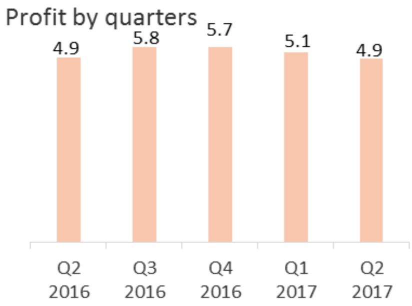
Interim Report January – June 2017
Summary of Results

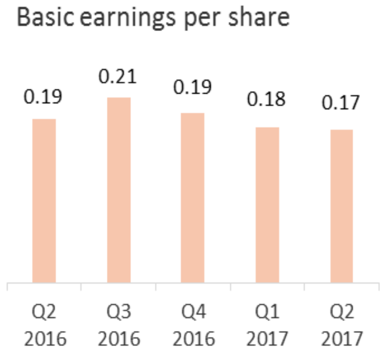
Q2 2017 in comparison with Q1 2017

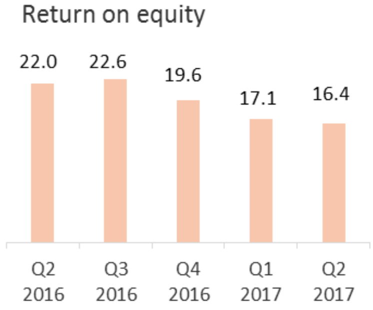
- Net profit EUR 4.9 m (EUR 5.1 m), of which EUR 4.4 m (EUR 4.5 m) is attributable to owners of the parent
- Earnings per share EUR 0.17 (EUR 0.18)
- Net income EUR 14.8 m (EUR 13.8 m)
- Operating expenses EUR 7.9 m (EUR 7.7 m)
- Loan provisions EUR 1.8 m (EUR 0.1 m)
- Return on equity 16.4% (17.1%)
- Capital adequacy 19.4% (20.9%)

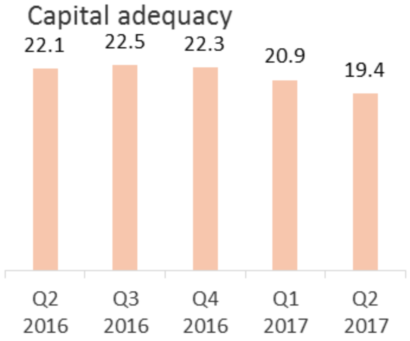
Q2 2017 in comparison with Q2 2016

- Net profit EUR 4.9 m (EUR 4.9 m*), of which EUR 4.4 m (EUR 4.6 m) is attributable to owners of the parent
- Earnings per share EUR 0.17 (EUR 0.19)
- Net income EUR 14.8 m (EUR 12.7 m)
- Operating expenses EUR 7.9 m (EUR 7.1 m)
- Loan provisions EUR 1.8 m (EUR 0.7 m)
- Return on equity 16.4% (22.0%)
- Capital adequacy 19.4% (22.1%)









*Q2 2016 result includes the extraordinary revenue from Visa Europe shares in the amount of EURm 0.9.

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,

LHV was moving forward at a solid pace in the second quarter. When compared to the first quarter, the number of the bank's clients grew by around 5,000 and the loan portfolio by EUR 59 million. At the same time, new records were achieved in the clients' payment activity, card transactions and receipt of card transactions. It is a pleasure to see the quarter ending strongly, as in June the corporate loan portfolio grew by EUR 26 million. Throughout the six months, we have surpassed our financial targets of 2017 by EUR 1 million when it comes to our net profit.

In order to sustain the growth that exceeds the financial plan, LHV Pank plans to increase their capital by EUR 3 million in July, involving the respective sum from LHV Group. This is the group's internal transaction and does not impact the group's own resources.

In Q2, the LHV Pank's volume of deposits, including the deposits of non-residents, grew significantly. This mainly includes financial technology enterprises, as the provision of services to them is a new business direction for LHV. For such enterprises, it can be common to maintain a larger account balance in the bank, that the bank, in turn, uses for their loan operations in a volume that is smaller than usual. This is why greater fluctuations in the bank's liquidity figures and a decrease in the loan to deposit ratio is expected as this business direction develops. In the case of this business direction, the clients are charged service fees and extra fees accounted on the high account balance, that does not concern regular Estonian enterprises.

The results of Q2 include loan discounts that are larger than usual. We are still in a strong credit cycle which, while decreasing the credit loss risk on the level of the portfolio, does not preclude a deterioration of solvency by specific clients. Discounts are a part of loan activity and while the objective is to avoid damages in the case of single clients, it is not always possible. It is not even rational over the total number of credit portfolios.

As for other events of Q2, the launch of video identification can be highlighted. This means that private customers preferring electronic channels can open an account at LHV without visiting an office. In addition to video identification, in order to improve user-friendliness, we adopted the Smart-ID authentication solution, expanded the network of ATMs to Rakvere and Viljandi and developed a chat robot on LHV's Facebook channel. The latter is a virtual service representative, whose communication skills are directly dependent on the volume of communication.

In the second half of the quarter, the bank submitted the documents required to open a branch in the United Kingdom to the Financial Supervision Authority, made an agreement on the site of the office in London and joined UK finance, which is an umbrella organisation for banks operating in the United Kingdom.

In cooperation with the Tax and Customs Board, we created a new salary payment solution for our clients, which enables us to pay salaries, declare labour taxes and pay them in the internet bank all at once. The solution also earnt this year's innovation award of the Estonian Banking Association.

LHV's pension funds continued banking investments related to Estonia. In the first half-year as a whole, pension funds have already made investment decisions related to Estonia amounting to EUR 100 million. In the situation where the prices of internationally traded securities are high and the trading volumes of the Tallinn stock exchange are modest taking account the volumes of the pension funds, we have started to develop the local capital market ourselves, looking for new investment opportunities. The objective of LHV's pension funds is to help the local enterprises grow, while we hope to earn a profit for the clients of our pension funds from this growth.

LHV's strong basic trends are also supported by the Estonian economic situation which, according to the latest figures, is improving. Economic growth has accelerated and investments increase. The biggest risks to the local open economy are posed by the outlooks of trade partners. Currently they are showing signs of improving. What could be highlighted separately is the Swedish real estate market where, given the rapidly increased prices, the question is no longer "whether", but "when" the adjustment will take place. The effect of this would reach the Estonian economy through the Nordic banking groups. The risk factors include the fragile balance of the Estonian real estate market and the long-term demographic factors influencing it, which are felt by entrepreneurs through the increase of labour costs. Competition with Europe is, however, unavoidable, which is why investments for increasing efficiency are inevitable.

The credit market has remained strong, with its characteristic figures being an increase of loan volumes on the market and the low level of debt. There are also signs of the higher pricing of credit and an increase of the number of enterprises involved in debt.

On 1 January 2018, two important changes in the accounting standards, IFRS 9 and IFRS 15 will be applied. The application of these regulations will also have a significant impact on LHV. IFRS 9 will bring about changes in provisioning, where the allocation of provisions must, in addition to the client's own financial situation, take into account changes in the economic environment when compared to the time of issuing the loan. It is our position that the level of provisions as represented in our financial reports is largely adequate in the light of IFRS 9 and the application of the regulation does not bring about any one-off changes in the profit report, but adds volatility to the monthly calculation of provisions and thereby also the monthly outcomes.

The main impact of IFRS 15 on LHV is related to the external costs of becoming a customer, which from then on must be allocated under costs depending on the age of the customer. LHV has multiple lines of business where external parties are used as sales channels, of which the most important is the sale of pension funds of Varahaldus, where the clients' life expectancy can be measured by decades. Until now, we have recorded these sums immediately under costs. As IFRS 15 is implemented, the costs made previously must also be capitalised. Sales costs made up to 2016 following their depreciation amount to EUR 10.1 million in Varahaldus. This is the sum by which we will increase the undistributed profit, as well as the intangible assets (capitalised sales costs) of the past years on 1 January 2018. In the years to follow, we will be writing capitalised sales costs under loss over the clients' effective life expectancy. As IFRS 15 is adopted, the capitalisation and later depreciation of sales costs will impact the sale of pension funds taking place in 2017 and later.

The Group's consolidated profit for Q1 was EUR 4.9 million, which is EUR 0.2 million less than in Q1 and exactly the same as in Q2 of the last year. The decrease of the profit of Q2 when compared to Q1 was mainly caused by an increase in the discounts of loans by EUR 1.7 million. High client activity helped to sustain the profit. The return on equity held by LHV's shareholders in Q1 of 2017 was 16.6%.

Over the quarter, the Group's consolidated loans grew by EUR 60 million (EUR 8 million in Q1) and consolidated deposits grew by a record EUR 210 million (EUR 22 million in Q1). The volume of funds managed by LHV increased by EUR 14 million during the quarter (EUR 46 million in Q1).

The bank's profit in Q2 was EUR 3.4 million, which is EUR 0.9 million more than in the previous quarter. At the same time, Q2 was characterised by the continued high client activity and an increase of loans and deposits. Over the quarter, the number of new clients grew by 5,900 and the total number of clients surpassed 123,000.

The bank's loan portfolio increased by EUR 59 million in Q1 and reached EUR 599 million. Among the loans, entrepreneurship loans grew the most. In Q2, the cost of the discount of loans was EUR 1.9 million, which is EUR 1.8 million more than in the previous quarter, having been impacted by the discount of two clients in the sum of EUR 1.4 million. As for the budget, the discounts were expected and there is currently no need for adjusting the prognoses.

Client deposits grew by a record EUR 211 million in Q2 and reached the value of EUR 1,022 million by the end of the quarter. On-demand deposits grew by EUR 196 million and fixed-term deposits decreased by EUR 15 million.

