months, inflation remained positive, but in the second half of the year, prices saw a stable decline. Prices have been mainly suppressed by the drop in energy prices, but in the second half of the year, underlying inflation also started to decrease – i.e., prices of products with a more stable nature. Through producer prices, low energy costs have been passed on to the prices of other industrial goods, and this applies deflationary pressure on the economy. The temporary decrease in the VAT rate in Germany has also had a role: since July, it has brought price increases to a standstill in Europe's largest economy.

As it was clear at the end of Q3 that the second wave of the virus would be at least as serious as the first one, the European Central Bank (ECB) decided to increase the supply of money to ensure the liquidity that is so important for riding out the crisis. The potential size of the Pandemic Emergency Purchase Programme (PEPP) was increased by 500 billion euros to 1.85 trillion euros and since the third series of targeted longer-term refinancing operations (TLTRO-III) has proved quite popular among commercial banks, its conditions were also made more appealing. The duration of all extraordinary incentives and programmes was prolonged and additionally it was decided to offer four more pandemic emergency longer-term refinancing operations (PELTRO). The ECB feels that the monetary policy measures developed will help to preserve favourable financing terms in the pandemic situation, by supporting flows of loan capital into all economic sectors and promoting economic activity and protection for price stability in the medium to long term.

The highly accommodative monetary policy stance together with an unseen amount of asset purchases have dropped the overnight interbank rate Euribor to below the deposit facility rate of ECB (-0.5%). Euribor has traditionally been higher than the deposit rate as banks have no incentive to loan money to each other with a lower interest rate than the risk-free deposit facility offers. But many market participants who have benefitted from massive asset purchases do not have access to ECB's deposit facility. And as the excess liquidity in ruling the market banks with already abundant reserves have started to charge a spread to accept additional deposits. As a result, the Euribor yield curve has fallen below the deposit facility rate in all its terms.

The Estonian economy shrank by 1.9% in Q3 year-over-year (+7.6% quarter over quarter). The decline was among the smallest ones in Europe and more or less in the same neighbourhood as the other countries in the region. For the first nine months of the year, the economic contraction amounted to slightly more than 3%. The noteworthy rebound in the quarter-over-quarter comparison showed that the first crisis relief measures were effective and companies were able to return to operations and profitable as conditions improved.

By area of activity, the decline was quite broad-based, but fortunately it was modest in most areas of activity. Leaving aside the public sector, value-added was increased year-over-year only in the financial and insurance sector, energy sector, agriculture, and information technology. In Q2, the construction sector still managed to display growth in value-added, but in Q3 a reversal took place there, too, and value-added decreased 8%. Considering the long lag time in the sector, the decline in value-added will likely extend into next year.

The industrial sector has been a positive surprise throughout the year. In spite of weaker demand, and complications in supply chains, it has withstood the crisis well. In the last months of the year, export growth has also recovered, although the dynamism in this field reflects the weak comparison base of the year before and the success of individual areas of activity rather than a general export boom. For example, export of electrical equipment has essentially made up two-thirds of the entirety of the autumn's export growth. Core exports – i.e., export of products with at least 50% domestic value-added – has grown throughout H2, with overall growth rates remaining around 4-5%.

Consumer prices in Estonia decreased by a total of 0.4% in 2020. The main reason for the deflation has been the drop in world oil prices, which put pressure on the prices of motor fuels. Thus, diesel fuel cost an average of 17% less than in 2019 and petrol was 6% cheaper. A decline in housing costs also contributed to the deflation, stemming mainly from the lower price of electricity. The government also played a role in lowering the excise rate on diesel, gas and electricity in the spring, as a result of which Estonia appeared at the top of the rankings of countries in Europe in terms of price decrease. Positive price pressure came mainly from higher food prices.

Information on prices in the year ended should be taken with some scepticism as the consumption of many goods and services was greatly disrupted during the year and thus the real-life consumer basket was unlikely to correspond to the proportions taken as a statistical basis at the beginning of the year. Consumers tended to benefit more than they ordinarily would as a result of the lower prices, as there were fewer possibilities for spending. This is also borne out by the increase in people's savings on bank accounts over the year.

Confidence in the economy improved in the last few months of the year due to the optimistic sentiment in the industrial sector. But the quite strong onslaught of the second wave of the coronavirus dented consumer optimism and according to the most recent surveys, many have started circling their wagons by again putting off major purchases. The impact of the new lockdowns will be felt most keenly in the year now under way and the restrictions have definitely proved tougher than expected. However, the vaccine is now on the market and the speed and effectiveness of the rollout will be the key factor in the economic recovery. With the entire world on the money-printing train, the state must now make wise decisions to make the most impactful use of the relief payments as possible as it exits the crisis. Being stuck in outdated business models will make a return to the former growth trajectory very complicated.

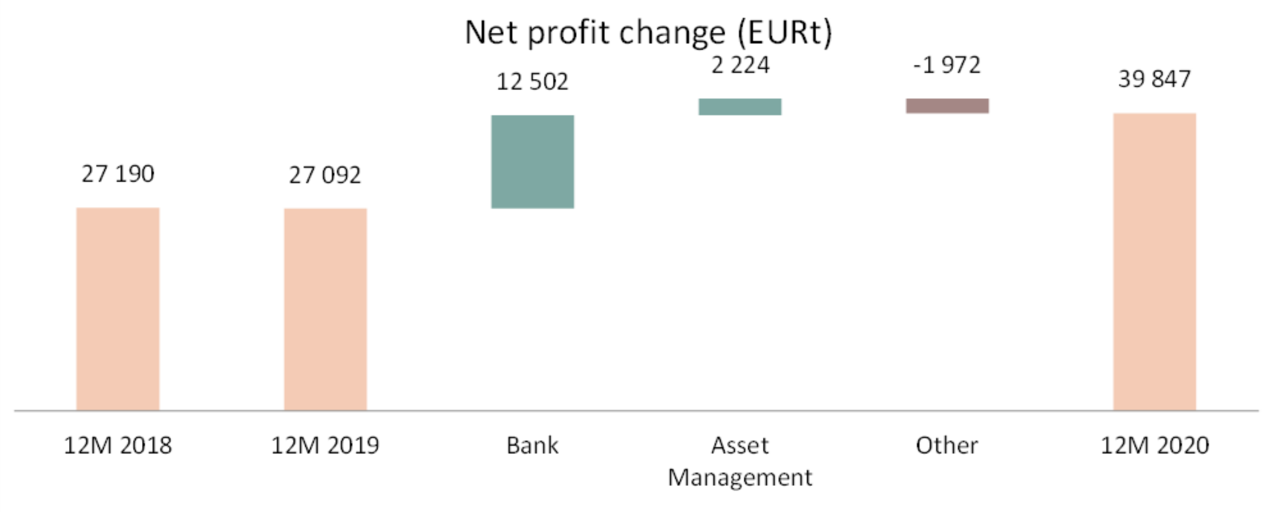
Financial Results of the Group

Compared to Q3, the Group's net interest income increased in Q4 2020 by 19%, standing at EUR 19.9 (Q3: 16.7) million. The change in net interest income was largely due to two variables: portfolio of municipal and corporate loans purchased from Danske and inclusion of a TLTRO III loan.

At the consolidated level, income tax on future dividend payments by subsidiaries was EUR 1.7 million in the fourth quarter.

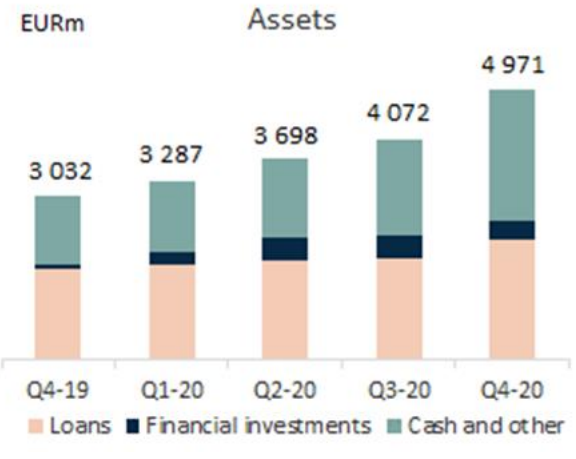
Net fee and commission income increased in Q4 by 119% and stood at EUR 14.2 (Q3: 6.5) million. In total, the net income of the Group increased by 50% in Q4, compared to Q3, amounting to EUR 35.4 (Q3: 23.6) million, with expenses increasing 6% and amounting to EUR 11.4 (Q3: 10.8) million. The Group's operating profit for Q4 amounted to EUR 24.0 (Q3: 12.9) million. The loss from loan impairments amounted to EUR 2.24 million in Q4 (Q3: gain 0.03). The Group's total profit for Q4 amounted to EUR 18.0 million (Q3: 10.8). Compared to Q4 2019, the Group's net interest income increased by 50% and net fee and commission income increased by 121%.

