Interim Report January – December 2017 Summary of Results

Q4 2017 in comparison with Q3 2017

- Net profit EUR 6.8 m (EUR 5.5 m), of which EUR 5.7 m (EUR 5.5 m) is attributable to owners of the parent
- Earnings per share EUR 0.22 (EUR 0.20)
- Net income EUR 15.4 m (EUR 14.6 m)
- Operating expenses EUR 8.5 m (EUR 7.8 m)
- Loan provisions EUR -0.04 m (EUR 1.3 m)
- Return on equity 19.4% (18.1%)
- Capital adequacy 18.3% (19.2%)

Q4 2017 in comparison with Q4 2016

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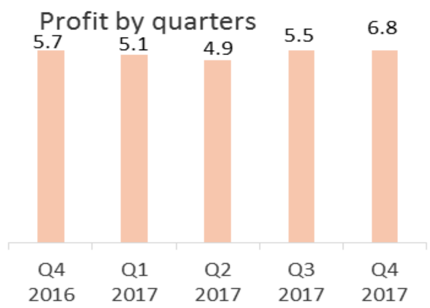

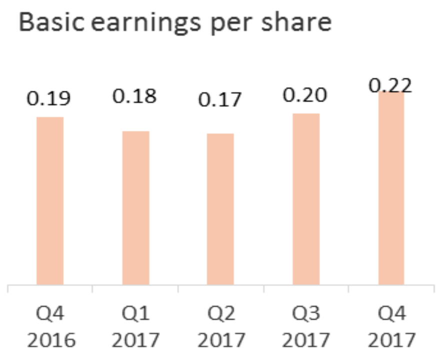

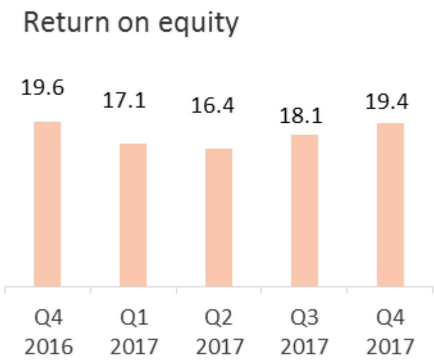

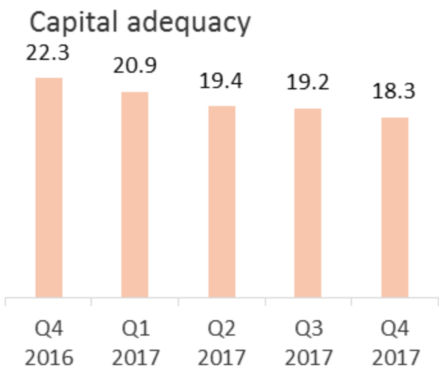

Earnings per share and return on equity ratios are based on the profit attributed to the shareholders and equity of AS LHV Group and do not include non-controlling interest.

Managing Director's Statement

Dear investor in LHV,
LHV's Q4 was the strongest throughout time. Broad-based economic growth and the good work done by people employed by the company have driven a strong growth trend, and its impact is also carrying over to the coming quarters. The bank's customer base continues to grow, with deposits and the loan portfolio experiencing a record-level increase during the quarter. We reached new levels with regard to the assets of pension funds and private banking, customer activity in payments, card transactions and acceptance of card transactions.

The group employs over 350 people. It is they who are behind the growth and results of LHV. I hope that also in the future they will be motivated by the passion to increase the LHVs as Estonian capital importance in the local financial services market, and equally contribute to the breakthrough of LHV into new markets and business areas.

Good people create trust which is illustrated best by the fact that LHV is managing EUR 3.8 billion worth of customers' assets. Of that, EUR 1.5 billion is in the bank's balance as deposits, EUR 1.1 billion in pension funds and EUR 1.2 billion on customers' accounts as securities. All indicators have increased significantly during the fourth quarter.

LHV's focus continues to be on offering high-quality digital solutions. Therefore I would like to highlight the 250 customer agreements concluded by way of video identification in Q4. It only forms less than 5% of all the customer agreements concluded, but it constitutes a growing trend. The number of mobile bank logins also increased by 240 thousand from the previous quarter, reaching 1.4 million. We are continuing the development of digital channels also in 2018.

LHV Connect has been doing very well among digital services aimed at companies, reaching 1 000 interfacings in Q4. LHV Connect is an application interface which allows Estonian companies to connect their financial software to LHV's banking service to receive a real-time overview of movements on accounts.

The pension funds managed by LHV Asset Management continued to make investments in Estonia. The investment strategy of LHV's funds has been distinctly different from that of competing funds – the risk related to international equity markets has been lower while investments into the local market have been larger. During the year, the total volume of the Estonia-oriented investment decisions of LHV's actively managed pension funds amounted to EUR 170 million.

This has ensured a relatively stable performance for LHV's funds. In a short-term comparison of yields, however, international exchanges have an important role. As equity markets continued their dynamic climb in 2017, the yield of LHV's actively managed pension funds trailed behind that of competing funds due to the bank's more conservative investment strategy in the context of both the quarter and the entire 2017. However, in a conclusion of the past three calendar years LHV's 2nd-pillar funds had the best yield in three risk classes out of four.

We are also happy with Mokilizingas, where the efforts made during the year to strengthen the team, increase efficiency and find new business volumes have started to bear fruit. In December, new members were elected to the Management Board of UAB Mokilizingas. The separation of the Supervisory Board and the executive management creates a two-tier management in which the management functions and responsibilities are clearly distinct. The elected members of the Management Board will continue activities to place Mokilizingas on a growth path.

LHV's strong underlying trends are also supported by the Estonian economic environment. Estonia has reached out of a long period of below potential performance and entered a period of strong economic growth. The growth in labour expenditure has stabilised, helping to improve corporate profits. It is good to note that the outlook is improving for all our trade partners. Forecasts have been raised for Scandinavia and the Baltic region, as well for the euro zone, and Russia which is restoring its position as a trade partner.

The biggest concerns for Estonian enterprises are the labour availability and the rapid increase of labour expenses. An increase in wages is rather inevitable in the current economic environment and therefore investments need to be increased in order to improve the efficiency of labour expenses. The continued record-low levels of financing costs create favourable conditions for that and enterprises are increasingly using the opportunity.

The credit market has remained strong. All key credit products are growing, including corporate loans and housing loans. The financial health of households is quite strong, with the loan-to-deposit ratio improving. The share of overdue loans in the market has dropped below 1%, largely covered by write-downs.

Two major amendments in accounting standards will enter into force on 1 January 2018 - IFRS 9 and IFRS 15. The implementation of these regulations will also have a significant effect on LHV. IFRS 9 will trigger changes in provisioning. In addition to the customer's financial position, the changes in the economic environment, compared to the moment of issue of the loan will need to be taken into account for provisioning. We believe that the provisioning rate specified in our financial statements is adequate in terms of IFRS 9 and effect upon the transition to the new method is small. However, considerably higher fluctuations in monthly provisions are to be expected in the future.