The profit of asset management in Q1 was EUR 1.6 million, which was EUR 0.9 million less than the previous quarter's result. In Q1, the results were impacted by the income tax cost of EUR 1.0 million, that was accounted on the dividends paid to the group. The fee and commission income of Varahaldus decreased by EUR 0.1 million to EUR 3.2 million, as starting from February the management fees of pension funds decreased by an average of 19%. The business costs of Varahaldus remained the same when compared to the previous period.

In June, the decision was made to decrease the share capital of Varahaldus by EUR 6.6 million. The transaction is concluded within the group and the payment to LHV Group is made in September. The reason for decreasing the share capital was the more efficient management of capital on the level of the consolidation group. Varahaldus does not need to hold share capital in the same volume as before, because the requirements arising from the legislation that were loosened in the beginning of the year have also been fulfilled with a smaller share capital.

The total volume of funds managed by LHV grew by EUR 14 million over the quarter (by EUR 44 million in Q1). The volume of LHV's 2nd pillar funds decreased by EUR 8 million in May, as the requests for exchanging shares that were filed in March entered into force. The number of active clients of the 2nd pillar decreased by 900 over the quarter (by 1,900 in Q1). LHV's sales activity was more active in the second quarter than in the same period a year ago. The number of clients leaving is, however, impacted by the total number of clients, which is higher after the merger with Danske Capital, as well as the shorter term rate of return of the funds. When comparing the funds with a progressive strategy, that are the most popular among the people joining the 2nd pillar, LHV's fund offers the best rate of return in the quarter as a whole. From the beginning of the year, the same fund is the third in its category resulting from the strategy of keeping the investment risks low.

The profit of Mokilizingas in Q1 was EUR 0.2 million, which is EUR 0.1 million less than in the previous quarter. The financing portfolio increased by EUR 0.3 million over the quarter and reached EUR 34 million by the end of the quarter. The portfolio's credit quality remains stable.

LHV's outlook for the current year is good. We are aiming for growth in all our business directions. In the month as a whole, we have surpassed the financial plan published in February 2017 by EUR 1 million and are not currently going to change the estimated profit of EUR 21.8 million. In the medium term, we can grow with the overall market growth, but we also see an opportunity for increasing our market share by offering new and modern financial services. The cornerstone of LHV's strategy is quality growth.

Madis Toomsalu

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Financial Summary

Income statement EUR million	Q2 2017	Q2 2016	Year over year	6M 2017	6M 2016	Year over year
Net interest income	8.61	7.23	19%	16.77	14.02	20%
Net fee and commission income	5.21	4.31	21%	10.49	7.96	32%
Other financial income	0.93	1.15	-19%	1.33	1.35	-1%
Total net operating income	14.75	12.69	16%	28.59	23.33	23%
Other income	-0.09	0.13	-169%	-0.11	0.11	-200%
Operating expenses	-7.92	-7.10	12%	-15.62	-13.93	12%
Loan losses	-1.84	-0.74	149%	-1.93	-1.00	93%
Income tax expenses	-0.02	-0.07	-71%	-1.00	-0.15	567%
Net profit	4.88	4.91	-1%	9.93	8.36	19%
including attributable to owners of the parent	4.42	4.56	-3%	8.89	7.58	17%

Business volumes EUR million	Q2 2017	Q1 2017	Quarter over quarter	Q2 2016	Year over year
Loan portfolio	606.1	545.7	11%	469.3	29%
Financial investments	60.7	68.7	-12%	103.9	-42%
Deposits of customers	1 008.2	798.2	26%	672.0	50%
Equity (including minority interest)	114.4	113.0	1%	4.0	19%
Equity (owners' share)	108.6	107.1	1%	91.8	18%
Volume of funds managed	1 034.6	1 020.3	1%	890.6	16%
Assets managed by bank	1 075.3	1 040.5	3%	881.9	22%

Ratios EUR million	Q2 2017	Q2 2016	Year over year	6M 2017	6M 2016	Year over year
Average equity (attributable to owners of the parent)	107,6	82.8	24.7	105.5	80.9	24.6
Return on equity (ROE), %	16,4	22.0	-5.6	16.9	18.7	-1.8
Return on assets (ROA), %	1,8	2.4	-0.6	0.9	1.1	-0.2
Interest-bearing assets, average	1 054.3	791.9	262.4	1 034.3	777.4	256.9
Net interest margin (NIM) %	3.27	3.66	-0.39	3.25	3.62	-0.37
Price spread (SPREAD) %	3.22	3.58	-0.36	3.21	3.54	-0.33
Cost/income ratio %	54.0	55.4	-1.4	54.8	59.4	-4.6

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

In comparison with the beginning of the year the global economic picture continues to be good and hope remains for a marginal acceleration of global economic growth. Confidence has improved, but the growth of consumption, investments, goods exchange and productivity could still be better, compared with historical levels. Higher raw material prices support the recovery of economies dependent upon them while at the same time the acceleration of inflation due to the recovery of energy prices is taking place in the majority of countries. At the same time there is insufficient long-term pressure on core inflation monitored by central banks. The turning of the cycle of interest rates in the United States also signals, with great likelihood, the blowing of new winds for Europe in the currently expansive monetary policy, although understandably a rapid change in direction is not expected. The continually inflating asset values reflect the optimistic expectations of investors, which may not correspond to the real outlook of the economy. Geopolitical tensions have risen in connection with the missile tests by North Korea.

The keyword for 2017 is elections. Following the win by Emmanuel Macron in the French presidential election, tensions and uncertainty have decreased significantly. There are no surprises expected for the autumn elections in Germany, although the planned Catalan independence referendum will keep the atmosphere anxious in Spain until the beginning of October. Negative trends in policy, such as the growth of protectionism, the reviewing of international trade agreements and delaying of necessary structural reforms, may significantly reshape the long-term economic picture.

Eurozone economic growth rose in the first quarter to 1.9%. This was the 11th consecutive quarter in which the result equalled or surpassed the potential. The improved net export contribution, resulting from the slowing of imports, had a significant positive impact. Domestic consumption, the primary engine of growth thus far, is at least temporarily effected by the return of negative inflation, since there continues to be no significant pressure for the raising of salaries. According to initial estimates, consumer prices increased by 1.3% in June, which is the lowest level for the current year. In comparison with the previous year marginal acceleration in economic growth in the Eurozone growth is expected in 2017. The improved outlook is confirmed by several sentiment indicators. The consumption is positively supported by the continued growth of employment. Also, the improving profitability of enterprises facilitates the restoration of investments.

The Economic Sentiment Index of the most important European trade partners has remained at the top for the past five years. Compared to the first quarter, the strongest improvement in sentiment once again took place in Finland, although people are more or less optimistically disposed towards future expectations in other countries as well.

The Swedish economy has quietly slowed down, growing at 2.2% in the first quarter. The result fell below the consensus expectations mainly due to weaker public sector consumption and a decline in the export of services. The slowing of domestic consumption should have the greatest impact over the year. In the current year Swedish economic growth is expected to remain below 3%. For Estonia, the most important trend is the continued growth of Sweden's import volumes and the investment-favouring attitude of the banks there.

The Finnish economy provided a positive surprised in the first quarter with its broad based strength, growing by 2.7%. Growth in net exports had the greatest impact (included the fulfilment of the Megastar order by Tallink), which was supported by both private consumption and private sector investments. While economic growth for Finland was still expected to remain at last year's level this spring, based on the good start and improvement in the outlook for exports, optimism for the current year has risen. Expectations for economic growth have climbed to 3.0% in the newest macro analyses. The already historically high consumer confidence level has continued to rise in 2017. From the Estonian point of view, similar to that of Sweden, the continued increase of Finnish import volumes is important.

Lithuania is a very important target market for LHV, and its economy continued moving at a good pace in the first quarter, growing by 3.9%. The main growth drive is strong domestic consumption, pulled along by fast salary growth and a reduction in unemployment. An important push is seen to be an increase of investments, related to the projects funded by EU aid, where the transition from the old support period to the new is gathering speed. In comparison with the spring, expectations have risen and according to the Lithuanian Central Bank economic growth should reach 3.3% for the year.

In the first quarter the Estonian economy kept up the momentum from the end of the year, growing by 4.4%. The biggest impact came from the growth in investments, while at the same time the contributions from other areas remained more moderate. Private sector investments grew significantly under the lead of the processing industry, government investments in buildings and structures also experienced growth. Soaring inflation this year has brought with it a significant slowing in private consumption. Consumer prices grew by 2.9% in June. Based on the strong start to the year and positive outlook, optimism has grown regarding the well-being of the Estonian economy. In its forecast published in June, Eesti Pank significantly raised the expectation for economic growth, which should, according to estimates, remain at 3.5% for 2017. A substantially greater contribution is seen by investments, which have been positively impacted by the improvement of the economic situation of trade partners. Forecasts for 2018 have also been raised. Next year, private consumption will play the leading role, with a positive impact coming from the sudden increase in the income tax exempt minimum wage along with low inflation. The main areas of concern may be considered to be problems related to the labour shortage and their potential amplification in connection with the increase in expenditures by the general government sector. First and foremost, it is important to achieve long-term sustainable economic growth that is in balance between the various sectors.

Over the next 12 months, LHV is expecting the continuation of positive trends in the Estonian economy. Economic growth will accelerate and, in all likelihood, exceed the potential long-term sustainable level. The shortage in available resources will continue to increase the importance of the ability of businesses to adapt and be successful in raising productivity, which is why it is necessary to vigorously continue making additional investments.