In terms of business entities, AS LHV Pank posted in Q4 a consolidated profit of EUR 13.0 million and AS LHV Varahaldus a profit of EUR 7.1 million. LHV Kindlustus posted a loss of EUR 0.3 million. The AS LHV Group on solo bases posted a loss of EUR 0.8 million.



The Group's volume of deposits as at the end of Q4 amounted to EUR 4 120 (Q3: 3 215) million, of which demand deposits formed EUR 3 636 (Q3: 2 756) million and term deposits EUR 484 (Q3: 459) million.

As at the end of Q4, the volume of loans granted by the Group amounted to EUR 2 209 (Q3: 1 856) million, increasing in Q4 by 19%. Compared to Q4 2019, the volume of the Group's deposits has increased by 53% and the volume of loans by 31%.



The Group's Liquidity, Capitalisation and Asset Quality

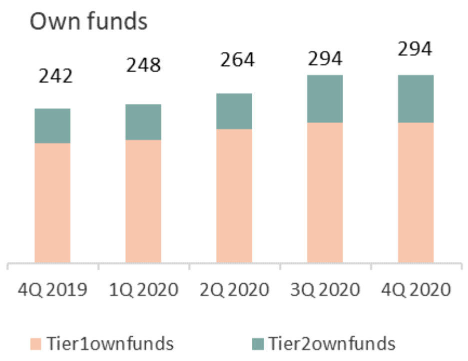
As at 31 December 2020, the Group's own funds stood at EUR 293.6 million (31 December 2019: EUR 241.8 million). LHV Group own funds are calculated based on regulative requirements. In Q4 the level of own funds changed due to the investment made into insurance company.

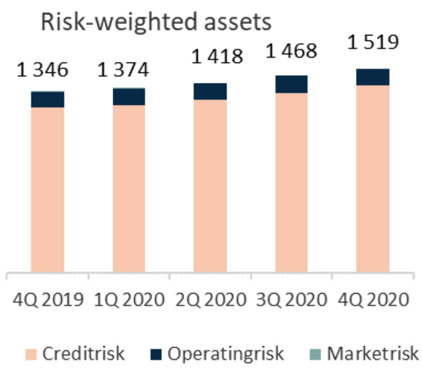
Compared to Group's internal capital adequacy ratio target 16.0%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio amounting to 19.3% (31 December 2019: 18.0%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10.63% and Tier 1 capital adequacy ratio to 12.46%. The internal targets were approved in December 2020 by the Group's Supervisory Board, after the completion of the annual supervisory assessment by the Financial Supervision Authority.

The minimum requirement for own funds and eligible liabilities (MREL) is valid from the 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 31 December the MREL ratio was 8.62% (31st of December 2019 8.94%). Estonian FSA informed LHV in January 2020 that MREL requirement will change from the end of Q2 2021 to the level of 10.15%, as LHV is treated as systematic bank 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 147.9 % as at the end of December (31 December 2019: 144.8%). Financial intermediates' deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 269.3% (31.12.2019: 223.7%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 55% of the balance sheet (31 December 2019: 43%). The ratio of loans to deposits stood at 49% as at the end of the fourth 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 December, provisions for estimated loan losses amounted to EUR 16.9 million in the balance sheet, i.e. approximately 0.8% of the loan portfolio (31 December 2019: EUR 6.1 million, 0.4%). Estimated loan losses make up 459.2% (31 December 2019: 149.8%) of the portfolio of loans overdue for more than 90 days.





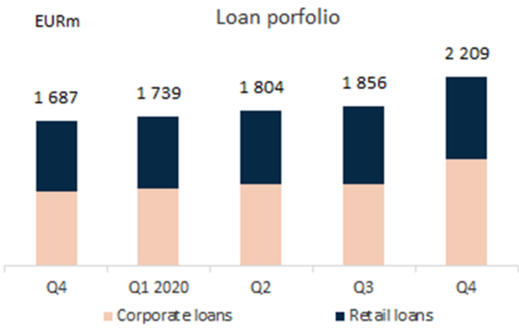
EUR thousand	31.12.2020	Proportion	31.12.2019	Proportion
Loans to customers	2 225 681		1 693 138	
including overdue loans:	24 809	1,1%	39 145	2.3%
1-30 days	17 728	0,8%	26 273	1.6%
31-60 days	2 559	0,1%	7 142	0.4%
61-90 days	850	0,0%	1 655	0.1%
91 and more days	3 671	0,2%	4 074	0.2%
Impairment of loans	-16 858	-0,8%	-6 104	-0.4%
Impairment % of loans overdue for more than 90 days	459.2%		149.8%	

Capital base	31.12.2020	31.12.2019	31.12.2018
Paid-in share capital	28 819	28 454	26 016
Share premium	71 468	70 136	46 653
Statutory reserves transferred from net profit	4 713	4 713	3 451
Other reserves	0	212	78
Retained earnings	90 434	69 452	50 193
Intangible assets (subtracted)	-18 761	-18 319	-19 084
Net profit for the reporting period (COREP)	14 239	12 186	13 605
Other adjustments	-323	-33	-194
CET1 capital elements or deductions	-2 188	0	0
CET1 instruments of financial sector entities where the institution has a significant investment	-4 842	0	0
Tier 1 capital	**183 559**	**166 801**	**120 718**
Additional Tier 1 capital	35 000	20 000	0
Total Tier 1 capital	**218 559**	**186 801**	**120 718**
Subordinated debt	75 000	55 000	50 900
Total Tier 2 capital	**75 000**	**55 000**	**50 900**
Net own funds for capital adequacy	**293 559**	**241 801**	**171 618**
Capital requirements			
Central governments and central bank under standard method	363	920	938
Credit institutions and investment companies under standard method	8 060	4 183	5 376
Companies under standard method	865 624	818 918	579 836
Retail claims under standard method	197 849	167 276	133 250
Public sector under standard method	3 250	2	125
Housing real estate under standard method	243 971	208 693	39 903
Overdue claims under standard methods	13 362	5 242	7 963
Investment funds' shares under standard method	7 145	8 052	10 142
Other assets under standard method	49 321	17 875	10 557
Total capital requirements for covering the credit risk and counterparty credit risk	**1 388 945**	**1 231 161**	**788 090**
Capital requirement against foreign currency risk under standard method	3 950	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	972	959	704
Capital requirement against credit valuation adjustment risks under standard method	82	22	41
Capital requirement for operational risk under base method	124 638	109 546	91 575
Total capital requirements for adequacy calculation	**1 518 587**	**1 345 899**	**884 399**

Capital adequacy (%)	**19.33**	**17.97**	**19.41**
Tier 1 capital ratio (%)	**14.39**	**13.88**	**13.65**
Core Tier 1 capital ratio (%)	**12.09**	**12.39**	**13.65**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 353 million
- Net profit EUR 13.0 million
- (Net) growth in deposits EUR 884 million



EUR million	Q4 2020	Q3 2020	Change %	Q4 2019	Change %	From the beginning of 2020	From the beginning of 2019	Change %
Net interest income	20.42	16.84	21%	13.23	54%	69.05	47.91	44%
Net fee and commission income	5.72	4.24	35%	3.99	43%	18.38	12.81	44%
Other financial income	1.00	0.16	521%	0.06	1567%	0.88	0.21	326%
Total net operating income	27.14	21.24	28%	17.28	57%	88.31	60.93	45%
Other income	0.08	0.06	43%	0.08	0%	0.20	0.18	16%
Operating expenses	-9.26	-8.76	6%	-9.58	-3%	-36.26	-32.52	12%
Loan losses	-2.24	0.03	NA	-1.55	45%	-10.89	-3.20	238%
Income tax expenses	-2.71	-1.92	41%	-0.59	359%	-6.76	-3.28	106%
Net profit	13.01	10.65	22%	5.65	131%	34.60	22.11	57%
Loan portfolio	2 209	1 856	19%	1 687	31%			
Financial investments	323	424	-24%	33	881%			
Deposits of customers	4 141	3 257	27%	2 713	53%			
incl. deposits of financial intermediates	1 054	597	76%	376	180%			
Subordinated liabilities	86	86	0%	71	21%			
Equity	215	196	10%	172	25%			

Q4 was successful in terms of business volumes. LHV Bank generated EUR 20.4 million in net interest income and EUR 5.7 million in net fee and commission income. In total, the bank's net income amounted to EUR 27.1 million, expenditure to EUR 9.3 million and loan provisions to EUR 2.24 million. The net profit of LHV Pank amounted to EUR 13.0 million in Q4. This constitutes a 22% increase from Q3 (10.7) and a 131% increase from Q4 2019 (5.7). Net interest income increased 21% compared to previous quarter. Net fee and commission income increased 35% compared to Q3. Net operating income increased by 28% compared to previous quarter. In Q4 other financial income amounted to EUR 1.0 million (Q3: 0.2 million).