The main impact of IFRS 15 has to do with the external costs incurred for engaging a customer. These costs will need to be charged to expenses over the customer's lifetime. So far, the sums paid for the sale of Asset Management's pension funds have been fully charged to expenses straight away. From the moment of the implementation of IFRS 15, the previously incurred expenses will need to be capitalised. As at 1 January 2018, we will increase the retained earnings by EUR 10.1 million. In future periods, we will start charging the capitalised sales expenses to costs over the effective lifetime of customers.

Financial results

The group's consolidated profit for Q4 amounted to EUR 6.8 million. This constitutes a EUR 1.3 million increase from Q3 and a EUR 1.1 million increase from Q4 2016. The profit for Q4 was positively influenced by the sales of the written-off portfolios of Mokilizingas, a decrease in write-downs and the transition to effective interest rate accounting, and negatively by revaluations arising from changes in exchange rates. Profit was supported by high customer activity and an increase in business volumes. Return on equity held by LHV's shareholders amounted to 19.4% in Q4 2017.

The group's consolidated loan portfolio grew by EUR 77 million during the quarter (+ EUR 49 million in Q3) and consolidated deposits by the record amount of EUR 269 million (+ EUR 260 million in Q3). Deposits related to payment intermediaries grew by EUR 152 million, mainly due to the account balances of a few large customers. The volume of funds managed by LHV grew by EUR 35 million in the quarter (+ EUR 33 million in Q3).

The bank posted EUR 3.9 million in profit in Q4, at par with the previous quarter. Q4 was characterised by strong customer activity and a growth in loans and deposits. New customer numbers grew by 5 600 during the quarter, with the total number of customers exceeding 133 000.

The bank's loan portfolio grew by EUR 72 million in Q4, reaching EUR 719 million. Corporate loans showed the biggest growth among loan portfolios. Loan losses amounted to EUR 0.5 million in Q4, which was EUR 0.6 million less than in the previous quarter.

Deposits of customers grew by the record amount of EUR 276 million in Q4 and reached EUR 1 550 million by the end of the quarter. Demand deposits grew by EUR 267 million and term deposits by EUR 3 million.

Asset Management posted a profit of EUR 1.8 million in Q4, surpassing the results for the previous quarter by EUR 0.1 million. Asset Management's net fee and commission income increased by EUR 0.1 million, to EUR 3.5 million. The operating expenses of Asset Management remained on par with the previous quarter.

The total volume of funds managed by LHV grew by EUR 35 million during the quarter (+ EUR 33 million in Q3). The number of active 2nd-pillar customers decreased by 0.2 thousand in the quarter (+ 0.3 thousand in Q3).

Mokilizingas posted EUR 1.4 million in profit in Q4, which is EUR 1.3 million more than in the previous quarter. The financing portfolio grew by EUR 12 million during the quarter, amounting to EUR 49 million at the end of the quarter. The credit quality of the portfolio remains stable.

The group’s consolidated profit for 2017 amounted to EUR 22.2 million, which is EUR 2.3 million more than in the previous year. Return on equity held by LHV's shareholders amounted to 17.6% in 2017. With regard to the financial plan, we surpassed the consolidated profit plan by EUR 364 thousand thanks to Mokilizingas achieving better results than expected, but remained below expectations by EUR 146 thousand with regard to shareholders’ equity, due lower than expected interest income mainly from small financing products.

LHV’s outlook for 2018 is strong. We pursue growth, while taking into account the risks and using capital efficiently. As a new area, we shall in 2018 focus on providing services to financial technology enterprises, with the launch of the UK branch being the main prerequisite thereof. We shall soon publish our separate activity and financial plans for 2018.

Madis Toomsalu

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Financial Summary

Income statement EUR million	**Q4 2017**	**Q4 2016**	**Year over year**	**12M 2017**	**12M 2016**	**Year over year**
Net interest income	9.87	8.26	19%	35.50	29.98	18%
Net fee and commission income	5.99	5.85	2%	22.18	19.19	16%
Other financial income	-0.42	-0.49	-14%	0.98	1.31	-25%
Total net operating income	15.44	13.62	13%	58.66	50.48	16%
Other income	0.00	-0.01	-100%	-0.15	0.08	-
Operating expenses	-8.48	-7.83	8%	-31.94	-28.92	10%
Loan losses	0.04	0.02	100%	-3.15	-1.48	113%
Income tax expenses	-0.20	-0.07	186%	-1.24	-0.27	343%
Net profit	6.80	5.73	19%	22.18	19.89	12%
including attributable to owners of the parent	5.69	4.90	16%	19.61	17.83	10%

Business volumes EUR million	**Q4 2017**	**Q3 2017**	**Quarter over quarter**	**Q4 2016**	**Year over year**
Loan portfolio	732.0	655.5	12%	537.6	36%
Financial investments	56.6	61.6	-8%	76.1	-26%
Deposits of customers	1536.9	1 268.2	21%	776.8	98%
incl. deposits of financial intermediates	607.0	455.0	33%	32.0	-
Equity (including minority interest)	128.0	120.9	6%	107.7	19%
Equity (owners' share)	120.1	114.1	5%	102.4	17%
Volume of funds managed	1 103.0	1 067.3	3%	973.9	13%
Assets managed by bank	1 203.5	1 158.3	4%	992.9	21%

Ratios EUR million	**Q4 2017**	**Q4 2016**	**Year over year**	**12M 2017**	**12M 2016**	**Year over year**
Average equity (attributable to owners of the parent)	117.1	99.9	17.2	111.2	86.2	25.0
Return on equity (ROE), %	19.4	19.6	-0.2	17.62	20.7	-3.08
Return on assets (ROA), %	1.7	2.5	-0.8	1.6	2.4	-0.8
Interest-bearing assets, average	1 581.4	890.8	690.6	1 332.3	832.1	500.2
Net interest margin (NIM) %	2.50	3.71	-1.21	2.66	3.60	-0.94
Price spread (SPREAD) %	2.46	3.64	-1.18	2.56	3.50	-0.94
Cost/income ratio %	55.0	57.5	-2.5	54.6	57.2	-2.6

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

The global economic outlook continued to improve in 2017, with expectations of accelerated cyclical growth in world economy for a second year running this year. The recovery is supported by a noticeable upsurge in trade, and a growth in investments and industrial output, together with an improving business and consumer confidence. Although there is so far no pressure on the core inflation, which prompts the continuation of the dovish monetary policy, the central banks of the developed countries are quietly changing course, led by the United States. Growing asset values reflect the historically low-volatility environment created by the expansive monetary policy of central banks, with investors accepting an increasingly lower long-term yield for the risk taken. Geopolitical tensions have by now decreased compared to the summer of the previous year.