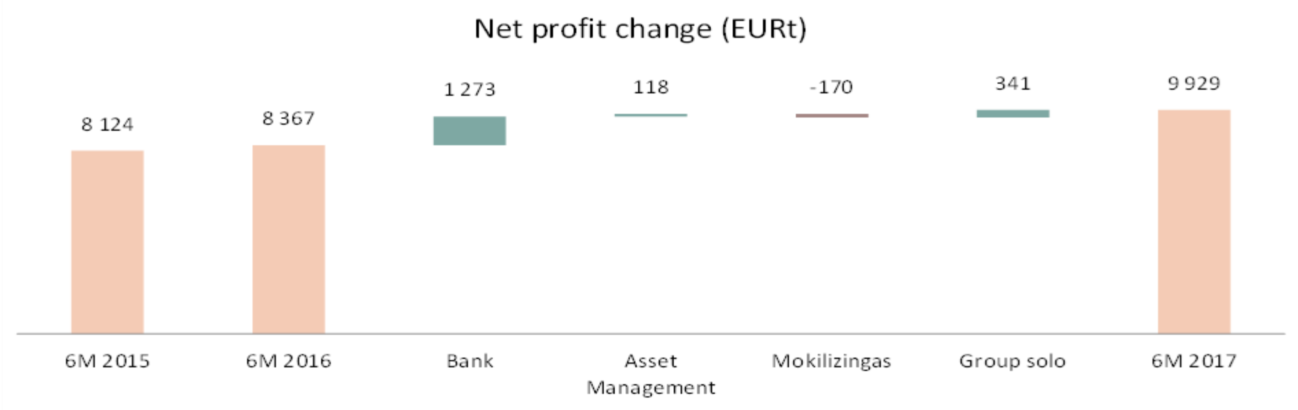
Across economic sectors, higher-than-average risks are present in the processing industry, which is experiencing salary pressure, and in energy-related sectors. Moreover, more attention should be paid to the risks of carriage and warehousing as well as construction sectors. LHV is more and more conservative concerning the real estate market, monitoring the developments of local and Scandinavian markets. Regarding rental cash flow projects, there is a marked danger that there will not be enough demand to absorb the volumes being developed in the near future, so that corrections will take place in rental prices or vacancy rates.

A positive trend worth highlighting is the favourable funding environment. The growth in loan balances taken from credit institutions remains fast, but in comparison with the first quarter the tempo has slowed somewhat. The growth in housing loan balances has gained momentum at a stable pace. The ratio of loans to deposits and the volume of loans not repaid in due time continue to remain at the post-crisis low levels. Historically low interest rates and strong competition between banks are positively affecting local enterprises and they should be taking advantage of them more. LHV also wishes to make a big and effective contribution to the finding and supporting of new growth sources, offering entrepreneurs long-term co-operation and value-creating involved thinking.

Financial Results of the Group

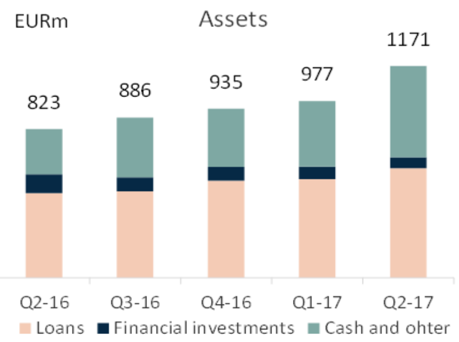
Compared to Q1, the Group's net interest income decreased in Q2 by 6%, standing at EUR 8.6 (Q1: 8.2) million. Net fee and commission income decreased by 1% and stood at EUR 5.2 (Q1: 5.3) million. Financial income increased by 133% and stood at EUR 0.9 (Q1: 0.4) million. In total, the net income of the Group increased by 7% in Q2, compared to Q1 2017, amounting to EUR 14.8 (Q1: 13.8) million, with expenses increasing by 3% and amounting to EUR 7.9 (Q1: 7.7) million. The Group's operating profit for Q2 amounted to EUR 6.7 (Q1: 6.1) million. Impairments amounted to EUR 1.8 (Q1: 0.09) million in Q2. The Group's total profit for Q2 amounted to EUR 4.9 million (Q1: 5.1). Compared to Q2 2016, the Group's net interest income increased by 19% and net fee and commission income by 21%.

In terms of business entities, AS LHV Pank posted in Q2 a consolidated profit of EUR 3.4 million, AS LHV Varahaldus a profit of EUR 1.6 million and UAB Mokilizingas a profit of EUR 0.2 million. The AS LHV Group on solo bases posted a loss of EUR 0.3 million.



The Group's volume of deposits as at the end of Q2 amounted to EUR 1 008 (Q1: 798) million, of which demand deposits formed EUR 863 (Q1: 668) million and term deposits EUR 145 (Q1: 130) million.

As at the end of Q2, the volume of loans granted by the Group amounted to EUR 606 (Q1: 546) million, increasing in Q2 by 11%. Compared to Q2 2016, the volume of the Group's deposits has increased by 50% and the volume of loans by 29%.



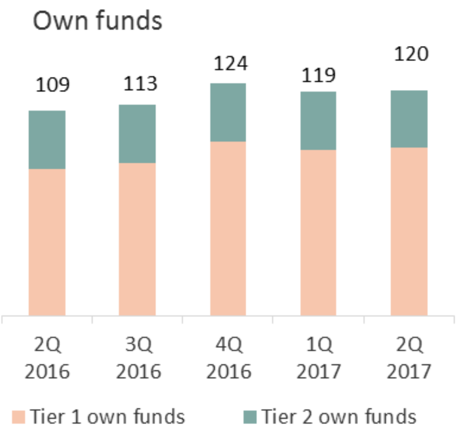
The Group's Liquidity, Capitalisation and Asset Quality

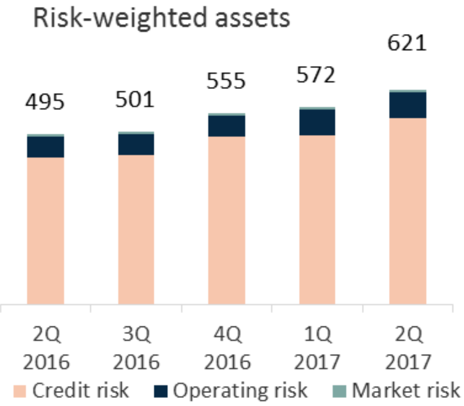
As at 30 June 2017, the Group's own funds stood at EUR 120.3 million (31 December 2016: EUR 123.9 million). In Q2 the level of own funds decreased because of dividend payment.

Compared to Group's internal capital adequacy ratio target 16.19%, the Group is well capitalised as at the end of the reporting period, with the capital adequacy ratio amounting to 19.4% (31 December 2016: 22.3%).

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 136.5% as at the end of June (31 December 2016: 222%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 46% of the balance sheet (31 December 2016: 40%). The ratio of loans to deposits stood at 61% as at the end of the second quarter (31 December 2016: 70%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of June, provisions for estimated loan losses amounted to EUR 7.3 million in the balance sheet, i.e. approximately 1.2% of the loan portfolio (31 December 2016: EUR 5.7 million, 1.1%). Estimated loan losses make up 177.7% (31 December 2016: 210.4%) of the portfolio of loans overdue for more than 90 days.



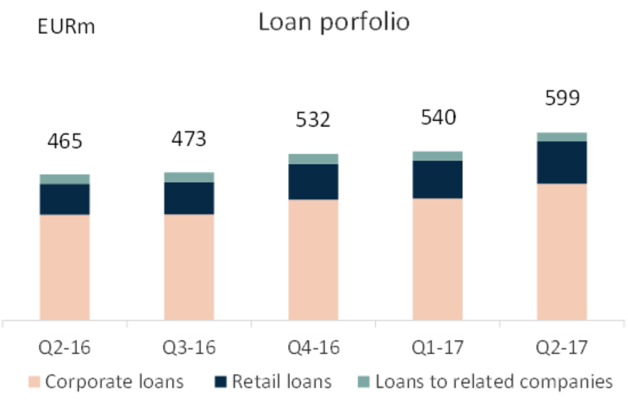


EUR thousand	**30.06.2017**	**Proportion**	**31.12.2016**	**Proportion**
Loans to customers	613 366		543 382	
including overdue loans:	23 265	3.8%	10 654	2.0%
1-30 days	16 238	2.6%	4 651	0.9%
31-60 days	2 391	0.4%	2 638	0.5%
61-90 days	519	0.1%	637	0.1%
91 and more days	4 116	0.7%	2 729	0.5%
Impairment of loans	-7 314	-1.2%	-5 741	-1.1%
Impairment % of loans overdue for more than 90 days	177.7%		210.4%	

Capital base	30.06.2017	31.12.2016	31.12.2015
Paid-in share capital	25 356	25 356	23 356
Share premium	45 892	45 892	33 992
Statutory reserves transferred from net profit	2 471	1 580	895
Other reserves	23	-40	-23
Accumulated deficit	23 638	10 517	-2 503
Intangible assets (subtracted)	-8 017	-8 114	-1 734
Net profit for the reporting period	0	17 816	13 705
Non-controlling interest	0	0	1 945
Total Tier 1 capital	**89 363**	**93 007**	**69 633**
Subordinated debt	30 900	30 900	30 900
Total Tier 2 capital	**30 900**	**30 900**	**30 900**
Net own funds for capital adequacy	**120 263**	**123 907**	**100 533**
Capital requirements			
Central governments and central bank under standard method	1 017	1 498	0
Credit institutions and investment companies under standard method	7 304	7 415	5 949
Companies under standard method	371 460	334 314	232 779
Retail claims under standard method	122 874	114 689	106 445
Public sector under standard method	179	216	0
Housing real estate under standard method	11 868	7 079	0
Overdue claims under standard methods	12 149	2 313	7 758
Investment funds' shares under standard method	6 188	10 886	6 369
Shares under standard method	50	0	0
Other assets under standard method	7 279	7 610	5 712
Total capital requirements for covering the credit risk and counterparty credit risk	**540 368**	**486 020**	**365 012**
Capital requirement against foreign currency risk under standard method	3 700	5 032	6 527
Capital requirement against interest position risk under standard method	456	1 709	2 342
Capital requirement against equity portfolio risks under standard method	603	601	87
Capital requirement against credit valuation adjustment risks under standard method	22	24	0
Capital requirement for operational risk under base method	75 999	61 812	44 367
Total capital requirements for adequacy calculation	**621 148**	**555 198**	**418 334**
Capital adequacy (%)	**19.36**	**22.32**	**24.03**
Tier 1 capital ratio (%)	**14.39**	**16.75**	**16.65**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in deposit volume in Q2 – EUR 211 million
- (Net) growth in loan volume EUR 59 million
- Increase in number of clients