Securities brokerage fees, transaction fees and fees from cards are the greatest contributor to fee and commission income. The quarterly profit before taxes was EUR 15.7 million and net profit EUR 13.0 million. As at the end of the quarter, net profit exceeded the financial plan published in October by EUR 2.2 million.

The increase in net interest income stems from the growth in business volumes. By the end of Q4, the total volume of the bank's loan portfolios amounted to EUR 2 209 million (Q3: EUR 1 856 million). The volume of portfolios grew 19% over the quarter. The corporate credit portfolio of loans and guarantees grew by EUR 393.1 million (+44%) in a year and by EUR 284.5 million (+28%) in a quarter. The very strong growth primarily stemmed from the acquisition of Danske Bank's portfolio related to the credit of Estonian undertakings and the public sector, which was completed in October. The main sources of growth included loans issued to the public administration and the national defence sectors as well as loans issued to the sector engaged in mandatory social insurance, which grew by EUR 126.1 million in a year. This area was the one most influenced by the acquisition of the Danske Bank's portfolio. Loans for real estate activities – an area traditionally financed most by commercial banks – grew by EUR 85.3 million (+25%). Commercial real estate projects with

a strong rental flow were the greatest contributor to growth, followed by loans issued to the electricity, gas, steam and conditioned air supply sector, which grew by EUR 33.2 million compared to the previous year (+176%).
Compared to Q3 of 2020, portfolio growth was most influenced by loans and guarantees issued to the public administration and the national defence sectors as well as loans issued to the sector engaged in mandatory social insurance (EUR 123.6 million; +4 952%), followed by loans for real estate activities (EUR 70.4 million; +19%) and for administrative and auxiliary activities (EUR 17.2 million; +36%).

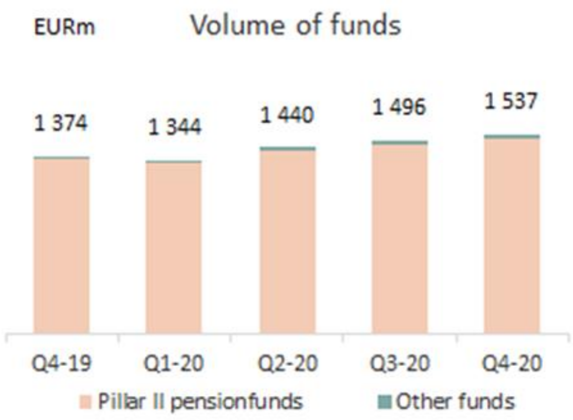
The largest number of corporate loans was issued to the real estate sector, which makes up 34% of the bank's corporate loan portfolio. A bulk of the real estate loans were issued for projects with a high-quality rental flow, with real estate development projects forming a significantly smaller share. The majority of the real estate developments financed are located in Tallinn and other major Estonian cities, with projects located in the vicinity of Tallinn forming 23% of the development projects. LHV's market share in the financing of new developments in Tallinn was nearly a fifth at the end of 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 price ratio standing around 55%.

Besides the real estate sector, the greatest volume of credit was provided to companies in the processing industry (a share of 10%) as well as the public administration and national defence sector and the sector engaged in mandatory social insurance (a share of 10%). As regards sectors with a higher-than-average credit risk, accommodation and catering contributes 3%, construction 2% and transport and warehousing 1% of the total portfolio volume.

During the quarter, the number of bank clients grew by 23,300 and new records were set for activity level and business volumes. Deposits grew by EUR 884 million over the quarter, while loans increased by EUR 353 million.
Deposits held by ordinary clients grew by EUR 445 million and deposits of financial intermediaries increased by EUR 457 million. The growth in deposits of financial intermediaries was driven by the significant quarterly increase in the prices of virtual currencies in Q4 and clients' interest in investing in them. Deposits raised from deposit marketplaces decreased by EUR 17 million, as the bank is no longer active in raising deposits on these platforms.
Loans to companies grew by EUR 269 million and consumer loans by EUR 84 million. In early October, LHV Pank and Danske finalised a transaction where LHV acquired Danske's Estonian companies and public sector credit portfolio in the form of transfer of a business unit. The final volume of the transaction was EUR 273 million. Taking account of the EUR 19 million discount on the purchase price, the bank's loan portfolio grew by EUR 254 million as a result of the transaction. A total of 346 business clients, 252 apartment associations and 80 public sector clients were acquired in the Danske portfolio. 56% of the credit portfolio acquired was made up of loans issued to local governments. Since the transaction was formalized, the additional profit from the portfolio has been around EUR 4 million per year.
Net profit for Q4 was EUR 13.0 million. Impairment losses on loans increased by EUR 2.2 million in the course of the quarter. The procedure under which Estonian banks granted a joint payment moratorium expired in late September. During the quarter, a significant number of payment moratoria ended and the total amount in loans still subject to a moratorium had fallen to EUR 180 million by the end of the quarter. Although the credit rating of some corporate banking loan clients directly impacted by the crisis has worsened, leading to additional impairment losses, the quality of the bank's loan portfolio as a whole has remained strong and the share of loans past due continues to be very low.
In connection with the COVID-19 pandemic, an amendment to the Capital Requirements Regulation came into effect regarding accounting for preferential treatment of risk-weighted assets, which will significantly reduce the bank's exposure to small and medium-sized companies' risk-weighted assets. The goal of the amendment is to support borrowing by SMEs more broadly in the EU. A total of 90% of the bank's loan portfolio comprises companies that classify as SMEs, and as a result the bank's risk-weighted assets decreased by EUR 159.4 million and EUR 25.5 million in capital was freed up.
On the new payment services front, Google Pay was introduced during the quarter. An agency banking service was introduced to allow clients in the financial intermediaries domain to join payment schemes. The service enables clients to join the payment system without the company having to develop complicated infrastructure. The unique service allows interface with three different settlement systems through LHV Connect: SEPA, SEPA Instant and Faster Payments.
Starting in January, the transaction fees for holding foreign securities and foreign shares were decreased. In connection with the entry into force of the funded pension act, a pension investment account hit the market in January, applications began to be accepted and a broader marketing campaign also started. The bank has become market leader in investment services and the volume of clients' assets managed has reached EUR 1.9 billion.
The Estonian Association for Environmental Management issued a European Green Office certificate to LHV and declared the bank's office in the City Plaza building in Tallinn the best Green Office in Estonia. The Financial Times magazine The Banker selected LHV Pank as the best bank in Estonia for the second year in a row.

Overview of AS LHV Varahaldus

- Q4 net profit EUR 7.1 million
- The large majority of net profit was comprised by performance fees on the return on the XL and L funds amounting to EUR 6.2 million
- The number of clients grew during the quarter by approximately 4 000, with a total of 180 000 active second pillar clients
- The volume of second-pillar fund assets is EUR 1.5 billion, with a quarterly growth of EUR 34 million
- Pension reform comes into force
- The number of third-pillar clients increases severalfold
- On 3 December, a new third-pillar fund, Pension Fund Green Plus, launched activity



EUR million	Q4 2020	Q3 2020	Change %	Q4 2019	Change %	12M 2020	12M 2019	Change %
Net fee and commission income	8.5	2.2	286%	2.44	248%	14.97	12.87	16%
Net financial income	0.3	0.15	100%	0.08	275%	0.61	0.32	91%
Operating expenses	-1.23	-1.03	19%	-1.15	7%	-4.46	-4.23	5%
Depreciation of non-current assets	-0.49	-0.48	2%	-0.48	2%	-1.93	-1.87	3%
Profit	7.08	0.84	743%	0.89	696%	9.19	7.09	30%
Financial investments	6.8	6.2	10%	8.0	-15%			
Subordinated liabilities	0.6	0.6	0%	1.6	-63%			
Equity	33.0	26.0	27%	29.0	14%			
Assets under management	1 537.1	1 495.9	3%	1 374.0	12%			

In Q4, the operating income of LHV Varahaldus was EUR 8.5 million and net profit was EUR 7.1 million. Operating income and net profit were greatly influenced by the performance fees totalling EUR 6.2 million. Expenses were comparable to Q3, and the revenue base increased somewhat due to the management fees charged on the higher volumes. The growth in the value of units held by LHV itself – EUR 0.3 million – due to the positive yields also bolstered profitability. Of this amount, EUR 0.24 million came from returns on the Green and Green Plus funds.