Anti-EU movements did not achieve any significant success in the elections held in major Member States of the European Union last year and therefore Brussels and Paris are expected to lead in taking a direction on even closer integration. Separatist movements have been sent a robust message both in the form of the difficult Brexit process as well as leaving the Catalonian campaign for independence to be settled domestically. The next important milestone is the general elections in Europe's fourth-largest economy, Italy, on 4 March.

Economic growth in the euro area sped up to 2.6%, which is the fastest pace in the past six years. The general economic outlook has improved, manifesting on a larger scale in more countries and sectors. The good outlook allows the European Central Bank to exit the former expansive monetary policy – the purchase of bonds will continue according to the existing plan in a reduced volume until September, but an increase in interest rates is still not expected until the next year. Consumer prices rose by 1.4% in December and have remained in a narrow range since August. Inflationary pressures continue to be low, expected to remain below the long-term average of 2.0%, established as the objective by the European Central Bank. The consensus forecasts that economic growth in the euro area will slow down to 2.2% in 2018, and to 1.9% in 2019. Consumption is supported by a continual drop in unemployment and a growth in the labour force participation rate, which should sooner or later bring about the long-awaited acceleration in the growth of wages. The increased order volumes and use of production capacities should stimulate a growth in investments. After years of tightening the belt, governments are expected to loosen their fiscal policy. The continued strengthening of the euro against other currencies is seen as somewhat of a worry and seems to be exerting pressure on the competitiveness of the export sector.

The economic sentiment indicator of Estonia's key trade partners in Europe is close to the all-time high achieved during the economic boom in 2007 and has risen to the highest level of the past 17 years across the 19 euro zone countries.

In Sweden, economic growth increased to 2.9% in Q3, which was significantly below expectations. Continually strong domestic demand and a growth in investments had a positive effect, but a robust increase in import volumes had a negative impact on net export. In September, Sweden's real estate market experienced a price turnaround and the prices of dwellings have by now been dropping for four months in a row. This is a welcomed phenomenon, but it is important to watch that the price correction stays within the limits of reason. Market participants are not currently concerned – sentiment indicators and consumer confidence remain high and real estate prices are expected to stabilise this year. Sweden will hold parliamentary elections in September and the expected equally matched results are anticipated to bring about a probability of expansive fiscal policy. The consensus forecasts that Sweden's economic growth will slow down to 2.4% in 2018 and to 2.2 in 2019. Estonia's interests revolve around the continual growth in Swedish import volumes, the outlook for which is good, with Swedish banks being investor-friendly.

The Finnish economy continued at a good pace in Q3, growing by 3.0%. The economic sentiment is strong, on a broad basis. The main driving engines were a growth in investments and net export, with private consumption also staying strong. The economic growth of 2017 turned out to be the fastest in the past nine years for Finland. The consensus forecasts that the Finnish economic growth will slow down to 2.6% in 2018, but the economic sentiment will remain strong on a broad basis. The 2019 economic growth is expected to be 2.2%. Similarly to Sweden, Estonia's interests lie in further growth in Finnish import volumes, the outlook for which is good.

Economic growth in Lithuania – a major destination market for LHV – continued at a good pace, accelerating to 3.4% in Q3. The economic sentiment is strong, on a broad basis, but the rapid growth of private consumption in Lithuania is being affected by one of the highest rates of inflation in the euro zone. On a balancing note, the economy was supported by an increase in investments which should gain a more significant role in the coming years. Strong external demand, a lack of qualified labour and a record use of production capacities – all this is forcing enterprises to make new investments. The volume of projects financed with EU support is also increasing. The consensus forecasts that economic growth in Lithuania will slow down to 3.2% in 2018 and to 3.0% in 2019.

Economic growth in Estonia slowed down to 4.2% in Q3, which is nevertheless a very high pace. This was supported mainly by domestic demand driven by investments and private consumption. The construction sector again made one of the largest contributions to economic growth. There was a decrease in the low-margin export of electronic equipment which had largely been fuelling the decrease in export volumes and the negative effect of net export. The inflation rate, which rocketed last year, significantly slowed the growth in private consumption. Consumer prices increased by 3.4% in December. An important aspect is that despite the continuation of the rapid growth in wages, corporate profits have recovered and productivity has improved. The sentiment indicators reflecting the different sectors remain strong, continuing to indicate a positive sentiment. In its forecast published in December, the Bank of Estonia considerably raised its expectations of economic growth. It is estimated to remain around 4.2% this year and 3.1% in 2019. Private consumption and investments will be the driving engines, while the contribution of net export into economic growth is negative. Private consumption is still positively influenced by a rapid increase in wages and the steep rise of the income-tax-free minimum wage accompanied by a marginal decrease in the pace of inflation. Investments are driven by a more active use of the resources of the EU structural funds in the public sector. Despite strong external demand, the investment volumes of enterprises will not grow in 2018 due to the impact of ship purchases in the reference base. The key problems revolve around the shortage of labour and its potential magnification in connection with the increase in general government expenditure. The priority lies in the achievement of sustainable, long-term economic growth, balanced between the different sectors.

LHV is expecting the positive trends in the Estonian economy to continue in the next twelve months. The economy will continue to grow quickly and exceed the potential long-term sustainability level. The lack of available resources will lay an increasing emphasis on corporate adaptability and successful productivity enhancement. This requires a robust continuation of additional investments.

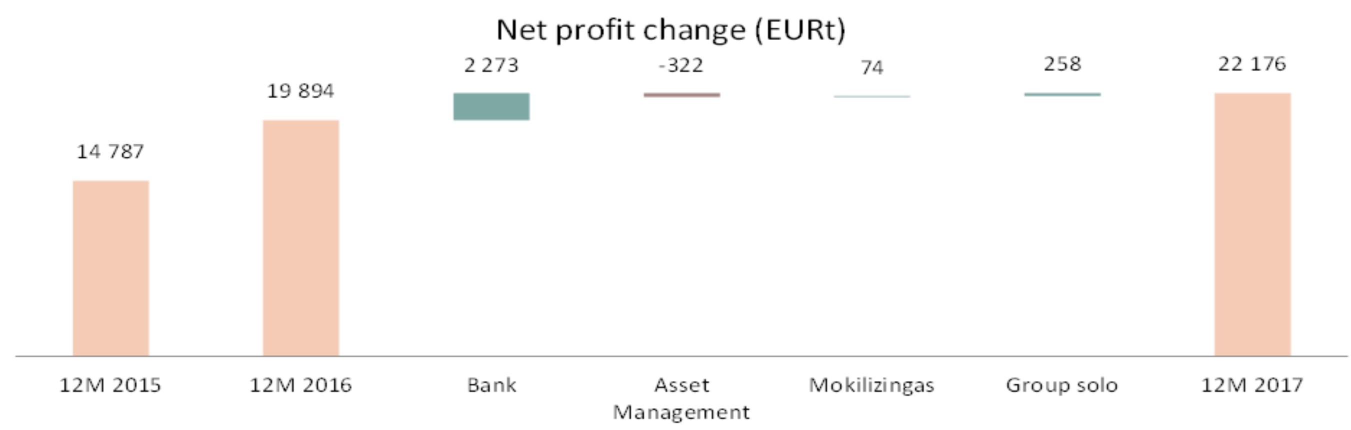
By economic sectors, the risks remain higher-than-average in the overheating construction sector, transport and warehousing. LHV remain conservative with regard to the real estate market, monitoring the dynamics on the local and Scandinavian markets and paying particular attention to developments in Sweden. Rental property projects involve a risk of insufficient demand for absorbing the developed volumes in the near future, with corrections expected in either rental prices or vacancy rates.