EUR million	Q2 2017	Q1 2017	Change %	Q2 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net interest income	7.66	7.17	7%	6.11	25%	14.83	11.78	26%
Net fee and commission income	1.81	1.82	0%	1.13	61%	3.63	2.48	46%
Other financial income	0.88	0.25	252%	1.09	-19%	1.14	1.25	-9%
Total net operating income	10.35	9.24	12%	8.32	24%	19.59	15.51	26%
Other income	-0.05	0.01	-560%	0.19	-125%	-0.04	0.32	-111%
Operating expenses	-5.06	-4.90	3%	-4.38	16%	-9.97	-8.74	14%
Loan losses	-1.88	-0.07	2 589%	-0.63	199%	-1.95	-0.73	169%
Net profit	3.36	4.28	-21%	3.49	-4%	7.64	6.36	20%
Loan portfolio	599	540	11%	465	29%			
Financial investments	54	57	-5%	94	-42%			
Deposits of customers	1 022	811	26%	683	50%			
Subordinated liabilities	20	20	0%	20	0%			
Equity	88	85	4%	68	30%			

Q2 was successful in terms of business volumes. LHV Bank generated EUR 7.7 million in net interest income and EUR 1.8 million in net fee and commission income. In total, the bank's net income amounted to EUR 10.4 million, expenditure to EUR 5.1 million and loan provisions to EUR 1.9 million. The net profit of LHV Bank amounted to EUR 3.4 million in Q2. This constitutes a 21% decrease from Q1 (4.3) and a 4% decrease from Q2 2016 (3.5). Net interest income increased 7% compared to previous quarter. Net fee and commission income remained on the same level compared to Q1. Net operating income increased by 12% compared to previous quarter. In Q2 other financial expenses amounted to EUR 0.9 million (Q1: 0.3 million).

Securities brokerage fees, transaction fees and fees from cards are greatest contributor to fee and commission income.

The increase in net interest income stems from the growth in business volumes. By the end of Q2, the total volume of the bank's loan portfolios amounted to EUR 599 million (Q1: EUR 540 million). The volume of portfolios grew 11% over the quarter.

The corporate credit portfolio containing loans and guarantees grew by EUR 92.3 million (+27%) over the year and by EUR 49.6 (+13%) in a quarterly comparison. Loans issued for financial activities were the largest source of growth, among which the activities of holding companies associated with the financing of corporate purchases are frequently reflected. In comparison with previous years loans issued for financial activities increased by EUR 28.9 million (+58%). During the year, loans issued to the processing industry grew by EUR 24.3 million (+60%). This was followed by loans for immovable property related activities, which is traditionally the most financed field by commercial banks, growing by EUR 20.2 million (+15%). Strong commercial real estate projects earning rental income were the main source of the growth.

Compared with the previous quarter, the most loans and guarantees were issued in the processing industry (EUR 15.3 million; +31%), immovable property related activities (EUR 13.8

million; +10%), and construction activities (EUR 9.3 million; +181%).

The most business loans were granted in the real estate sector, which makes up 36% of the bank's corporate loan portfolio. The biggest part of real estate loans was granted to high-quality projects earning rental income; a significantly smaller part went to real estate developments. Most of the funded real estate developments are located in Tallinn; a few are also in other bigger cities of Estonia. Upon funding the new developments in Tallinn, LHV's market share was approx. one fifth at the end of the 2nd quarter of 2017. LHV's real estate development portfolio is also well positioned in the event of changing market trends – the financed developments are in good locations and the risk and planned price ratio for the projects remains at an average of 50%. After the real estate sector, the most credit has been issued to companies in the financial activities sector (18% share) and the processing industry (15% share). Among sectors with a higher than average risk level due to the economy and the geopolitical situation, agriculture makes up 1%, transportation less than 1%, HoReCa 2%, and the energy industry 2% of the portfolio's total volume.

The bank continued rapid growth in the second quarter. The number of the bank's clients grew by 5,900 in the quarter and new record levels were achieved by the end of the quarter in the clients' payment activity, card transactions and receipt of card transactions.

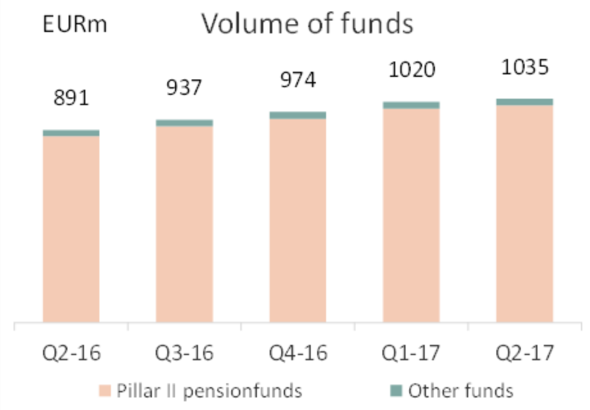
During the quarter, the bank's deposit volume grew by EUR 211.1 million and the loan volume grew by EUR 59.1 million. Of the growth of the volume of deposits, 139.4 million came from a client who is a financial technology enterprise whose business activity grew very fast in the second quarter. Corporate loans grew by EUR 45.0 million and retail loans by EUR 15.1 million. The quarterly profit ended up at 3.4 million euros. Loan discounts were bigger than usual in the second quarter. The total discounts amounting to EUR 1.4 million for two larger clients were still expected in the budgetary context.

The new products launched include salary payment, Smart-ID and video identification. The salary payment solution targeted to small entrepreneurs was launched in cooperation with the Tax and Customs Board. In the case of a salary payment, when making a salary payment in the internet bank, a special payment form can be selected, which enables the exchange of information with the Tax and Customs board, that calculates all the required taxes and automatically compiles the company's income and social tax declaration. Taxes can be transferred automatically at once or the next month by the due date of taxes. The Salary Payment solution also won the innovation contest held by the Banking Association. The chatbot linked to LHV's Facebook page answers frequently asked questions (FAQ) and tries to find the best responses. Smart-ID is another mode of personal identification to enter the mobile and internet bank and approve payments and make other transactions. Video identification enables people to become the bank's clients quicker and more easily. If, until now, a client needed to visit the bank's office with their identification document, then using the new information technology solutions private persons can identify themselves from a distance regardless of their location. LHV is the first bank in Estonia where a private client can identify themselves and open a bank account over video. In the second quarter, five ATMs were installed, expanding the bank to two new towns, Viljandi and Rakvere.

In the second half of the quarter, the bank submitted the documents required to open a branch in the United Kingdom to the Financial Supervision Authority, made an agreement on the site and premises of the office in London and joined UK finance, which is an umbrella organisation for banks operating in the United Kingdom.

Overview of AS LHV Varahaldus

- Investment decisions worth EUR 100 million directed to Estonia in 6 months
- Share capital reduced by EUR 6.6 million
- Similar pension funds were merged Depository bank was changed



EUR million	Q2 2017	Q1 2017	Change %	Q2 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net fee and commission income	3.21	3.30	-3%	3.08	4%	6.51	5.23	24%
Net financial income	0.00	0.11	-100%	0.02	-100%	0.11	0.02	450%
Operating expenses	-1.60	-1.73	-8%	-1.48	8%	-3.33	-3.04	10%
Profit	1.61	1.68	-4%	1.62	-1%	3.29	2.21	49%
Financial investments	6.2	11.0	-44%	9.0	-31%			
Subordinated liabilities	2.1	2.1	0%	2.1	0%			
Equity	13.0	18.0	-28%	19.7	-34%			
Assets under management	1 034.6	1 020.3	1%	890.6	16%			

In Q1, the business revenue of LHV Varahaldus was EUR 3.20 million (EUR 3.30 million in Q1). Starting from February, the management fee of mandatory pension funds decreased by an average of 19%, which also resulted in a decrease in income in the comparison of the second and the first quarter. The business expenditure of Q1 was EUR 1.49 million. When compared to Q1 (EUR 1.62 million), the business expenditure decreased on account of the sales costs of the 2nd pillar and the deposit fee, while the expenditure was increased by legal costs related to the fund's investments directed to Estonia and costs related to keeping euros on the funds' accounts (currency holding fee). In Q2, the profit was EUR 1.61 million. In Q1, the profit before income tax was EUR 1.68 million and the net profit EUR 0.72 million.