Major stock markets continued to gain in Q4. In euros, the gains amounted to 7.1% on the S&P 500, 9.2% on the MSCI World and 10.7% on the tech-heavy Nasdaq. The annual increase in the MSCI World and S&P 500 expressed in euros was 6.3% and 6.8%, respectively.

In Q4, all of the pension funds managed by LHV Varahaldus also had a positive yield, with the funds with higher equity risk having the best performance. Over three months, the LHV Pension Fund Index rose by 9.4%, while the values of the units in the active-management pension funds M, L and XL rose by 0.7%, 1.1% and 1.8%, respectively. The market's best-yielding fund continued to be LHV Pension Fund Green – 26.8% for the last three months. Of funds that have been operating for at least a year, LHV's pension funds in both the second and third pillar displayed the best returns - XL had a yield of 7.6% in 2020 after all fees, while the corresponding figure for Supplementary Pension Fund was 8.6%.

In Q4, we purchased three buildings in the Jüri Industrial Park and subscribed to Sunly bonds for financing the construction of solar power plants. With regard to stock markets, we remained cautious, above all increasing existing positions in precious metals.

The number of active second pillar LHV clients grew by close to 4000 in the quarter, reaching 180 000 by year end. The last season was the best ever in terms of unit trading, with a net amount of EUR 38 million accruing in LHV pension funds as the result of changing funds.

The end of the year was characterised by unprecedented interest in the third pillar as a result of the pension reform. In the year's fourth quarter, approximately 21,000 people joined LHV's third pillar system, and the third pillar funds had more than 26,000 clients by the end of the year. Compared to the start of the year, that means the number of clients grew by sixfold and the volume of LHV's third pillar funds grew close to 30% in Q4 alone.

Due to the influx of new clients and positive yields on funds, the second-pillar pension funds' asset volume has also increased. As of the end of 2020, LHV Varahaldus manages more than EUR 1.5 billion in the second-pillar funds, with EUR 34 million in growth in the last three months. As a result of the pension reform and investors leaving the second pillar, a decline in fund volumes can be expected in 2021.

Due to the pension reform coming into force, people now have more options at their disposal, and besides the funds, it is also possible to save for one's retirement in the second pillar through a pension investment account. It is also still possible to exit the system and those who had not previously joined the second pillar can do so. Leaving the system is a costly option, which means the payment of 20% income tax on gains to date. It also means the loss of the option of accumulating funds for retirement in a tax-efficient manner for the next ten years; the result is a pension that is up to one-third smaller. The first awareness-building campaign organised by four management companies to highlight the impacts of the reform was held in December and January 2021, and marketing activities and client outreach will continue in 2021.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q4 2020	12M 2020	Q4 2019	12M 2019
Interest income		25 570	88 373	18 208	61 414
Interest expense		-5 677	-19 881	-4 938	-14 026
Net interest income	9	**19 893**	**68 492**	**13 270**	**47 388**
Fee and commission income		17 558	46 118	9 991	37 026
Fee and commission expense		-3 376	-12 769	-3 564	-11 349
Net fee and commission income	10	**14 182**	**33 349**	**6 427**	**25 677**
Net gains from financial assets measured at fair value		1 257	1 541	97	591
Foreign exchange rate gains/losses		59	43	73	79
Net gains from financial assets		**1 316**	**1 584**	**170**	**670**
Other income		28	146	58	93
Other expense		-2	-27	0	-9
Total other income		**26**	**119**	**58**	**84**
Staff costs		-6 367	-23 910	-5 235	-19 265
Administrative and other operating expenses		-5 029	-20 064	-6 126	-20 003
Total expenses	11	**-11 396**	**-43 974**	**-11 361**	**-39 268**
Profit before impairment losses on loans and advances		**24 021**	**59 570**	**8 564**	**34 551**
Impairment losses on loans and advances	21	-2 243	-10 898	-1 546	-3 210
Profit before income tax		**21 778**	**48 672**	**7 018**	**31 341**
Income tax expense		-3 740	-8 826	-586	-4 249
Net profit for the reporting period	2	**18 038**	**39 846**	**6 432**	**27 092**
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	134	134
Total profit and other comprehensive income for the reporting period		**18 038**	**39 846**	**6 566**	**27 226**
Total profit of the reporting period attributable to:					
Owners of the parent		17 839	37 950	5 719	24 797
Non-controlling interest		199	1 896	713	2 295
Total profit for the reporting period	2	**18 038**	**39 846**	**6 432**	**27 092**
Total profit and other comprehensive income attributable to:					
Owners of the parent		17 839	37 950	5 853	24 931
Non-controlling interest		199	1 896	713	2 295
Total profit and other comprehensive income for the reporting period		**18 038**	**39 846**	**6 566**	**27 226**
Basic earnings per share (in euros)	16	0.62	1.32	0.20	0.91
Diluted earnings per share (in euros)	16	0.61	1.29	0.20	0.89

The Notes on pages 21 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	31.12.2020	31.12.2019
Assets			
Due from central bank	4, 5, 6, 12	2 213 211	1 232 733
Due from credit institutions	4, 5, 6, 12	170 341	32 947
Due from investment companies	4, 6, 12	9 985	5 473
Equity instruments at fair value through other comprehensive income	4, 6, 7	0	432
Financial assets at fair value through profit or loss	4, 6, 7	330 055	40 530
Loans and advances to customers	4, 6, 8, 21	2 208 823	1 687 034
Receivables from customers		9 391	3 551
Other financial assets		2 073	2 246
Other assets		2 182	1 961
Tangible assets	19	6 585	6 686
Intangible assets	19	15 147	14 705
Goodwill		3 614	3 614
Total assets	2	**4 971 407**	**3 031 912**
Liabilities			
Deposits of customers and loans received	13	4 588 355	2 726 562
Financial liabilities at fair value through profit or loss	7	221	8
Accounts payable and other liabilities	14	27 555	24 314
Subordinated debt	6, 20	110 000	75 000
Total liabilities	2	**4 726 131**	**2 825 884**
Owner's equity			
Share capital		28 819	28 454
Share premium		71 468	70 136
Statutory reserve capital		4 713	4 713
Other reserves		3 409	3 280
Retained earnings		128 385	94 228
Total equity attributable to owners of the parent		**236 794**	**200 811**
Non-controlling interest		8 482	5 217
Total equity		**245 276**	**206 028**
Total liabilities and equity		**4 971 407**	**3 031 912**