On a positive note, the financing environment remains favourable. The quick growth in the balance of loans taken from credit institutions continues, but the pace somewhat slowed down compared to the beginning of the year. The loan to deposit ratio and overdue loans have maintained their post-crisis lows. With the record-low interest rates and tight interbank competition having a positive impact on local entrepreneurship, the opportunities should be further exploited. LHV stands ready to boldly and efficiently contribute to the search of new sources of growth, offering a long-term partnership to enterprises and making an effort to create additional value.

Financial Results of the Group

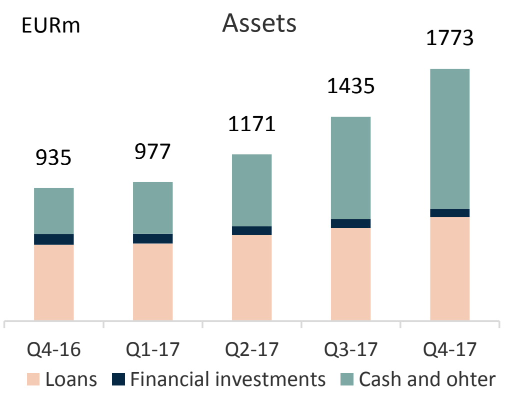
Compared to Q3, the Group's net interest income increased in Q4 by 11%, standing at EUR 9.9 (Q3: 8.9) million. Net fee and commission income increased by 5% and stood at EUR 6.0 (Q3: 5.7) million. Financial income decreased and stood at EUR -0.4 (Q3: 0.07) million. In total, the net income of the Group decreased by 6% in Q4, compared to Q3 2017, amounting to EUR 15.4 (Q3: 14.6) million, with expenses decreasing by 8% and amounting to EUR 8.5 (Q3: 7.8) million. The Group's operating profit for Q4 amounted to EUR 7.0 (Q3: 6.8) million. The profit from loan impairments mounted to EUR 0.04 million in Q4 (Q3: loss of 1.3). The Group's total profit for Q4 amounted to EUR 6.8 million (Q3: 5.5). Compared to Q4 2016, the Group's net interest income increased by 19% and net fee and commission income by 2%.

In terms of business entities, AS LHV Pank posted in Q4 a consolidated profit of EUR 4.0 million, AS LHV Varahaldus a profit of EUR 1.8 million and UAB Mokilizingas a profit of EUR 1.4 million. The AS LHV Group on solo bases posted a loss of EUR 0.3 million.



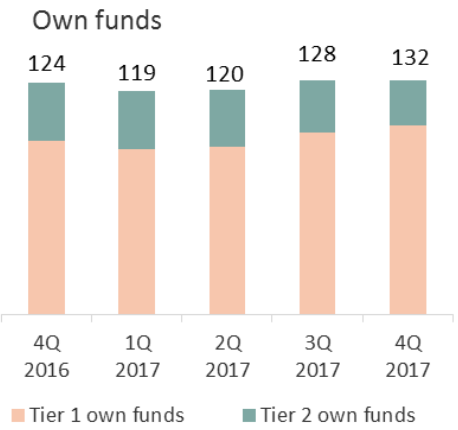
The Group's volume of deposits as at the end of Q4 amounted to EUR 1 537 (Q3: 1 268) million, of which demand deposits formed EUR 1 410 (Q3: 1 144) million and term deposits EUR 127 (Q3: 124) million.

As at the end of Q4, the volume of loans granted by the Group amounted to EUR 732 (Q3: 656) million, increasing in Q4 by 12%. Compared to Q4 2016, the volume of the Group's deposits has increased by 98% and the volume of loans by 36%.



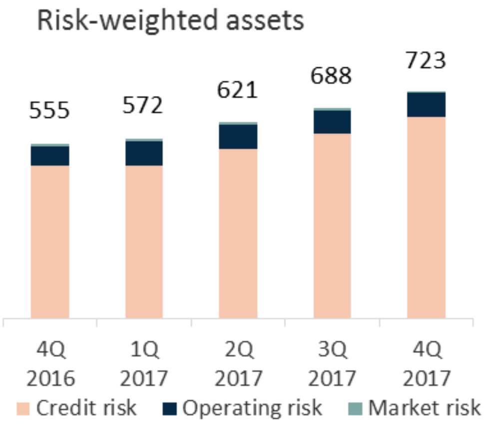
The Group's Liquidity, Capitalisation and Asset Quality

As at 31 December 2017, the Group's own funds stood at EUR 132.2 million (30 September 2017: EUR 128.4 million). In Q4 the level of own funds increased by including the Q3 profit to own funds.



Compared to Group's internal capital adequacy ratio target 15.06%, the Group is well capitalised as at the end of the reporting period, with the capital adequacy ratio amounting to 18.3% (30 September 2017: 19.2%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10,61% and core Tier 1 capital adequacy ratio to 12,29%.

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 121.3% as at the end of December (30 September 2017: 119.06%). Banks liquidity situation remained same in Q4, change in LCR levels are related to significantly higher financial intermediates deposits what Bank covers 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR in 216,8%. The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 57% of the balance sheet (30 September 2017: 52%). The ratio of loans to deposits stood at 48% as at the end of the fourth quarter (30 September 2017: 52%). Group's maturity structure is presented in Note 5.



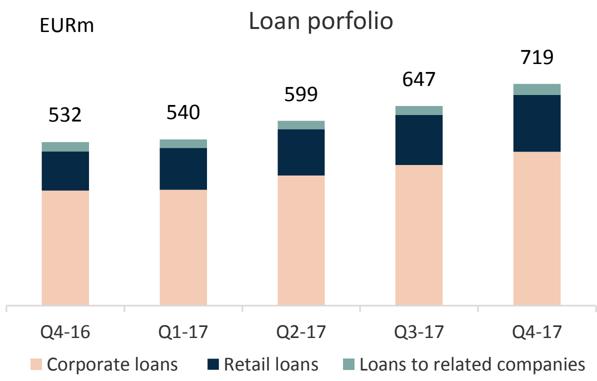
The Group's credit quality was good. As at the end of December, provisions for estimated loan losses amounted to EUR 8.1 million in the balance sheet, i.e. approximately 1.1% of the loan portfolio (30 September 2017: EUR 8.4 million, 1.3%). Estimated loan losses make up 47.4% (30 September 2017: 123.2%) of the portfolio of loans overdue for more than 90 days. The increase in overdue loans is related to few clients