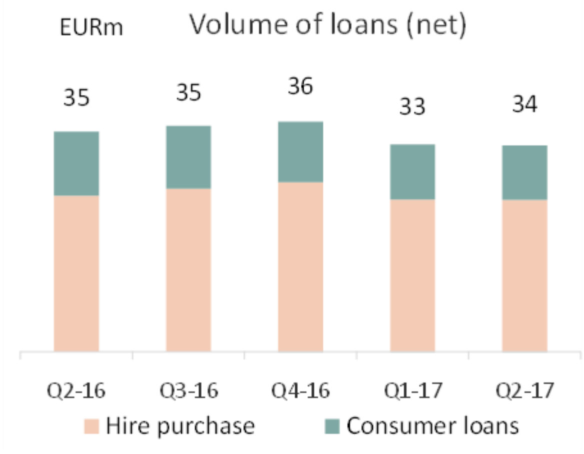
On 10 January, the new Investment Funds Act entered into force, reducing the capital requirements of a 2nd pillar pension fund manager. As LHV Varahaldus no longer needed share capital in the previous volume, the share capital was reduced by EUR 6.6 million on 1 June. The transaction is concluded within the group and the payment to LHV Group is made in September.

The total volume of LHV's funds grew by EUR 14 million (EUR 44 million in Q1). The volume of LHV's 2nd pillar funds decreased by EUR 8 million in May, as the requests for exchanging shares that were filed in March entered into force. The number of active clients of the 2nd pillar decreased by 900 over the quarter (by 1,900 in Q1). LHV's sales activity was more active in the second quarter than in the same period a year ago. The number of clients leaving is, however, impacted by the total number of clients, which is higher after the merger with Danske Capital, as well as the shorter term rate of return of the funds. When comparing the funds with a progressive strategy, that are the most popular among the people joining the 2nd pillar, LHV's fund offers the best rate of return in the quarter as a whole. From the beginning of the year, the same fund is the third in its category, resulting from the strategy of keeping the investment risks low.

LHV's actively managed funds are focused on investments directed to Estonia. In the first half-year, such investments were made in the total volume of EUR 100 million. Some of this money has already been invested and some will be invested in the second half-year. In the situation where the prices of internationally traded securities are high and the trading volumes of the Tallinn stock exchange are modest taking the volumes of the pension funds into account, we have started to develop the local capital market ourselves, looking for new investment opportunities.

Similar pension funds were merged, which was the last step in the merger with Danske Capital. At the same time, the depository bank of actively managed pension funds (AS SEB Pank) was changed.

Overview of UAB Mokilizingas



EUR million	Q2 2017	Q1 2017	Change %	Q2 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net interest income	1.1	1.2	-8%	1.4	-21%	2.3	2.8	-18%
Net fee and commission income	0.2	0.2	0%	0.1	100%	0.4	0.3	33%
Operating expenses	-1.2	-1.0	20%	-1.0	20%	-2.2	-2.0	10%
Loan losses	0.04	-0.02	-300%	0.1	-140%	0.0	0.3	-107%
Income tax expenses	-0.02	-0.03	-33%	-0.1	-80%	-0.1	-0.2	-75%
Profit	0.2	0.3	-33%	0.3	-33%	0.5	0.6	-17%
Loan portfolio	35.0	35.0	0%	37.0	-5%			
Equity	7.3	7.1	3%	5.6	30%			

In Hire Purchase (HP) segment Mokilizingas continues to work in a strong collaboration with main partners, launching seasonal campaigns and supporting the sales. Q2 2017 HP sales amounted to EUR 8.4 million (EUR 8.1 million during Q2 2016). The number of contracts signed increased by 4%, average contract amount remained stable. Margins remain at similar levels with a slight decrease compared to Q2 2016.

Consumer Loan (CL) sales amounted to EUR 1.8 million and increased by 17% compared to Q2 2016. This was caused by CL marketing campaign launched in May and ended in June. The number of contracts signed increased by 24% and average contract amount decreased by 6%. However, margins are higher than Q2 2016.

After the launch of Credit Card product total number of cards sold reached 7.8 thousand by the end of Q2 with a total EUR 8.8 million credit limit. Average credit limit is 1,450 EUR/card, which is above the expected level. Average spending per month is also higher than expected. Portfolio reached EUR 1.3 million with 84% interest-bearing balance. Objectives for Q3 2017 will be dedicated to the enhancement of card usage and product knowledge allocation to the customers. Especially concentrating on the existing card owners, to get in line and exploit high interest-bearing balance perspectives.

Mokilizingas had a big project related to adaptation to the new law on the prevention of money laundering and terrorism financing. This required to adapt systems and adjust most of the processes to comply with the new AML regulation.

2017 Q3 will be dedicated to further optimizing internal processes and developing more effective financing solutions to maximize sales in relation to tightened regulation of Bank of Lithuania.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q2 2017	6M 2017	Q2 2016	6M 2016
Continuing operations					
Interest income		9 708	18 959	8 605	16 674
Interest expense		-1 101	-2 188	-1 375	-2 656
Net interest income	9	**8 607**	**16 771**	**7 230**	**14 018**
Fee and commission income		6 476	13 126	5 303	9 816
Fee and commission expense		-1 262	-2 628	-993	-1 852
Net fee and commission income	10	**5 214**	**10 498**	**4 310**	**7 964**
Net gains/losses from financial assets measured at fair value		203	538	1 009	1 203
Foreign exchange gains/losses		727	788	137	142
Net gains from financial assets		**930**	**1 326**	**1 146**	**1 345**
Other income		0	17	138	140
Other expense		-89	-128	-11	-28
Total other income		**-89**	**-111**	**127**	**112**
Staff costs	11	-3 620	-7 211	-3 504	-6 729
Administrative and other operating expenses	11	-4 302	-8 407	-3 597	-7 201
Total expenses		**-7 922**	**-15 618**	**-7 101**	**-13 930**
Profit before impairment losses on loans and advances		**6 740**	**12 866**	**5 712**	**9 509**
Share of result of associates		0	0	0	1
Impairment losses on loans and advances		-1 840	-1 933	-742	-997
Profit before tax		**4 900**	**10 933**	**4 970**	**8 513**
Income tax expense		-21	-1 004	-69	-146
Net profit for the reporting period	2	**4 879**	**9 929**	**4 901**	**8 367**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
Revaluation of available-for-sale financial assets		18	63	-648	-7
Total profit and other comprehensive income for the reporting period		**4 897**	**9 992**	**4 253**	**8 360**
Total profit of the reporting period attributable to:					
Owners of the parent		4 421	8 890	4 555	7 574
Non-controlling interest		458	1 039	346	793
Total profit for the reporting period	2	**4 879**	**9 929**	**4 901**	**8 367**
Total comprehensive income attributable to:					
Owners of the parent		4 439	8 953	3 907	7 567
Non-controlling interest		458	1 039	346	793
Total comprehensive income for the reporting period		**4 897**	**9 992**	**4 253**	**8 360**
Basic earnings per share (in euros)	16	0.17	0.35	0.19	0.32
Diluted earnings per share (in euros)	16	0.17	0.34	0.18	0.31

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	**Note**	**30.06.2017**	**31.12.2016**
Assets			
Due from central bank	4, 5, 6, 12	444 346	265 127
Due from credit institutions	4, 5, 6, 12	26 616	33 300
Due from investment companies	4, 6, 12	17 668	8 073
Available-for-sale financial assets	4, 6, 7	799	799
Financial assets at fair value through profit or loss	4, 6, 7	59 926	75 391
Loans and advances to customers	4, 6, 8	606 052	537 641
Receivables from customers		4 352	3 479
Other financial assets		962	941
Other assets		1 453	1 391
Tangible assets		1 070	1 191
Intangible assets		4 403	4 500
Goodwill		3 614	3 614
Total assets	2	**1 171 261**	**935 447**
Liabilities			
Deposits of customers and loans received	13	1 008 244	777 581
Financial liabilities at fair value through profit or loss	6	0	209
Accounts payable and other liabilities	14	17 121	19 031
Subordinated debt	6	30 900	30 900
Total liabilities	2	**1 056 265**	**827 721**
Owner's equity			
Share capital		25 356	25 356
Share premium		45 892	45 892
Statutory reserve capital		2 471	1 580
Unregistered share capital		628	0
Other reserves		1 761	1 244
Retained earnings / accumulated deficit		32 530	28 335
Total equity attributable to owners of the parent		**108 638**	**102 407**
Non-controlling interest		6 358	5 319
Total equity		**114 996**	**107 726**
Total liabilities and equity		**1 171 261**	**935 447**

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q2 2017	6M 2017	Q2 2016	6M 2016
Cash flow from operating activities					
Interest received		9 551	18 796	8 240	16 102
Interest paid		-1 247	-2 463	-1 052	-2 203
Fees and commissions received		6 476	13 126	5 432	9 927
Fees and commissions paid		-1 262	-2 628	-997	-1 856
Other income		-89	-112	0	0
Staff costs paid		-3 354	-6 658	-3 460	-6 592
Administrative and other operating expenses paid		-3 977	-8 719	-3 452	-6 941
Cash flow from operating activities before change in operating assets and liabilities		**6 098**	**11 342**	**4 711**	**8 437**
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		-507	-503	-246	-232
Loans and advances to customers		-63 752	-71 292	-38 001	-59 757
Mandatory reserve at central bank		-2 110	-2 370	-280	-579
Security deposits		87	-21	-47	35
Other assets		423	277	-1 338	-593
Net increase/decrease in operating liabilities:					
Demand deposits of customers		194 995	239 160	39 750	49 181
Term deposits of customers		15 035	-7 457	-12 735	5 553
Repayments of loans received		-90	-779	-14 288	-14 596
Financial liabilities held for trading at fair value through profit and loss		-39	-209	-40	-65
Other liabilities		-18 109	-2 125	7 043	3 417
Net cash generated from/used in operating activities		**132 031**	**166 023**	**-15 471**	**-9 199**
Cash flow from investing activities					
Purchase of non-current assets		-226	-472	-292	-594
Acquisition and disposal of associates		0	0	10	10
		0	0	-9 114	-9 114
Proceeds from disposal and redemption of investment securities available for sale		24	18	-646	2 259
Net change of investments at fair value through profit or loss		8 664	16 578	-1 420	7 911
Net cash flow from investing activities		**8 462**	**16 124**	**-11 462**	**473**
Cash flows from financing activities					
Paid in share capital (incl. share premium)		628	628	13 900	13 900
Dividends paid		-3 803	-3 803	0	0
Net cash from financing activities		**-3 175**	**-3 175**	**13 900**	**13 900**
Effect of exchange rate changes on cash and cash equivalents	6	**727**	**788**	**137**	**142**
Net decrease/increase in cash and cash equivalents		**137 318**	**178 972**	**-12 896**	**5 316**
Cash and cash equivalents at the beginning of the period		340 479	298 764	242 575	224 363
Cash and cash equivalents at the end of the period	12	**478 524**	**478 524**	**229 679**	**229 679**