The Notes on pages 21 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	Q4 2020	12M 2020	Q4 2019	12M 2019
Cash flows from operating activities					
Interest received		24 588	87 144	17 269	59 768
Interest paid		-5 331	-21 286	-3 647	-11 005
Fees and commissions received		17 558	46 118	9 991	37 026
Fees and commissions paid		-3 376	-12 769	-3 564	-11 349
Other income received		-133	-93	76	82
Staff costs paid		-5 722	-21 553	-4 919	-17 877
Administrative and other operating expenses paid		-3 361	-14 427	-3 056	-13 873
Income tax		-1 448	-5 002	-702	-4 208
Cash flows from operating activities before change in operating assets and liabilities		**22 775**	**58 132**	**11 448**	**38 564**
Net increase/decrease in operating assets:					
Net increase/(decrease) in financial assets at fair value through profit or loss		-55	-64	11	49
Loans and advances to customers		-355 793	-531 929	-461 195	-770 388
Mandatory reserve at central bank		-8 801	-14 827	-932	-12 146
Security deposits		93	173	253	690
Other assets		-5 426	-5 483	-1 674	27
Net increase/decrease in operating liabilities:					
Demand deposits of customers		878 816	1 445 689	184 252	885 356
Term deposits of customers		25 159	-25 248	-19 111	390 754
Loans received		-45	448 665	0	10 000
Prepayments of loans received		-2 943	-5 866	-2 943	-5 886
Financial liabilities held for trading at fair value through profit and loss		144	212	-13	-3
Other liabilities		-10 075	-1 124	-20 371	-6 295
Net cash generated from/used in operating activities		**543 849**	**1 368 330**	**-310 275**	**530 722**
Cash flows from investing activities					
Purchase of non-current assets		-1 826	-4 699	-2 212	-3 772
Disposal of non-current assets		0	0	5	5
Proceeds from disposal and redemption of investment securities at fair value through other comprehensive income		652	432	0	0
Net changes of investment securities at fair value through profit or loss		101 265	-287 930	89 823	6 869
Net cash flows from/used in investing activities		**100 091**	**-292 197**	**87 616**	**3 102**
Cash flows from financing activities					
Paid in share capital (incl. share premium)		0	1 697	25 300	26 013
Non-controlling interests on acquisition of subsidiary		2 363	2 800	0	0
Dividends paid		0	- 6 838	0	-6 664
Subordinated loans received		0	50 000	0	40 000
Repayments of the subordinated loans received		-15 000	-15 000	0	-15 900
Repayments of the principal of lease liabilities		-355	-1 278	-1 003	-1 003
Net cash flows from/used in financing activities		**-12 992**	**31 381**	**24 297**	**42 446**
Effect of exchange rate changes on cash and cash equivalents	6	**59**	**43**	**73**	**79**
Net increase/decrease in cash and cash equivalents		**631 007**	**1 107 557**	**-198 362**	**576 349**
Cash and cash equivalents at the beginning of the period		1 721 277	1 244 727	1 443 016	668 378
Cash and cash equivalents at the end of the period	12	**2 352 284**	**2 352 284**	**1 244 727**	**1 244 727**

The Notes on pages 21 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	1 056	726	**1 782**	0	**1 782**
Paid in share capital	2 438	23 483	0	0	0	**25 921**	0	**25 921**
Profit for the reporting period	0	0	0	*0*	24 797	***24 797***	*2 295*	***27 092***
Other comprehensive income/loss	0	0	0	134	*0*	***134***	*0*	134
Total profit and other comprehensive income for the reporting period	0	0	0	134	24 797	**24 931**	2 295	**27 226**
Balance as at 31.12.2019	**28 454**	**70 136**	**4 713**	**3 280**	**94 228**	**200 811**	**5 217**	**206 028**

(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 01.01.2020	**28 454**	**70 136**	**4 713**	**3 280**	**94 228**	**200 811**	**5 217**	**206 028**
Paid in share capital	365	1 332	0	0	0	**1 697**	2 800	**4 497**
Dividends paid	0	0	0	0	-5 406	**-5 406**	-1 431	**-6 837**
Share options	0	0	0	129	1 613	**1 742**	0	**1 742**
Profit for the reporting period	*0*	*0*	*0*	*0*	37 950	***37 950***	*1 896*	***39 846***
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	37 950	**37 950**	1 896	**39 846**
Balance as at 31.12.2020	**28 819**	**71 468**	**4 713**	**3 409**	**128 385**	**236 794**	**8 482**	**245 276**

The Notes on pages 21 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 applicable accounting policies have not changed compared to the previous financial year, except for the financial reporting standards, which are set out in Note 22 at the end of this report.

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) and AS LHV Kindlustus (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.

Q4 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	6 639	13 093	0	2 997	188	3 239	-586	25 570
Interest expense	1 323	-2 095	-12	-441	0	-5 038	586	-5 677
Net interest income	**7 962**	**10 998**	**-12**	**2 556**	**188**	**-1 799**	**0**	**19 893**
Fee and commission income	2 418	284	8 464	184	6 208	0	0	17 558
Fee and commission expense	-214	18	0	-184	-2 992	-4	0	-3 376
Net fee and commission income	**2 204**	**302**	**8 464**	**0**	**3 216**	**-4**	**0**	**14 182**
Net income	**10 166**	**11 300**	**8 452**	**2 556**	**3 404**	**-1 803**	**0**	**34 075**

Net gains from financial assets	-9	1	317	0	0	-6 052	7 059	1 316
Administrative and other operating expenses, staff costs	-3 337	-1 888	-1 685	-402	-2 422	-1 636	0	-11 370
Operating profit	**6 820**	**9 413**	**7 084**	**2 154**	**982**	**-9 491**	**7 059**	**24 021**
Impairment losses on loans and advances	25	-2 125	0	-139	-4	0	0	-2 243
Income tax	-833	-929	0	0	-231	-2 416	669	-3 740
Net profit	**6 012**	**6 359**	**7 084**	**2 015**	**747**	**-11 907**	**7 728**	**18 038**

12M 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	28 867	44 659	0	12 022	941	10 591	-8 707	88 373
Interest expense	-2 072	-6 246	-95	-1 880	0	-18 295	8 707	-19 881
Net interest income	**26 795**	**38 413**	**-95**	**10 142**	**941**	**-7 704**	**0**	**68 492**
Fee and commission income	8 284	1 000	14 966	708	21 160	0	0	46 118
Fee and commission expense	-1 042	-44	0	-635	-11 032	-16	0	-12 769
Dividend income	0	0	0	0	0	7059	-7 059	0
Net fee and commission income	**7 242**	**956**	**14 966**	**73**	**10 128**	**7 043**	**-7 059**	**33 349**
Net income	**34 037**	**39 369**	**14 871**	**10 215**	**11 069**	**-661**	**-7 059**	**101 841**
Net gains from financial assets	-50	-1	707	0	17	911	0	1 584
Administrative and other operating expenses, staff costs	-13 213	-7 691	-6 389	-1 703	-9 588	-5 271	0	-43 855
Operating profit	**20 774**	**31 677**	**9 189**	**8 512**	**1 498**	**-5 021**	**-7 059**	**59 570**
Impairment losses on loans and advances	-976	-9 363	0	-533	-26	0	0	-10 898
Income tax	-1 825	-2 394	-844	-826	-521	-2 416	0	-8 826
Net profit	**17 973**	**19 920**	**8345**	**7 153**	**951**	**-7 437**	**-7 059**	**39 846**
Total assets 31.12.2020	**1 722 042**	**3 050 474**	**34 352**	**65 851**	**147 604**	**226 450**	**-275 366**	**4 971 407**
Total liabilities 31.12.2020	**2 172 121**	**1 274 941**	**1 109**	**47 778**	**1 274 941**	**110 882**	**-155 641**	**4 726 131**

Q4 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	6 280	9 879	0	3 070	256	3 677	-4 954	18 208
Interest expense	-1 619	-1 544	-31	-489	0	-6 209	4 954	-4 938
Net interest income	**4 661**	**8 335**	**-31**	**2 581**	**256**	**-2 532**	**0**	**13 270**
Fee and commission income	1 751	1 378	2 440	166	4 256	0	0	9 991
Fee and commission expense	-141	-308	0	-188	-2 924	-3	0	-3 564

Net fee and commission income	**1 610**	**1 070**	**2 440**	**-22**	**1 332**	**-3**	**0**	**6 427**
Net income	**6 271**	**9 405**	**2 409**	**2 559**	**1 588**	**-2 535**	**0**	**19 697**
Net gains from financial assets	0	0	109	0	61	0	0	170
Administrative and other operating expenses, staff costs	-3 354	-2 102	-1 635	-456	-2 716	-1 040	0	-11 303
Operating profit	**2 917**	**7 303**	**883**	**2 103**	**-1 067**	**-3 575**	**0**	**8 564**
Impairment losses on loans and advances	-856	-617	0	-66	-7	0	0	-1 546
Income tax	-199	-372	0	0	0	-15	0	-586
Net profit	**1 862**	**6 314**	**883**	**2 037**	**-1 074**	**-3 590**	**0**	**6 432**