EUR thousand	31.12.2017	Proportion	31.12.2016	Proportion
Loans to customers	740 169		543 382	
including overdue loans:	29 890	4.0%	10 654	2.0%
1-30 days	6 041	0.8%	4 651	0.9%
31-60 days	6 124	0.8%	2 638	0.5%
61-90 days	583	0.1%	637	0.1%
91 and more days	17 142	2.3%	2 729	0.5%
Impairment of loans	-8 125	-1.1%	-5 741	-1.1%
Impairment % of loans overdue for more than 90 days	47.4%		210.4%	

Capital base	31.12.2017	31.12.2016	31.12.2015
Paid-in share capital	25 767	25 356	23 356
Share premium	46 304	45 892	33 992
Statutory reserves transferred from net profit	2 471	1 580	895
Other reserves	36	-40	-23
Accumulated deficit	24 468	10 517	-2 503
Intangible assets (subtracted)	-7 940	-8 114	-1 734
Net profit for the reporting period	10 175	17 816	13 705
Non-controlling interest	0	0	1 945
Total Tier 1 capital	**101 281**	**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	**132 181**	**123 907**	**100 533**
Capital requirements			
Central governments and central bank under standard method	945	1 498	0
Credit institutions and investment companies under standard method	6 950	7 415	5 949
Companies under standard method	428 428	334 314	232 779
Retail claims under standard method	144 237	114 689	106 445
Public sector under standard method	185	216	0
Housing real estate under standard method	20 039	7 079	0
Overdue claims under standard methods	21 872	2 313	7 758
Investment funds' shares under standard method	6 281	10 886	6 369
Other assets under standard method	13 824	7 610	5 712
Total capital requirements for covering the credit risk and counterparty credit risk	**642 761**	**486 020**	**365 012**
Capital requirement against foreign currency risk under standard method	3 551	5 032	6 527
Capital requirement against interest position risk under standard method	412	1 709	2 342
Capital requirement against equity portfolio risks under standard method	585	601	87
Capital requirement against credit valuation adjustment risks under standard method	15	24	0
Capital requirement for operational risk under base method	75 999	61 812	44 367
Total capital requirements for adequacy calculation	**723 323**	**555 198**	**418 334**
Capital adequacy (%)	**18.27**	**22.32**	**24.03**
Tier 1 capital ratio (%)	**14.00**	**16.75**	**16.65**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in deposit volume in Q4 – EUR 271 million
- (Net) growth in loan volume EUR 72 million
- Clients activity at record level



EUR million	Q4 2017	Q3 2017	Change %	Q4 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net interest income	8.38	7.93	6%	7.18	17%	31.13	25.55	22%
Net fee and commission income	1.93	2.14	-10%	1.77	9%	7.70	5.72	35%
Other financial income	-0.48	0.03	-	-0.55	-14%	0.68	1.00	-32%
Total net operating income	9.83	10.10	-3%	8.39	17%	39.51	32.27	22%
Other income	0.04	0.00	-	0.03	41%	0.01	0.39	-98%
Operating expenses	-5.41	-5.04	7%	-4.56	19%	-20.42	-17.64	16%
Loan losses	-0.53	-1.10	-51%	-0.68	-21%	-3.58	-1.77	103%
Net profit	3.93	3.96	-1%	3.18	24%	15.52	13.25	17%
Loan portfolio	719	647	11%	532	35%			
Financial investments	50	55	-9%	65	-23%			
Deposits of customers	1 551	1 280	21%	785	98%			
incl. deposits of financial intermediates	607	455	33%	32	-			
Subordinated liabilities	20	20	0%	20	0%			
Equity	100	95	4%	80	24%			

Q4 was successful in terms of business volumes. LHV Bank generated EUR 8.4 million in net interest income and EUR 1.9 million in net fee and commission income. In total, the bank's net income amounted to EUR 9.8 million, expenditure to EUR 5.4 million and loan provisions to EUR 0.5 million. The net profit of LHV Bank amounted to EUR 3.9 million in Q4. This constitutes a 1% decrease from Q3 (4.0) and a 24% increase from Q4 2016 (3.2). Net interest income increased 4% compared to previous quarter. Net fee and commission income decreased 10% compared to Q4. Net operating income decreased by 3% compared to previous quarter. In Q4 other financial expenses amounted to EUR 0.5 million (Q3: 0.03 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 Q3, the total volume of the bank's loan portfolios amounted to EUR 719 million (Q3: EUR 647 million). The volume of portfolios grew 11% over the quarter.

The corporate credit portfolio of loans and guarantees grew by EUR 124.4 million in a year (+31%) and by EUR 41.0 million (+9%) in a quarter. The main source of growth was loans for real estate activities – an area traditionally the most financed by commercial banks, growing by EUR 46.7 million (+31%). Commercial real estate projects with a strong rental flow were the greatest contributor to growth, followed by loans issued to the processing industry, which grew by EUR 23.8 million in a year (+56%). Loans issued for financial activities, often including the activities of holding companies related to the financing of corporate purchases, grew by EUR 17.1 million (+24%) compared to the previous year.

The greatest contributors to portfolio growth, compared to Q3, included loans and guarantees issued in the area of real estate activities (EUR 19.8 million; +11%), the electricity, gas, steam and conditioned air supply sector (EUR 7.6 million; +81%) and the administrative and auxiliary activities sector (EUR 7.2 million; +79%).

The largest amount of corporate loans was granted to the real estate sector, which accounts for 39% of the bank's total portfolio of corporate loans. A bulk of the real estate loans have been issued for projects with a high-quality rent flow. Real estate development ranks second, far behind. The majority of the real estate developments financed are located in Tallinn, with a few in other major Estonian cities. LHV's market share in the financing of new developments in Tallinn was nearly 20% at the end of Q4 2017. 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 at 50%.

Besides the real estate sector, the greatest volume of credit was provided to companies pursuing financial activities (share: 17%) as well as the processing industry (share: 13%). As regards sectors with a higher-than-average credit risk, accommodation and catering contributes 1%, construction 3% and transport and warehousing 1% of the total portfolio volume.

The growth of the number of the bank's new customers sped up from the previous quarter in Q4. The bank's customer base grew by more than 5,500 during the quarter. By the end of the year, new record levels were achieved in customer payment activity, initiation and acceptance of card transactions.

The volume of deposits grew by EUR 270 million during the quarter, with the loan portfolio growing by EUR 72 million. The deposits of ordinary customers grew by EUR 118 million and the deposits of financial intermediaries by EUR 152 million. Similarly to the two preceding quarters, a large part of the growth in the volume of the deposits of financial intermediaries was attributed to a financial technology undertaking whose business volumes continued to grow rapidly. Corporate loans grew by EUR 43 million and retail loans by EUR 22 million. The profit for Q4 amounted to EUR 3.9 million.