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

Attributable to owners of LHV Group

(in thousands of euros)	Share capital	Unregistered share capital	Share premium	Statutory reserve capital	Other reserves	Accumulated deficit/ retained earnings	**Total**	Non-controlling interest	**Total equity**
Balance as at 01.01.2016	**23 356**	**0**	**33 992**	**895**	**551**	**11 205**	**69 999**	**3 241**	**73 240**
Transfer to statutory reserve capital	0	0	0	685	0	-685	0	0	**0**
Share options	0	0	0	0	149	0	149	0	**149**
Profit for the year	0	0	0	0	0	3 019	3 019	447	**3 466**
Other comprehensive loss	0	0	0	0	641	0	641	0	**641**
Total profit and other comprehensive income for the reporting period	0	0	0	0	641	3 019	3 660	447	**4 107**
Balance as at 30.06.2016	**23 356**	**0**	**33 992**	**895**	**1 341**	**14 224**	**73 808**	**3 688**	**77 496**
Balance as at 01.01.2017	**25 356**	**0**	**45 892**	**1 580**	**1 244**	**28 335**	**102 407**	**5 319**	**107 726**
Transfer to statutory reserve capital	0	0	0	891	0	-891	0	0	**0**
Paid in share capital	0	628	0	0	0	0	628	0	**628**
Dividends paid	0	0	0	0	0	-3 804	-3 804	0	**-3 804**
Share options	0	0	0	0	454	0	454	0	**454**
Profit for the year	0	0	0	0	0	8 890	8 890	1 039	**9 929**
Other comprehensive loss	0	0	0	0	63	0	63	0	**63**
Total profit and other comprehensive income for the reporting period	0	0	0	0	63	8 890	8 953	1 039	**9 992**
Balance as at 30.06.2017	**25 356**	**628**	**45 892**	**2 471**	**1 761**	**32 530**	**108 638**	**6 358**	**114 996**

The Notes on pages 18 to 30 are an integral part of the consolidated interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Accounting Policies

The interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted in the European Union and accordance with International Financial Reporting Standards as adopted by European Union. The interim financial statements should be read in conjunction with the group's annual financial statements as at 31 December 2016.

The accounting policies adopted are consistent with those of the previous financial year. Specification has been added to cash and cash equivalents accounting policy:

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

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

The financial figures of the interim financial statements have been presented in thousands of euros, unless otherwise indicated. The interim financial statements have been consolidated and include the results of AS LHV Group and its subsidiaries AS LHV Varahaldus (100% interest), AS LHV Pank (100% interest), OÜ Cuber Tehnology (100% interest), AS LHV Finance (65% interest) and UAB Mokilizingas (50% interest + 1 share).

NOTE 2 Business Segments

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

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

Q2 2017	Retail banking	Private banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Hire-purchase and consumer finance in Lithuania	Treasury activities	Intra-segment eliminations	Total
Interest income	1 805	223	4 870	0	1 985	1 358	822	-1 355	9 708
Interest expense	0	0	-973	-41	-265	-219	-958	1 355	-1 101
Net interest income	**1 805**	**223**	**3 897**	**-41**	**1 720**	**1 139**	**-136**	**0**	**8 607**
Fee and commission income	2 186	266	537	3 205	118	197	-33	0	6 476
Fee and commission expense	-870	0	-215	0	-173	2	-6	0	-1 262
Net fee and commission income	**1 316**	**266**	**322**	**3 205**	**-55**	**199**	**-39**	**0**	**5 214**
Net income	**3 121**	**489**	**4 219**	**3 164**	**1 665**	**1 338**	**-175**	**0**	**13 821**

Net gains from financial assets	5	0	1	46	0	0	878	0	930
Administrative and other operating expenses, staff costs	-2 510	-266	-1 222	-1 598	-415	-1 186	-814	0	-8 011
Operating profit	**616**	**223**	**2 998**	**1 612**	**1 250**	**152**	**-111**	**0**	**6 740**
Impairment losses on loans and advances	-586	0	-1 108	0	-188	42	0	0	-1 840
Income tax	0	0	0	0	0	-21	0	0	-21
Net profit	**30**	**223**	**1 890**	**1 612**	**1 062**	**173**	**-111**	**0**	**4 879**
Total assets	**385 397**	**125 143**	**624 759**	**22 204**	**37 646**	**36 368**	**98 114**	**-158 370**	**1 171 261**
Total liabilities	**583 892**	**274 644**	**195 999**	**9 217**	**29 866**	**29 085**	**31 184**	**-97 622**	**1 056 265**

Q2 2016	**Retail banking**	**Private banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Hire-purchase and consumer finance in Lithuania**	**Treasury activities**	**Intra-segment elimi-nations**	**Total**
Interest income	1 179	255	4 236	6	1 680	1 657	511	-1 159	8 365
Interest expense	0	0	-1016	-42	-275	-295	-666	1 159	-1 135
Net interest income	**1 179**	**255**	**3 220**	**-36**	**1 405**	**1 362**	**-155**	**0**	**7 230**
Fee and commission income	1 804	198	66	3 076	6	127	26	0	5 303
Fee and commission expense	-789	0	-48	0	-95	-21	-40	0	-993
Net fee and commission income	**1 015**	**198**	**18**	**3 076**	**-89**	**106**	**-14**	**0**	**4310**
Net income	**2 194**	**453**	**3 238**	**3 040**	**1 316**	**1 468**	**-169**	**0**	**11 540**
Net gains from financial assets	905	0	0	60	0	0	181	0	1 146
Administrative and other operating expenses, staff costs	-2 039	-203	-1 047	-1 478	-353	-972	-882	0	-6 974
Operating profit	**1 060**	**250**	**2 191**	**1 622**	**963**	**496**	**-870**	**0**	**5 712**
Impairment losses on loans and advances	-66	0	-140	0	-422	-114	0	0	-742
Income tax	0	0	0	0	0	-69	0	0	-69
Net profit	**994**	**250**	**2 051**	**1 622**	**541**	**313**	**-870**	**0**	**4 901**
Total assets	**269 534**	**113 545**	**405 288**	**22 477**	**30 352**	**37 848**	**97 541**	**-153 403**	**823 182**
Total liabilities	**349 751**	**225 079**	**148 832**	**2 803**	**26 814**	**32 248**	**31 176**	**-89 364**	**727 339**

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 2016.

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

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

30.06.2017	Estonia	Latvia	Lit-huania	Finland	The Nether-lands	Ger-many	Other EU	USA	Other	Total
Due from banks and investment companies	462 132	54	1 446	0	0	0	4 059	17 317	3 622	**488 630**
Financial assets at fair value	8 160	791	18 335	0	0	31 289	2 147	3	0	**60 725**
Loans and advances to customers	543 896	1 497	32 921	441	1	44	26 410	48	794	**606 052**
Receivables from customers	3 852	9	491	0	0	0	0	0	0	**4 352**
Other financial assets	109	0	0	0	0	0	0	853	0	**962**
Total financial assets	**1 018 149**	**2 351**	**53 193**	**441**	**1**	**31 333**	**32 616**	**18 221**	**4 416**	**1 160 721**
Deposits of customers and loans received	696 717	1 951	1 113	1 531	41 328	385	55 557	179 030	30 632	**1 008 244**
Subordinated debt	30 900	0	0	0	0	0	0	0	0	**30 900**
Accounts payable and other financial liabilities	12 576	47	732	27	0	0	13	3	0	**13 398**
Financial liabilities at fair value	0	0	0	0	0	0	0	0	0	**0**
Total financial liabilities	**740 193**	**1 998**	**1 845**	**1 558**	**41 328**	**385**	**55 570**	**179 033**	**30 632**	**1 052 542**

Unused loan commitments in the amount of EUR 153 648 thousand are for the residents of Estonia and in the amount of EUR 7 043 thousand for the residents of Lithuania.

31.12.2016	Estonia	Latvia	Lit-huania	Finland	The Nether-lands	Ger-many	Other EU	USA	Other	Total
Due from banks and investment companies	287 878	0	2 718	0	0	0	5 100	7 919	2 885	**306 500**
Financial assets at fair value	12 316	2 737	18 788	0	0	33 660	8 657	2	30	**76 190**
Loans and advances to customers	484 578	1 880	35 383	512	7	46	14 508	51	676	**537 641**
Receivables from customers	3 110	14	352	0	0	0	3	0	0	**3 479**
Other financial assets	108	0	0	0	0	0	0	833	0	**941**
Total financial assets	**787 990**	**4 957**	**46 915**	**512**	**7**	**33 706**	**28 268**	**8 805**	**3 591**	**924 751**
Deposits of customers and loans received	666 870	1 617	2 024	1 072	1	201	71 983	746	33 067	**777 581**
Subordinated debt	30 900	0	0	0	0	0	0	0	0	**30 900**
Accounts payable and other financial liabilities	14 941	65	928	27	0	0	13	3	0	**15 977**
Financial liabilities at fair value	209	0	0	0	0	0	0	0	0	**209**
Total financial liabilities	**712 920**	**1 682**	**2 952**	**1 099**	**1**	**201**	**71 996**	**749**	**33 067**	**824 667**

Unused loan commitments in the amount of EUR 127 285 thousand are for the residents of Estonia and in the amount of EUR 5 235 thousand for the residents of Lithuania.

NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

30.06.2017	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	863 348	53 566	90 639	897	0	**1 008 450**
Subordinated debt	0	532	1 596	8 511	36 618	**47 257**
Accounts payable and other financial liabilities	0	13 398	0	0	0	**13 398**
Unused loan commitments	0	153 648	0	0	0	**153 648**
Financial guarantees by contractual amounts	0	6 780	0	0	0	**6 780**
Foreign exchange derivatives (gross settled)	0	15 587	0	774	0	**16 361**
Financial liabilities at fair value	0	0	0	0	0	**0**
Total liabilities	**863 348**	**243 511**	**92 235**	**10 182**	**36 618**	**1 245 894**
Financial assets by contractual maturity dates						
Due from banks and investment companies	488 630	0	0	0	0	**488 630**
Financial assets at fair value (debt securities)	0	23 222	9 130	18 109	3 257	**53 718**
Loans and advances to customers	0	41 150	156 510	419 112	71 624	**688 395**
Receivables from customers	0	4 352	0	0	0	**4 352**
Other financial assets	0	15587	0	774	0	**16 361**
Foreign exchange derivatives	962	0	0	0	0	**962**
Total financial assets	**489 592**	**84 311**	**165 640**	**437 995**	**74 881**	**1 252 418**
Maturity gap from financial assets and liabilities	**-373 756**	**-159 200**	**73 405**	**427 813**	**38 263**	**6 524**

31.12.2016	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	624 219	67 007	83 814	3 357	0	**778 397**
Subordinated debt	0	532	1 596	8 511	37 682	**48 321**
Accounts payable and other financial liabilities	0	15 977	0	0	0	**15 977**
Unused loan commitments	0	132 520	0	0	0	**132 520**
Financial guarantees by contractual amounts	0	5 442	0	0	0	**5 442**
Foreign exchange derivatives (gross settled)	0	15 156	0	728	0	**15 884**
Financial liabilities at fair value	0	209	0	0	0	**209**
Total liabilities	**624 219**	**236 843**	**85 410**	**12 596**	**37 682**	**996 750**
Financial assets by contractual maturity dates						
Due from banks and investment companies	306 427	73	0	0	0	**306 500**
Financial assets at fair value (debt securities)	0	7 666	36 123	18 474	3 613	**65 876**
Loans and advances to customers	0	42 969	140 761	381 350	40 710	**605 791**
Receivables from customers	0	3 479	0	0	0	**3 479**
Other financial assets	941	0	0	0	0	**941**
Foreign exchange derivatives	0	15 156	0	728	0	**15 884**
Total financial assets	**307 368**	**69 343**	**176 884**	**400 552**	**44 323**	**998 471**
Maturity gap from financial assets and liabilities	**-316 851**	**-167 500**	**91 474**	**387 956**	**6 641**	**1 720**

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

30.06.2017	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	469 415	2 198	1 511	751	12 428	2 327	**488 630**
Financial assets at fair value	23 565	0	0	4	36 385	772	**60 725**
Loans and advances to customers	603 580	1	6	5	2 438	22	**606 052**
Receivables from customers	3 896	6	56	7	372	15	**4 352**
Other financial assets	287	0	0	0	675	0	**962**
Total assets bearing currency risk	**1 100 743**	**2 205**	**1 573**	**767**	**52 297**	**3 136**	**1 160 721**
Liabilities bearing currency risk							
Deposits from customers and loans received	942 239	2 180	8 600	3 205	49 755	2 265	**1 008 244**
Financial liabilities at fair value	0	0	0	0	0	0	**0**
Accounts payable and other financial liabilities	8 876	34	1 814	234	1 979	461	**13 398**
Subordinated debt	30 900	0	0	0	0	0	**30 900**
Total liabilities bearing currency risk	**982 015**	**2 214**	**10 414**	**3 439**	**51 734**	**2 726**	**1 052 542**
Open gross position derivative assets at contractual value	0	0	8 887	2 671	4 008	795	**16 361**
Open gross position derivative liabilities at contractual value	11 796	0	0	0	4 560	5	**16 361**
Open foreign currency position	**106 932**	**-9**	**46**	**-1**	**11**	**1 200**	**108 179**

31.12.2016	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	278 929	1 994	13 061	3 942	6 668	1 906	**306 500**
Financial assets at fair value	34 505	0	0	1	41 243	441	**76 190**
Loans and advances to customers	535 747	4	4	2	1 873	11	**537 641**
Receivables from customers	3 255	1	43	6	171	3	**3 479**
Other financial assets	211	0	0	0	730	0	**941**
Total assets bearing currency risk	**852 647**	**1 999**	**13 108**	**3 951**	**50 685**	**2 361**	**924 751**
Liabilities bearing currency risk							
Deposits from customers and loans received	700 874	1 983	13 264	3 869	55 924	1 667	**777 581**
Financial liabilities at fair value	0	0	0	0	72	137	**209**
Accounts payable and other financial liabilities	8 116	2	1 226	65	5 341	1 227	**15 977**
Subordinated debt	30 900	0	0	0	0	0	**30 900**
Total liabilities bearing currency risk	**739 890**	**1 985**	**14 490**	**3 934**	**61 337**	**3 031**	**824 667**
Open gross position derivative assets at contractual value	1 675	0	1 398	0	11 548	1 263	**15 884**
Open gross position derivative liabilities at contractual value	13 440	0	0	0	876	1 568	**15 884**
Open foreign currency position	**100 992**	**14**	**16**	**17**	**21**	**-975**	**100 084**

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	30.06.2017	Level 1	Level 2	Level 3	31.12.2016
Financial assets at fair value through profit and loss								
Shares and fund units*	399	6 168	50	**6 617**	408	10 866	50	**11 324**
Available-for-sale bonds and shares	799	0	0	**799**	799	0	0	**799**
Bonds at fair value through profit and loss	52 535	0	0	**52 535**	63 817	0	0	**63 817**
Interest rate swaps and foreign exchange forwards	0	774	0	**774**	0	250	0	**250**
Total financial assets	**53 733**	**6 942**	**50**	**60 725**	**65 024**	**11 116**	**50**	**76 190**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	0	0	**0**	0	209	0	**209**
Total financial liabilities	**0**	**0**	**0**	**0**	**0**	**209**	**0**	**209**

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 6 168 (31.12.2016: 10 866) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 1% 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 30.06.2017 the fair value of corporate loans and overdraft is EUR 3 077 thousand (0.74%) lower than their carrying amount (31.12.2016: 2 354 thousand, 0.63% lower). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of loans does not materially differ from their carrying amount as at 30 June 2017 and 31 December 2016. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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

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

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

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

NOTE 8 Breakdown of Loan Portfolio by Economic Sectors

	30.06.2017	%	31.12.2016	%
Individuals	142 360	23.2%	125 125	23.0%
Real estate activities	156 134	25.5%	149 145	27.4%
Manufacturing	65 970	10.8%	43 541	8.0%
Arts and entertainment	29 862	4.9%	29 143	5.4%
Financial activities	79 932	13.0%	68 985	12.7%
Wholesale and retail trade	17 043	2.8%	14 721	2.7%
Administrative and support service activities	13 842	2.3%	11 953	2.2%
Transportation and storage	10 441	1.7%	12 835	2.4%
Agriculture	7 898	1.3%	8 341	1.5%
Other service activities	15 438	2.5%	15 021	2.8%
Construction	15 780	2.6%	11 688	2.2%
Information and communication	9 701	1.6%	9 611	1.8%
Professional, scientific and technical activities	15 125	2.5%	12 451	2.3%
Education	2 275	0.4%	1 297	0.2%
Other sectors	31 565	5.1%	29 525	5.4%
Total	**613 366**	**100%**	**543 382**	**100%**
Provision	-7 314		-5 741	
Total loan portfolio	**606 052**	**100%**	**537 641**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q2 2017**	**6M 2017**	**Q2 2016**	**6M 2016**
Balances with credit institutions and investment companies	6	10	23	55
Bonds	55	117	115	224
Leasing	501	965	382	747
Leverage loans and lending of securities	-27	59	178	296
Consumer loans	1 472	2 911	1 264	2 398
Hire purchase	1 732	3 563	1 960	3 955
Business loans	5 393	10 135	4 243	8 167
Creditcard loans	168	331	130	250
Other loans	408	868	310	582
Total	**9 708**	**18 959**	**8 605**	**16 674**
Interest expense				
Deposits of customers and loans received	-300	-580	-604	-1 209
Balances with the central bank	-270	-544	-240	-386
Subordinated liabilities	-531	-1 064	-531	-1 061
including loans between related parties	-85	-169	-114	-228
Total	**-1 101**	**-2 188**	**-1 375**	**-2 656**
Net interest income	**8 607**	**16 771**	**7 230**	**14 018**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q2 2017**	**6M 2017**	**Q2 2016**	**6M 2016**
Estonia	8 288	16 025	6 789	12 988
Latvia	0	0	0	11
Lithuania	1 359	2 807	1 678	3 396
Total	**9 647**	**18 832**	**8 467**	**16 395**

NOTE 10 Net Fee and Commission Income

Fee and commission income	Q2 2017	6M 2017	Q2 2016	6M 2016
Security brokerage and commissions paid	880	1 910	725	1 358
Asset management and similar fees	3 591	7 282	3 392	5 940
Currency conversion revenues	165	502	112	386
Fees from cards and payments	1 372	2 528	808	1 580
Fee from Snoras's portfolio management*	0	0	0	45
Other fee and commission income	468	904	266	507
Total	**6 476**	**13 126**	**5 303**	**9 816**
Fee and commission expense				
Security brokerage and commissions paid	201	-49	-219	-395
Expenses related to cards	-494	-938	-241	-441
Expenses related to acquiring	-491	-877	-282	-577
Other fee and commission expense	-478	-764	-251	-439
Total	**-1 262**	**-2 628**	**-993**	**-1 852**
Net fee and commission income	**5 214**	**10 498**	**4 310**	**7 964**

* Mokilizingas was providing till Q2 2016 portfolio administration services to Snoras Bank, to whom the portfolio was sold in 2011.