12M 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	18 907	35 107	0	11 209	752	10 626	-15 187	61 414
Interest expense	-3 723	-6 071	-145	-1 691	-10	-17 573	15 187	-14 026
Net interest income	**15 184**	**29 036**	**-145**	**9 518**	**742**	**-6 947**	**0**	**47 388**
Fee and commission income	6 754	2 147	12 869	602	14 654	0	0	37 026
Fee and commission expense	-502	-363	0	-674	-9 797	-13	0	-11 349
Dividend income	0	0	0	0	0	6 630	-6 630	0
Net fee and commission income	**6 252**	**1 784**	**12 869**	**-72**	**4 857**	**6 617**	**- 6 630**	**25 677**
Net income	**21 436**	**30 820**	**12 724**	**9 446**	**5 599**	**-330**	**-6 630**	**73 065**
Net gains from financial assets	-10	-4	465	0	46	173	0	670
Administrative and other operating expenses, staff costs	-10 895	-7 661	-6 097	-1 881	-9 114	-3 536	0	-39 184
Operating profit	**10 531**	**23 155**	**7 092**	**7 565**	**-3 469**	**-3 693**	**-6 630**	**34 551**
Impairment losses on loans and advances	-1 194	-1 736	0	-247	-33	0	0	-3 210
Income tax	-803	-1 640	-972	-760	-74	0	0	-4 249
Net profit from continued operations	**8 534**	**19 779**	**6 120**	**6 558**	**-3 576**	**-3 693**	**-6 630**	**27 092**
Total assets 31.12.2019	**1 075 705**	**1 613 557**	**31 221**	**65 506**	**298 806**	**179 686**	**-232 569**	**3 031 912**
Total liabilities 31.12.2019	**1 992 547**	**450 089**	**2 100**	**50 548**	**388 317**	**75 577**	**-133 294**	**2 825 884**

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.

The impact of COVID-19 on the Group's operations needs to be reported separately. The crisis mainly affects three risks: personnel risk, liquidity risk and credit risk.

Fortunately, the impact on personnel risk has been minimal, LHV was ready to work in home offices and almost all employees worked for two months from home offices. This reduced social interaction and the chances of being exposed to the virus.

The liquidity risk was primarily caused by the planned mortgage bond issuance plan. The bank had already reduced other sources of funding before crises. When the crisis hit, we responded accordingly by attracting large amounts of new deposits and thus reducing the need to issue mortgage bonds. Following a successful issue at the beginning of June, the bank is overliquid.

In terms of credit risk, LHV joined in granting payment holidays to customers' loan payments agreed under the auspices of the Banking Association. At the same time, we offer our customers as much of our own and the state's mitigation measures as possible. In total, we provided payment holidays in the amount of 350 million euros. However, LHV did not join the other part of the memorandum concerning credit impairements. The Group continues to follow the market practice of making credit impairements. Therefore, during the year, we made forward-looking model-based credit impairements of 10.9 million euros. By the end of the year, the volume of the loan portfolio on payment holidays has decreased to EUR 180 million, and 90% of the customers have moved to the usual payment schedules at the payment holidays.

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

31.12.2020	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	2 175 286	0	84 264	17 566	116 222	199	**2 393 537**
Financial assets at fair value	319 828	2	10 219	5	0	1	**330 055**
Loans and advances to customers	2 180 999	823	14 577	360	7 954	4 110	**2 208 823**
Receivables from customers	9 391	0	0	0	0	0	**9 391**
Other financial assets	122	0	0	1 951	0	0	**2 073**
Total financial assets	**4 685 626**	**825**	**109 060**	**19 882**	**124 176**	**4 310**	**4 943 879**
Deposits of customers and loans received	3 246 891	216 261	705 206	1 633	375 657	42 707	**4 588 355**
Subordinated debt	110 000	0	0	0	0	0	**110 000**
Financial liabilities at fair value	221	0	0	0	0	0	**221**
Accounts payable and other financial liabilities	22 995	0	0	0	0	0	**22 995**
Total financial liabilities	**3 380 107**	**216 261**	**705 206**	**1 633**	**375 657**	**42 707**	**4 721 571**

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

31.12.2019	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 229 169	0	10 972	4 929	23 041	3 042	**1 271 153**
Financial assets at fair value	8 484	9 840	22 618	4	0	16	**40 962**
Loans and advances to customers	1 656 373	840	26 257	379	0	3 185	**1 687 034**
Receivables from customers	3 551	0	0	0	0	0	**3 551**
Other financial assets	110	0	0	2 136	0	0	**2 246**
Total financial assets	**2 897 687**	**10 680**	**59 847**	**7 448**	**23 041**	**6 243**	**3 004 946**
Deposits of customers and loans received	1 870 475	372 390	428 102	1 241	0	54 354	**2 726 562**
Subordinated debt	75 000	0	0	0	0	0	**75 000**
Accounts payable and other financial liabilities	20 739	0	44	3	3	0	**20 789**
Financial liabilities at fair value	8	0	0	0	0	0	**8**
Total financial liabilities	**1 966 222**	**372 390**	**428 146**	**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

31.12.2020	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	3 635 403	99 647	386 654	465 776	1 473	**4 588 953**
Subordinated debt	0	1 881	5 644	29 744	127 175	**164 444**
Accounts payable and other financial liabilities	0	22 995	0	0	0	**22 995**
Unused loan commitments	0	413 818	0	0	0	**413 818**
Financial guarantees by contractual amounts	0	36 492	0	0	0	**36 492**
Foreign exchange derivatives (gross settled)	0	81 789	0	0	0	**81 789**
Financial liabilities at fair value	0	89	0	0	0	**89**
Total liabilities	**3 635 403**	**656 711**	**392 298**	**495 520**	**128 648**	**5 308 580**
Financial assets by contractual maturity dates						
Due from banks and investment companies	2 393 537	0	0	0	0	**2 393 537**
Financial assets at fair value (debt securities)	0	200 448	117 716	4 534	0	**322 698**
Loans and advances to customers	0	146 192	329 310	1 375 417	741 393	**2 592 312**
Receivables from customers	0	9 391	0	0	0	**9 391**
Other financial assets	0	81 789	0	0	0	**81 789**
Foreign exchange derivatives (gross settled)	2 073	0	0	0	0	**2 073**
Total financial assets	**2 395 610**	**437 820**	**447 026**	**1 379 951**	**741 393**	**5 401 800**
Maturity gap from financial assets and liabilities	**-1 239 793**	**-218 891**	**54 728**	**884 431**	**612 745**	**93 220**

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

31.12.2020	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	2 251 556	1 164	119 368	1 944	12 295	7 212	**2 393 537**
Financial assets at fair value	329 959	7	0	8	52	28	**330 055**
Loans and advances to customers	2 195 132	24	7 016	484	5 997	169	**2 208 823**
Receivables from customers	7 779	0	350	10	464	788	**9 391**
Other financial assets	117	0	0	0	1 956	0	**2 073**
Total assets bearing currency risk	**4 784 544**	**1 194**	**126 734**	**2 445**	**20 764**	**8 197**	**4 943 879**
Liabilities bearing currency risk							
Deposits from customers and loans received	4 354 633	3 951	125 267	7 292	85 616	11 597	**4 588 355**
Financial liabilities at fair value	221	0	0	0	0	0	**221**
Accounts payable and other financial liabilities	14 723	21	1 610	661	4 343	1 637	**22 995**
Subordinated debt	110 000	0	0	0	0	0	**110 000**
Total liabilities bearing currency risk	**4 479 577**	**3 971**	**126 877**	**7 953**	**89 959**	**13 234**	**4 721 571**
Open gross position derivative assets at contractual value	0	2 778	0	5 581	69 080	4 350	**81 789**
Open gross position derivative liabilities at contractual value	81 789	0	0	0	0	0	**81 789**
Open foreign currency position	**223 178**	**1**	**-143**	**74**	**-114**	**-687**	**222 308**

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	31.12.2020	Level 1	Level 2	Level 3	31.12.2019
Financial assets at fair value through profit and loss								
Shares and fund units*	479	6 788	0	**7 267**	500	7 695	0	**8 195**
Equity instruments at fair value through other comprehensive income	0	0	0	**0**	0	0	432	**432**
Bonds at fair value through profit and loss	322 699	0	0	**322 699**	32 331	0	0	**32 331**
Interest rate swaps and foreign exchange forwards	0	89	0	**89**	0	4	0	**4**
Total financial assets	**323 178**	**6 877**	**0**	**330 055**	**32 831**	**7 699**	**432**	**40 962**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	221	0	**221**	0	8	0	**8**
Total financial liabilities	**0**	**221**	**0**	**221**	**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 6 788 (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 31.12.2020 the fair value of corporate loans and overdraft is EUR 1 412 thousand (0,11%) higher 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 December 2020 and 31 December 2019. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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 50 000 thousand were received in 2020, subordinated loans in the amount of EUR 40 000 thousand were received in 2019 and EUR 20 000 thousand were received in 2018. 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