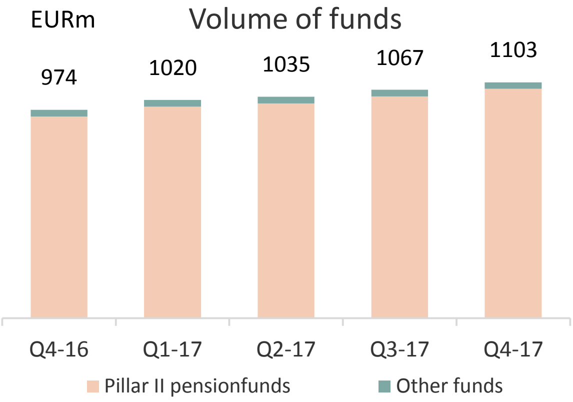
As new products, the bank launched mTasku in cooperation with Telia, New and Better smartphone instalment product in cooperation with Euronics, and LHV home insurance in cooperation with Compensa. In order to reduce card payment fraud on the Internet, the bank introduced 3D Secure. The mobile bank was updated with regard to 2nd-pillar pension funds information.

On 27 November 2017, the Estonian Financial Supervision Authority and on 27 January 2018, the UK Financial Services Authority made a positive decision on the establishment of a branch of LHV Bank in the United Kingdom, after which the bank initiated the official registration of the branch in the register of companies.

The Bank of Estonia passed a resolution to consider LHV Bank as a systemically relevant bank as of 1 January 2018.

Overview of AS LHV Varahaldus

- EUR 170 million worth of Estonia-oriented investment decisions during the year
- Fund volumes amounted to EUR 1 103 million, having grown by EUR 35 million
- Q4 profit EUR 1.79 million



EUR million	Q4 2017	Q3 2017	Change %	Q4 2016	Change %	From the beginning of 2017	From the beginning of 2016	Change %
Net fee and commission income	3.45	3.34	3%	3.89	-11%	13.3	12.91	3%
Net financial income	0.01	0.01	0%	0.02	-50%	0.13	0.15	-13%
Operating expenses	-1.67	-1.67	0%	-2.15	-22%	-6.67	-6.94	-4%
Profit	1.79	1.68	7%	1.76	2%	6.76	6.12	10%
Financial investments	6.3	6.2	2%	10.9	-42%			
Subordinated liabilities	2.1	2.1	0%	2.1	0%			
Equity	17.0	15.0	13%	21.0	-19%			
Assets under management	1 102.8	1 067.3	3%	973.9	13%			

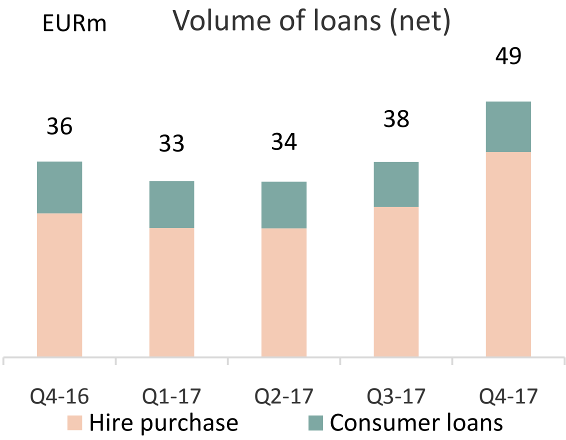
The operating income of LHV Asset Management amounted to EUR 3.45 million in Q4 (EUR 3.34 million in Q3). The growth in operating income can be attributed to the growth in total fund volume by EUR 35 million (EUR 33 million in Q3). Operating expenses amounted to EUR 1.57 million in Q4 (same in Q3). Profit amounted to EUR 1.79 million in Q4 IV (EUR 1.68 million in Q3).

The number of active 2nd-pillar customers decreased by 0.2 thousand in the quarter (grew by 0.3 in Q3). While in the first half of the year the number of customers was affected by the entry of a new competitor to the market, in the second half of the year the number of customers of LHV pension funds remained relatively stable. The total volume of funds grew to EUR 1 103 million.

During the year, the total volume of the Estonia-oriented investment decisions of LHV's actively managed pension funds amounted to EUR 170 million. The end of the year was also a more active period for new investments, with funds investing in the bonds, including subordinated bonds of several credit institutions operating in the Baltic region. The investment strategy of LHV's funds has been clearly distinct from that of competing funds – the risk related to international equity markets has been smaller, while investments into the local market have been larger. This has ensured a relatively stable performance for LHV's funds. In a short-term comparison of yields, however, international exchanges have an important role. As equity markets continued their dynamic climb in 2017, the yield of LHV's actively managed pension funds trailed behind that of competing funds. However, in a conclusion of the past three calendar years LHV's 2nd-pillar funds had the best yield in three risk classes out of four.

The management fees of the 2nd-pillar funds decrease as volumes increase. From February 2018, the fees of LHV's funds will decrease by an average of 6%.

Overview of UAB Mokilizingas



EUR million	**Q4 2017**	**Q3 2017**	**Change %**	**Q4 2016**	**Change %**	**From the beginning of 2017**	**From the beginning of 2016**	**Change %**
Net interest income	1.7	1.1	55%	1.3	31%	5.1	5.3	-4%
Net fee and commission income	0.6	0.2	200%	0.2	200%	1.2	0.6	100%
Operating expenses	-1.3	-1.1	18%	-1.1	18%	-4.5	-4.0	13%
Loan losses	0.6	-0.16	-475%	0.7	-14%	0.4	0.3	20%
Income tax expenses	-0.2	-0.04	400%	-0.1	100%	-0.3	-0.3	0%
Profit	1.4	0.08	1 650%	1.0	40%	1.9	1.9	0%
Loan portfolio	49.0	38.0	29%	38.0	29%			
Equity	8.7	7.4	18%	6.8	28%			

Mokilizingas generated EUR 2.7m net interest income during Q4 2017 with 130% increase in comparison of Q4 2016. Partially the reason for so high growth in net interest income comes from implementing effective interest rate calculation for full portfolio, which helps to show interest income in correct period. Total business expenses of Q4 2017 was EUR 1.3m. When compared to Q4 2016 expenditures increased by 22%, which is related to increase in marketing and other administrative costs. The net profit amounted EUR 1.4m in Q4 2017.

In Hire Purchase and Consumer Loan segments Mokilizingas continues to work in a strong collaboration with main partners, launching seasonal campaigns and supporting the sales. Q4 2017 sales were amounted to EUR 22.5m (EUR 12.3m during Q4 2016), of which Consumer Loan sales amounted to EUR 2.5m and increased by 31% compared to Q4 2016. Sales margin slightly decreased compared to Q4 2016.