Fee and commission income by customer location:	Q2 2017	6M 2017	Q2 2016	6M 2016
Estonia	6 203	12 545	5 061	9 277
Latvia	0	6	0	17
Lithuania	198	448	186	419
Luxembourg	75	127	56	103
Total	**6 476**	**13 126**	**5 303**	**9 816**

NOTE 11 Operating Expenses

	Q2 2017	6M 2017	Q2 2016	6M 2016
Wages, salaries and bonuses	2 750	5 483	2 647	5 092
Social security and other taxes*	870	1 728	857	1 637
Total personnel expenses	**3 620**	**7 211**	**3 504**	**6 729**
IT expenses	445	868	430	873
Information services and bank services	199	386	173	348
Marketing expenses	1 139	2 262	797	1 885
Office expenses	116	272	139	284
Transportation and communication expenses	68	160	69	125
Staff training and business trip expenses	99	193	101	193
Other outsourced services	911	1 724	822	1 511
Other administrative expenses	680	1 214	494	913
Depreciation of non-current assets	355	714	235	440
Operational lease payments	258	539	237	475
Other operating expenses	32	75	100	154
Total other operating expenses	**4 302**	**8 407**	**3 597**	**7 201**
Total operating expenses	**7 922**	**15 618**	**7 101**	**13 930**

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

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

	30.06.2017	31.12.2016
Term deposits with maturity less than 3 months*	44 284	41 373
Legal reserve with the central bank	10 106	7 736
Other receivables from central bank*	434 240	257 391
Total	**488 630**	**306 500**
*Cash and cash equivalents in the Statement of Cash Flows	478 524	298 764

The breakdown of receivables by countries has been presented in Note 4. Demand deposits include receivables from investment companies in the total amount of EUR 17 668 thousand (31 December 2016: EUR 8 073 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 30 June 2017 was 1% (31 December 2016: 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	Legal entities	Public sector	30.06.2017
Demand deposits	241 527	613 684	8 075	863 286
Term deposits	57 273	81 225	6 208	144 706
Loans received	0	0	0	0
Accrued interest liability	149	101	2	252
Total	**298 949**	**695 010**	**14 285**	**1 008 244**

Deposits/loans by type	Individuals	Legal entities	Public sector	31.12.2016
Demand deposits	202 725	413 141	8 260	624 126
Term deposits	63 749	81 945	6 469	152 163
Loans received	0	0	778	778
Accrued interest liability	209	285	20	514
Total	**266 683**	**495 371**	**15 527**	**777 581**

As of 31 December 2016 loans received include loans granted by the Estonian Rural Development Foundation in the amount of EUR 778 thousand for the purpose of financing loans to small companies in rural areas and overdraft received. As 30.06.2017 the loan from Estonian Rural Development Foundation was repaid. As a rule, 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 paid.

NOTE 14 Accounts payable and other liabilities

Financial liabilities	**30.06.2017**	**31.12.2016**
Trade payables and payables to merchants	1 939	3 016
Other short-term financial liabilities	3 811	1 551
Accrued interest on subordinated loans	202	210
Payments in transit	7 320	11 063
Financial guarantee contracts issued	126	137
Subtotal	**13 398**	**15 977**
Non-financial liabilities		

Performance guarantee contracts issued	173	228
Tax liabilities	903	886
Payables to employees	1 383	1 020
Other short-term liabilities	1 264	920
Subtotal	**3 723**	**3 054**
Total	**17 121**	**19 031**

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**	**Unused loan commitments**	**Total**
Liability in the contractual amount as at 30 June 2017	11 951	6 780	160 691	**179 422**
Liability in the contractual amount as at 31 December 2016	12 695	5 442	132 520	**150 657**

NOTE 16 Basic Earnings and Diluted Earnings Per Share

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

	Q2 2017	**6M 2017**	**Q2 2016**	**6M 2016**
Total profit attributable to owners of the parent (EUR thousand)	4 421	8 890	4 555	7 574
Weighted average number of shares (in thousands of units)	25 356	25 356	24 356	23 856
Basic earnings per share (EUR)	0.17	0.35	0.19	0.32
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	25 836	25 836	24 836	24 336
Diluted earnings per share (EUR)	0.17	0.24	0.18	0.31

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 30.06.2017 was 120 263 thousand euros (31.12.2016: 123 907 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.

The Group follows the general principles in its capital management:

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

Capital base	**30.06.2017**	**31.12.2016**
Paid-in share capital	25 356	25 356
Share premium	45 892	45 892
Reserves	2 471	1 580
Other reserves	23	-40
Accumulated loss	23 638	10 517
Intangible assets (subtracted)	-8 017	-8 114
Profit for the reporting period	0	17 816
Total Tier 1 capital	**89 363**	**93 007**
Subordinated liabilities	30 900	30 900
Total Tier 2 capital	**30 900**	**30 900**
Total net own funds	**120 263**	**123 907**

The Group has complied with all 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	**6M 2017**	**6M 2016**
Interest income	**36**	**30**
incl. management	14	7
incl. shareholders and their related entities that have significant influence	22	23
Fee and commission income	**2**	**0**
Incl. management	0	0
incl. shareholders and their related entities that have significant influence	2	0
Interest expenses from deposits	**20**	**9**
incl. management	0	0
incl. shareholders and their related entities that have significant influence	20	9
Interest expenses from subordinated loans	**169**	**228**
incl. management	4	14
incl. shareholders and their related entities that have significant influence	165	214

Balances	**30.06.2017**	**31.12.2016**
Loans and receivables as at the year-end	**2 903**	**2 708**
incl. management	1 765	1 596
incl. shareholders and their related entities that have significant influence	1 138	1 112
Deposits as at the year-end	**20 117**	**7 430**
incl. management	332	236
incl. shareholders and their related entities that have significant influence	19 785	7 194
Subordinated loans as at the year-end	**4 799**	**4 799**
incl. management	104	104
incl. shareholders and their related entities that have significant influence	4 695	4 695

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.

Loans granted to related parties are issued at market conditions.

In Q2, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 374 thousand (Q2 2016: EUR 313 thousand), including all taxes. As at 30.06.2017, remuneration for June and accrued holiday pay in the amount of EUR 94 thousand (31.12.2016: EUR 92 thousand) is reported as a payable to management (Note 14). The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 30.06.2017 and 31.12.2016 (pension liabilities, termination benefits, etc.). In Q2 2017, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 14 thousand (Q2 2016: EUR 10 thousand).

Management is related to the share-based compensation plan. In Q2 2017 the share-based compensation to management amounted to EUR 119 thousand (Q2 2016: EUR 99 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.

Shareholders of AS LHV Group

AS LHV Group has a total of 25 356 005 ordinary shares, with a nominal value of 1 euro.

As at 30 June 2017, AS LHV Group has 5 089 shareholders:

- 13 108 473 shares (51.7%) were held by members of the Supervisory Board and Management Board, and related parties.
- 12 247 532 shares (48.3%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 30 June 2017:

Number of	Participation	Name of shareholder
3 357 920	13.2%	AS Lõhmus Holdings
2 628 367	10.4%	Rain Lõhmus
2 052 344	8.1%	Viisemann Investment AG
1 595 620	6.3%	Ambient Sound Investments OÜ
1 210 215	4.8%	OÜ Krenno
999 456	3.9%	AS Genteel
951 978	3.8%	AS Amalfi
701 297	2.8%	OÜ Kristobal
589 177	2.3%	OÜ Bonaares
589 165	2.3%	SIA Krugmans

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 13 775 shares.
Rain Lõhmus holds 2 628 367 shares, AS Lõhmus Holdings 3 357 920 shares and OÜ Merona Systems 581 718 shares.
Andres Viisemann does not hold shares, Viisemann Holdings OÜ holds 434 925 shares and Viisemann Investment AG holds 2 052 344 shares.
Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 595 620 shares.
Tiina Mõis does not hold shares. AS Genteel holds 999 456 shares.
Heldur Meerits does not hold shares. AS Amalfi holds 951 978 shares.
Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 490 190 shares and Lame Maakera OÜ holds 3 670 shares.
Sten Tamkivi holds 355 shares. OÜ Seikatsu holds 1 825 shares.

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

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

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

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

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

OÜ Cuber Tehnology
Management board: Jüri Laur

UAB Mokilizingas
Supervisory board: AS LHV Group, AS LHV Pank, UAB „K2Z", KŪB „RAZFin
Management board: Erki Kilu, Jurgis Rubazevicius, Benas Pavlauskas, Jonė Virbickienė
CEO: Benas Pavlauskas

Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to June 2017 period the condensed consolidated interim financial statements of AS LHV Group for the 6-month period ended 30 June 2017.

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

17.07.2017

Madis Toomsalu