	31.12.2020	%	31.12.2019	%
Individuals	858 141	38.6%	738 152	43.6%
Real estate activities	498 927	22.4%	353 405	20.9%
Manufacturing	152 968	6.9%	114 104	6.7%
Arts and entertainment	59 184	2.7%	42 638	2.5%
Financial activities	69 694	3.1%	71 690	4.2%
Wholesale and retail trade	88 642	4.0%	80 767	4.8%
Administrative and support service activities	74 466	3.3%	67 064	4.0%
Transportation and storage	27 534	1.2%	15 337	0.9%
Agriculture	72 398	3.3%	59 657	3.5%
Other service activities	8 012	0.4%	7 290	0.4%
Construction	45 314	2.0%	38 951	2.3%
Information and communication	12 705	0.6%	7 017	0.4%
Professional, scientific and technical activities	41 678	1.9%	47 368	2.8%
Education	16 403	0.7%	1 976	0.1%
Local municipales	120 805	5.4%	112	0.0%
Other sectors	78 810	3.5%	47 610	2.8%
Total	**2 225 681**	**100%**	**1 693 138**	**100%**
Impairment	-16 858		-6 104	
Total loan portfolio	**2 208 823**	**100%**	**1 687 034**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q4 2020**	**12M 2020**	**Q4 2019**	**12M 2019**
From balances with credit institutions and investment	29	33	34	270
From debt securities	-164	-435	94	356
Leasing	1 534	4 329	843	3 253
Leverage loans and lending of securities	243	753	173	500
Consumer loans	2 087	8 314	2 070	7 240
Hire purchase	911	3 708	1 000	3 968
Corporate loans	13 768	46 834	10 821	37 129
Credit card loans	224	849	209	813
Mortgage loans	4 894	18 170	2 493	5 248
Other loans	2 044	5 818	471	2 637
Total	**25 570**	**88 373**	**18 208**	**61 414**
Interest expense				
Deposits of customers and loans received	-1 602	-7 570	-2 083	- 5 579
Balances with the central bank	-1 878	-5 966	-1 612	-4 264
Subordinated liabilities	-2 197	-6 345	-1 243	-4 183
including loans between related parties	-86	342	-90	-373
Total	**-5 677**	**-19 881**	**-4 938**	**-14 026**
Net interest income	**19 893**	**68 492**	**13 270**	**47 388**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q4 2020**	**12M 2020**	**Q4 2019**	**12M 2019**
Estonia	25 705	88 775	18 080	60 788
Total	**25 705**	**88 775**	**18 080**	**60 788**

NOTE 10 Net Fee and Commission Income

Fee and commission income	**Q4 2020**	**12M 2020**	**Q4 2019**	**12M 2019**
Security brokerage and commissions paid	1 397	4 825	1 747	3 658
Asset management and similar fees	9 462	18 629	3 253	15 831
Currency exchange fees conversion revenues	1 138	3 406	438	1 867
Fees from cards and payments	4 487	15 171	3 670	12 485
Other fee and commission income	1 074	4 087	883	3 185
Total	**17 558**	**46 118**	**9 991**	**37 026**
Fee and commission expense				
Security brokerage and commissions paid	-214	-1 062	-157	-546
Expenses related to cards	-1 209	-4 722	-1 227	-3 979
Expenses related to acquiring	-1 330	-4 498	-1 060	-3 967
Other fee and commission expense	-623	-2 487	-1 120	-2 857
Total	**-3 376**	**-12 769**	**-3 564**	**-11 349**
Net fee and commission income	**14 182**	**33 349**	**6 427**	**25 677**

Fee and commission income by customer location:	**Q4 2020**	**12M 2020**	**Q4 2019**	**12M 2019**
Estonia	17 558	46 118	9 991	36 978
Luxembourg	0	0	0	48
Total	**17 558**	**46 118**	**9 991**	**37 026**

NOTE 11 Operating Expenses

	Q4 2020	**12M 2020**	**Q4 2019**	**12M 2019**
Wages, salaries and bonuses	4 899	18 380	4 071	14 883
Social security and other taxes*	1 468	5 530	1 164	4 382
Total personnel expenses	**6 367**	**23 910**	**5 235**	**19 265**
IT expenses	979	3 403	877	2 829
Information services and bank services	263	1 005	245	868
Marketing expenses	474	1 822	442	2 089
Office expenses	202	672	184	633
Transportation and communication expenses	74	279	73	276
Staff training and business trip expenses	68	317	179	690
Other outsourced services	1 034	3 847	909	3 324
Other administrative expenses	399	3 879	1 308	3 807
Depreciation of non-current assets	1 367	4 359	1 634	4 674
Operational lease payments	37	125	93	327
Other operating expenses	132	356	182	486
Total other operating expenses	**5 029**	**20 064**	**6 126**	**20 003**
Total operating expenses	**11 396**	**43 974**	**11 361**	**39 268**

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

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

	31.12.2020	31.12.2019
Demand and term deposits with maturity less than 3 months*	180 326	38 420
Statutory reserve capital with the central bank	41 253	26 426
Demand deposit from central bank*	2 171 958	1 206 307
Total	**2 393 537**	**1 271 153**
*Cash and cash equivalents in the Statement of Cash Flows	2 352 284	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 9 985 thousand (31 December 2019: EUR 5 473 thousand). All other demand and term deposits are held with credit institutions and the central bank.

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

NOTE 13 Deposits of Customers and Loans Received

Deposits/loans by type	**Individuals**	**Financial intermediates**	**Legal entities**	**Public sector**	**31.12.2020**
Demand deposits	745 304	1 043 509	1 425 894	420 460	3 635 167
Term deposits	256 764	10 118	194 403	22 017	483 302
Loans received	0	0	268 442	200 000	468 442
Accrued interest liability	1 208	0	230	6	1 444
Total	**1 003 276**	1 053 627	**1 888 969**	**642 483**	**4 588 355**

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 has signed an unsecured 10-year loan agreement with the European Investment Fund (EIF) in the amount of EUR 12.5 million to increase the borrowing possibilities of small and medium-sized enterprises. As at 31.12.2020, the Bank had utilized 12 250 thousand euros of the loan amount and repaid the principal in the amount of EUR 3 604 thousand euros. From Nordic Investment Bank possible 20 000 thousand euro loan the Bank had utilized 20 000 thousand euros as of 31.12.2020 and repaid the principal in the amount of EUR 8 889 thousand euros. The nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been implemented.

In June 2020, LHV Bank made a successful debut issue of EUR 250 million in covered bonds to international investors. 31 institutional investors participated in the 5-year issue and the interest rate was 0.12%. The issue by LHV Pank was the first debut issue since the beginning of the COVID-19 crisis. The issue received an Aa1 rating from Moodys and was listed on the Dublin Stock Exchange.

In the third quarter, the Bank raised EUR 200 million in negative interest funds through the TLTRO III program offered by the European Central Bank.

NOTE 14 Accounts payable and other liabilities

Financial liabilities	**31.12.2020**	**31.12.2019**
Trade payables and payables to merchants	2 058	5 033
Other short-term financial liabilities	5 591	3 067
Lease liabilities	3 394	4 672
Accrued interest on subordinated loans	603	444
Payments in transit	10 952	7 395
Financial guarantee contracts issued	397	178
Subtotal	**22 995**	**20 789**
Performance guarantee contracts issued	299	266
Tax liabilities	1 820	1 230
Payables to employees	2 202	1 705
Other short-term liabilities	239	324
Subtotal	**4 560**	**3 525**
Total	**27 555**	**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 December 2020	15 217	36 492	8	413 818	**465 535**
Liability in the contractual amount as at 31 December 2019	11 078	14 139	10	359 230	**384 457**

NOTE 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.