2018 will be dedicated to further optimizing internal processes and business development.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q4 2017	12M 2017	Q4 2016	12M 2016
Continuing operations					
Interest income		11 449	40 636	9 476	35 160
Interest expense		-1 579	-5 133	-1 214	-5 184
Net interest income	9	**9 870**	**35 503**	**8 262**	**29 976**
Fee and commission income		7 645	27 603	7 148	23 290
Fee and commission expense		-1 659	-5 424	-1 301	-4 104
Net fee and commission income	10	**5 986**	**22 179**	**5 847**	**19 186**
Net gains/losses from financial assets measured at fair value		85	714	-274	1 414
Foreign exchange gains/losses		-506	265	-211	-105
Net gains from financial assets		**-421**	**979**	**-485**	**1 309**
Other income		19	36	7	156
Other expense		16	-182	-15	-69
Total other income		**3**	**-146**	**-8**	**87**
Staff costs	11	-3 945	-14 664	-3 199	-12 976
Administrative and other operating expenses	11	-4 539	-17 273	-4 631	-15 940
Total expenses		**-8 484**	**-31 937**	**7 830**	**28 916**
Profit before impairment losses on loans and advances		**6 954**	**26 578**	**5 786**	**21 642**
Share of result of associates		0	0	0	1
Impairment losses on loans and advances		40	-3 153	17	-1 480
Profit before tax		**6 994**	**23 426**	**5 803**	**20 163**
Income tax expense		-202	-1 248	-69	-270
Net profit for the reporting period	2	**6 792**	**22 177**	**5 734**	**19 893**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
Revaluation of available-for-sale financial assets		-6	76	-6	-17
Total profit and other comprehensive income for the reporting period		**6 786**	**22 253**	**5 728**	**19 876**
Total profit of the reporting period attributable to:					
Owners of the parent		5 686	19 603	4896	17 815
Non-controlling interest		1 106	2 574	838	2 078
Total profit for the reporting period	2	**6 792**	**22 177**	**5 734**	**19 893**
Total comprehensive income attributable to:					
Owners of the parent		5 680	19 679	4 890	17 798
Non-controlling interest		1 106	2 574	838	2 078
Total comprehensive income for the reporting period		**6 786**	**22 253**	**5 728**	**19 876**
Basic earnings per share (in euros)	16	0.22	0.77	0.19	0.72
Diluted earnings per share (in euros)	16	0.22	0.75	0.19	0.70

The Notes on pages 19 to 31 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	31.12.2017	31.12.2016
Assets			
Due from central bank	4, 5, 6, 12	920 714	265 127
Due from credit institutions	4, 5, 6, 12	26 312	33 300
Due from investment companies	4, 6, 12	14 186	8 073
Available-for-sale financial assets	4, 6, 7	775	799
Financial assets at fair value through profit or loss	4, 6, 7	55 859	75 391
Loans and advances to customers	4, 6, 8	732 043	537 641
Receivables from customers		9 800	3 479
Other financial assets		2 289	941
Other assets		1 516	1 391
Tangible assets		1 421	1 191
Intangible assets		4 327	4 500
Goodwill		3 614	3 614
Total assets	2	**1 772 856**	**935 447**
Liabilities			
Deposits of customers and loans received	13	1 542 929	777 581
Financial liabilities at fair value through profit or loss	6	2	209
Accounts payable and other liabilities	14	71 070	19 031
Subordinated debt	6	30 900	30 900
Total liabilities	2	**1 644 901**	**827 721**
Owner's equity			
Share capital		25 767	25 356
Share premium		46 304	45 892
Statutory reserve capital		1 413	1 580
Other reserves		2 507	1 244
Retained earnings / accumulated deficit		44 071	28 335
Total equity attributable to owners of the parent		**120 062**	**102 407**
Non-controlling interest		7 893	5 319
Total equity		**127 955**	**107 726**
Total liabilities and equity		**1 772 856**	**935 447**

The Notes on pages 19 to 31 are an integral part of the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q4 2017	12M 2017	Q4 2016	12M 2016
Cash flow from operating activities					
Interest received		10 937	40 276	9 164	33 920
Interest paid		-1 579	-5 415	-1 379	-4 543
Fees and commissions received		7 643	27 601	7 139	23 377
Fees and commissions paid		-1 658	-5 423	-1 301	-4 105
Other income		17	-133	0	0
Staff costs paid		-3 501	-13 534	-3 228	-12 956
Administrative and other operating expenses paid		-4 454	-17 207	-3 989	-14 898
Cash flow from operating activities before change in operating assets and liabilities		**7 405**	**26 165**	**6 406**	**20 795**
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		47	278	-29	-257
Loans and advances to customers		-76 210	-202 857	-59 780	-129 439
Mandatory reserve at central bank		-2 689	-7 639	-311	-1 598
Security deposits		32	-1 348	-40	-1
Other assets		-6 003	-765	275	-546
Net increase/decrease in operating liabilities:					
Demand deposits of customers		265 538	785 454	48 423	191 312
Term deposits of customers		3 242	-25 052	-12 346	-31 506
Loans received		6 000	0	0	0
Repayments of loans received		0	-779	-53	-14 731
Financial liabilities held for trading at fair value through profit and loss		2	-207	231	120
Other liabilities		62 363	51 856	7 439	-918
Net cash generated from/used in operating activities		**259 727**	**631 106**	**-9 785**	**33 231**
Cash flow from investing activities					
Purchase of non-current assets		-632	-1 368	-335	-1 603
Acquisition and disposal of associates		0	0	0	10
		0	0	974	-9 952
Proceeds from disposal and redemption of investment securities available for sale		-6	100	-978	307
Net change of investments at fair value through profit or loss		3 559	19 962	1 209	38 613
Net cash flow from investing activities		**2 921**	**18 694**	**870**	**27 375**
Cash flows from financing activities					
Paid in share capital (incl. share premium)		0	822	0	13 900
Dividends paid		0	-3 803	0	0
Net cash from financing activities		**0**	**-2 981**	**0**	**13 900**
Effect of exchange rate changes on cash and cash equivalents	6	**-517**	**254**	**-211**	**-105**
Net decrease/increase in cash and cash equivalents		**262 131**	**647 073**	**-9 126**	**74 401**
Cash and cash equivalents at the beginning of the period		683 706	298 764	307 890	224 363
Cash and cash equivalents at the end of the period	12	**945 837**	**945 837**	**298 764**	**298 764**

The Notes on pages 19 to 31 are an integral part of the consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Other reserves	Accumulated deficit/ retained earnings	**Total equity attributable to owners of LHV Group**	Non-controlling interest	**Total equity**
Balance as at 01.01.2016	**23 356**	**33 992**	**895**	**551**	**11 205**	**69 999**	**3 241**	**73 240**
Transfer to statutory reserve capital	0	0	685	0	-685	0	0	**0**
Share options	0	0	0	710	0	710	0	**710**
Paid in share capital	2 000	11 900	0	0	0	13 900	0	**13 900**
Profit for the year	0	0	0	0	*17 815*	*17 815*	*2 078*	***19 893***
Other comprehensive loss	0	0	0	-17	0	-17	0	**-17**
Total profit and other comprehensive income for the reporting period	0	0	0	-17	17 815	17 798	2 078	19 876
Balance as at 31.12.2016	**25 356**	**45 892**	**1 580**	**1 244**	**28 335**	**102 407**	**5 319**	**107 726**
Balance as at 01.01.2017	**25 356**	**45 892**	**1 580**	**1 244**	**28 335**	**102 407**	**5 319**	**107 726**
Transfer to statutory reserve capital	0	0	891	0	-891	0	0	**0**
Paid in share capital	411	412	0	0	0	823	0	**823**
Dividends paid	0	0	0	0	-3 804	-3 804	0	**-3 804**
Share options	0	0	0	129	828	957	0	**957**
Profit for the year	0	0	0	*0*	19 603	19 603	2 574	**22 177**
Other comprehensive loss	0	0	0	76	*0*	*76*	*0*	***76***
Total profit and other comprehensive income for the reporting period	0	0	0	76	19 603	19 679	2 574	22 253
Balance as at 31.12.2017	**25 767**	**46 304**	**2 471**	**1 449**	**44 071**	**120 062**	**7 893**	**127 955**

The Notes on pages 19 to 31 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.