	Q4 2020	**12M 2020**	**Q4 2019**	**12M 2019**
Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)	17 839	37 950	5 719	24 797
Weighted average number of shares (in thousands of units)	28 819	28 728	28 454	27 235
Basic earnings per share (EUR)	0.62	1.32	0.20	0.91
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	29 447	29 404	29 047	27 828
Diluted earnings per share (EUR)	0.61	1.29	0.20	0.89

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 31.12.2020 was 293 559 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	**31.12.2020**	**31.12.2019**
Paid-in share capital	28 819	28 454
Share premium	71 468	70 136
Reserves	4 713	4 713
Other reserves	0	212
Accumulated loss	90 434	69 452
Intangible assets (subtracted)	-18 761	-18 319
Profit for the reporting period (COREP)	14 239	12 186
Other adjustments	-323	-33
CET1 capital elements or deductions	-2 188	0
CET1 instruments of financial sector entities where the institution has a significant investment	-4 842	0
Total Core Tier 1 capital	**183 559**	**166 801**
Additional Tier 1 capital	35 000	20 000
Total Tier 1 capital	**218 559**	**186 801**
Subordinated liabilities	75 000	55 000
Total Tier 2 capital	**75 000**	**55 000**
Total net own funds	**293 559**	**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	Q4 2020	12M 2020	Q4 2019	12M 2019
Interest income	**20**	**70**	**15**	**65**
incl. management	10	37	5	33
incl. shareholders that have significant influence	10	33	10	32
Fee and commission income	**10**	**40**	**10**	**30**
Incl. management	0	0	0	0
incl. shareholders that have significant influence	10	30	10	30
Interest expenses from deposits	**5**	**35**	**10**	**40**
incl. management	0	0	0	0
incl. shareholders that have significant influence	5	35	10	40
Interest expenses from subordinated loans	**86**	**342**	**90**	**373**
incl. management	3	9	2	8
incl. shareholders that have significant influence	83	333	88	365

Balances	31.12.2020	31.12.2019
Loans and receivables as at the year-end	**4 096**	**3 290**
incl. management	2 462	2 399
incl. shareholders that have significant influence	1 634	892
Deposits as at the year-end	**21 318**	**16 063**
incl. management	642	283
incl. shareholders that have significant influence	20 676	15 780
Subordinated loans as at the year-end	**4 134**	**5 054**
incl. management	148	118
incl. shareholders that have significant influence	3 986	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 Q4, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 437 thousand (Q4 2019: EUR 291 thousand), including all taxes. As at 31.12.2020, remuneration for December and accrued holiday pay in the amount of EUR 91 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 31.12.2020 and 31.12.2019 (pension liabilities, termination benefits, etc.). In Q4 2020, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 30 thousand (Q4 2019: EUR 27 thousand).

Management is related to the share-based compensation plan. In Q4 2020 the share-based compensation to management amounted to EUR 197 thousand (Q4 2019: EUR 168 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	8 923	12 436	21 359
Accumulated depreciation and amortisation	-2 994	0	-2 994	-4 458	-1 431	- 5 899
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	1 651	0	1 651	1 105	0	1 105
Depreciation/amortisation charge	-780	-972	-1 752	-804	-1 803	-2 607
Capitalised selling costs	0	0	0	0	1 944	1 944
Recalculation	0	-230	-230	0	0	0
Recalculation of the accumulated amortisation	0	230	230	0	0	0
Balance as at 31.12.2020						
Cost	6 763	5 446	12 209	9 457	15 964	25 421
Accumulated depreciation and amortisation	-3 983	-1 641	-5 624	-5 579	-4 695	-10 274
Carrying amount 31.12.2020	**2 780**	**3 805**	**6 585**	**3 878**	**11 269**	**15 147**

NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)

	Year of issue	Amount	Interest rate	Maturity date
Subordinated Tier 2 liabilities	2018	20 000	6.0%	November 28 2028
Subordinated Tier 2 liabilities	2019	20 000	6.0%	November 28 2028
Subordinated Tier 2 liabilities	2020	35 000	6.0%	September 30 2030
Additional subordinated Tier 2 liabilites	2019	20 000	8.0%	Perpetual
Additional subordinated Tier 2 liabilites	2020	15 000	9.5%	Perpetual

Subordinated debt as at 31.12.2019	75 000
Subordinated debt as at 31.03.2019	75 000
Subordinated debt as at 30.06.2020	90 000
Subordinated debt as at 30.09.2020	125 000
Subordinated debt as at 31.12.2020	110 000

NOTE 21 Loans and advances to customers

(in thousands of euros)	**31.12.2020**	**31.12.2019**
Loans to legal entities	**1 367 540**	**954 970**
incl. corporate loans	1 192 803	815 740
incl. leasing	102 297	66 060
incl. overdraft	30 338	31 193
incl. leveraged loans	20 497	32 761
incl. hire-purchase	5 551	3 148
incl. credit card loans	519	679
incl. apartment association loans	7 135	-
incl. credit letters	8 400	5 389
Loans to individuals	**858 141**	**738 168**
incl. hire-purchase	14 294	16 121
incl. mortgage loans	695 204	587 855
incl. consumer loans	52 202	49 424
incl. private loans	50 264	44 776
incl. leasing	26 554	23 427
incl. leveraged loans	6 366	2 840
incl. credit card loans	7 232	7 263
incl. overdraft	23	34
incl. study loan	974	749
incl. real estate leasing	5 027	5 679
Total	**2 225 681**	**1 693 138**
Impairment provisions	-16 858	-6 104
Total	**2 208 823**	**1 687 034**

Changes in impairments in 12M 2020	**Corporate loans incl. overdraft, factoring, apartment association loans, trade financing**	**Consumer loans, incl credit cards, hirepurchase**	**Leveraged loans**	**Leasing**	**Private loans incl. mortgage, overdraft, study loan, real estate leasing**	**Total**
Balance as at 1 January	**-3 819**	**-789**	**-6**	**-639**	**-851**	**-6 104**
Impairment provisions/reversals set up during the year	1 714	534	2	235	528	3 013
Written off during the reporting period	-11 345	-923	-21	-981	-498	-13 767
Balance as at 31 December 2020	**-13 449**	**-1 178**	**-25**	**-1 385**	**-821**	**-16 858**

NOTE 22 Changes in accounting policies

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

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

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

Deferred income tax is not recognized if the investment meets both criteria (a) and (b) above.
To meet criterion (a), an enterprise must have control over its investment. Control generally exists over subsidiaries and branches. In the case of associates and joint ventures, there is generally no control, so the temporary taxable differences in these investments are usually subject to income tax liability.

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

In the case of LHV Group, this change will result in the immediate assumption of the income tax liability associated with the planned dividend from subsidiaries in the following years.

Shareholders of AS LHV Group

AS LHV Group has a total of 28 819 092 ordinary shares, with a nominal value of 1 euro.

As at 31 December 2020, AS LHV Group has 10 714 shareholders:

- 13 908 669 shares (48.26%) were held by members of the Supervisory Board and Management Board, and related parties.
- 14 910 423 shares (51.74%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 31 December 2020:

Number of	Participation	Name of shareholder
3 618 920	12.6%	AS Lõhmus Holdings
2 538 367	8.8%	Rain Lõhmus
2 186 432	7.6%	Viisemann Investments AG
1 653 709	5.7%	Ambient Sound Investments OÜ
1 210 215	4.2%	OÜ Krenno
1 082 744	3.8%	AS Genteel
1 031 310	3.6%	AS Amalfi
782 488	2.7%	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 53 509 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 34 330 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: Rain Lõhmus, Andres Viisemann, Tiina Mõis, Heldur Meerits, Raivo Hein, Tauno Tats, Sten Tamkivi
Management board: Madis Toomsalu

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

AS LHV Pank
Supervisory board: Madis Toomsalu, Rain Lõhmus, Andres Viisemann, Tiina Mõis, Heldur Meerits, Raivo Hein
Management board: Kadri Kiisel, Erki Kilu (until 19.01.2021), Jüri Heero, Andres Kitter, Meelis Paakspuu, Indrek Nuume, Martti Singi

AS LHV Finance
Supervisory board: Kadri Kiisel (since 29.01.2021), Erki Kilu (until 28.01.2021), Madis Toomsalu, Veiko Poolgas, Jaan Koppel
Management board: Mari-Liis Stalde (since 29.01.2021), Kadri Kiisel (until 28.01.2021)

AS LHV Kindlustus
Supervisory board: Madis Toomsalu, Erki Kilu, Veiko Poolgas, Jaan Koppel
Management board: Jaanus Seppa, Tarmo Koll

OÜ Cuber Tehnology
Management board: Daniel Haab

Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to December 2020 period the condensed consolidated interim financial statements of AS LHV Group for the 12-months period ended 31 December 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.

09.02.2021

Madis Toomsalu