Q4 2017	**Retail banking**	**Private banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Hire-purchase and consumer finance in Lithuania**	**Treasury activities**	**Intra-segment elimi-nations**	**Total**
Interest income	2 156	272	5 061	2	2 181	1 927	1 642	-1 792	11 449
Interest expense	0	0	-896	-44	-276	-243	-1 912	1 792	-1 579
Net interest income	**2 156**	**272**	**4 165**	**-42**	**1 905**	**1 684**	**-270**	**0**	**9 870**
Fee and commission income	3 035	246	177	3 451	127	607	2	0	7 645
Fee and commission expense	-1 272	0	-55	0	-167	2	-167	0	-1 659
Net fee and commission income	**1 763**	**246**	**122**	**3 451**	**-40**	**609**	**-165**	**0**	**5 986**
Net income	**3 919**	**518**	**4 287**	**3 409**	**1 865**	**2 293**	**-435**	**0**	**15 856**

Net gains from financial assets	-26	0	0	54	0	0	-449	0	-421
Administrative and other operating expenses, staff costs	-2 956	-269	-1 326	-1 669	-497	-1 299	-465	0	-8 481
Operating profit	**937**	**249**	**2 961**	**1 794**	**1 368**	**994**	**-1 349**	**0**	**6 954**
Impairment losses on loans and advances	-102	0	-275	0	-157	574	0	0	40
Income tax	0	0	0	0	0	-202	0	0	-202
Net profit	**835**	**249**	**2 686**	**1 794**	**1 211**	**1 366**	**-1 349**	**0**	**6 792**
Total assets	**1 061 023**	**99 630**	**565 451**	**19 128**	**43 255**	**54 154**	**97 496**	**-167 281**	**1 772 856**
Total liabilities	**1 189 006**	**256 916**	**190 442**	**2 586**	**33 149**	**45 427**	**31 198**	**-103 823**	**1 644 901**

Q4 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	1 531	273	4 733	1	1 990	1 548	1 051	-1 651	9 476
Interest expense	0	0	-886	-42	-298	-274	-1 365	1 651	-1 214
Net interest income	**1 531**	**273**	**3 847**	**-41**	**1 692**	**1 274**	**-314**	**0**	**8 262**
Fee and commission income	2 527	220	128	3 888	7	196	182	0	7 148
Fee and commission expense	-1 108	0	-13	0	-117	-5	-58	0	-1 301
Net fee and commission income	**1 419**	**220**	**115**	**3 888**	**-110**	**191**	**124**	**0**	**5 847**
Net income	**2 950**	**493**	**3 962**	**3 847**	**1 582**	**1 465**	**-190**	**0**	**14 109**
Net gains from financial assets	-3	0	0	68	0	0	-550	0	-485
Administrative and other operating expenses, staff costs	-2 497	-259	-1 147	-2 154	-420	-1 095	-266	0	-7 838
Operating profit	**450**	**234**	**2 815**	**1 761**	**1 162**	**370**	**-1 006**	**0**	**5 786**
Impairment losses on loans and advances	-58	0	-431	0	-187	693	0	0	17
Income tax	0	0	0	0	0	-69	0	0	-69
Net profit	**392**	**234**	**2 384**	**1 761**	**975**	**994**	**-1 006**	**0**	**5 734**
Total assets	**303 898**	**98 680**	**492 642**	**23 543**	**35 520**	**39 393**	**97 441**	**-155 670**	**935 447**
Total liabilities	**454 155**	**213 620**	**152 449**	**2 586**	**30 023**	**32 592**	**31 180**	**-88 885**	**827 721**

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 major changes in the risk management department or in any risk management policies since the year end.

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

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

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

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

31.12.2017	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	1 409 662	37 104	90 332	3 335	2 864	**1 543 297**
Subordinated debt	0	532	1 596	8 511	35 554	**46 193**
Accounts payable and other financial liabilities	0	66 832	0	0	0	**66 832**
Unused loan commitments	0	179 624	0	0	0	**179 624**
Financial guarantees by contractual amounts	0	5 999	0	0	0	**5 999**
Foreign exchange derivatives (gross settled)	0	11 825	0	661	0	**12 486**
Financial liabilities at fair value	0	2	0	0	0	**2**
Total liabilities	**1 409 662**	**301 918**	**91 928**	**12 507**	**38 418**	**1 854 433**
Financial assets by contractual maturity dates						
Due from banks and investment companies	961 212	0	0	0	0	**961 212**
Financial assets at fair value (debt securities)	0	180	30 952	17 005	2 084	**50 221**
Loans and advances to customers	0	55 668	171 720	488 968	95 517	**811 873**
Receivables from customers	0	9 800	0	0	0	**9 800**
Other financial assets	2 289	0	0	0	0	**2 289**
Foreign exchange derivatives	0	11 825	0	661	0	**12 486**
Total financial assets	**963 501**	**77 473**	**202 672**	**506 634**	**97 601**	**1 847 881**
Maturity gap from financial assets and liabilities	**-446 161**	**-224 445**	**110 744**	**494 127**	**59 183**	**-6 552**

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

31.12.2017	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	922 431	2 587	28 237	892	1 359	5 707	**961 212**
Financial assets at fair value	21 998	0	0	4	34 603	28	**56 634**
Loans and advances to customers	730 165	0	4	14	1 832	28	**732 043**
Receivables from customers	9 357	7	204	11	145	76	**9 800**
Other financial assets	288	0	0	0	2 001	0	**2 289**
Total assets bearing currency risk	**1 684 239**	**2 593**	**28 444**	**921**	**39 940**	**5 840**	**1 761 978**
Liabilities bearing currency risk							
Deposits from customers and loans received	1 457 593	2 534	33 134	3 558	42 646	3 464	**1 542 929**
Financial liabilities at fair value	0	0	0	1	1	0	**2**
Accounts payable and other financial liabilities	63 127	66	260	82	54	3 243	**66 832**
Subordinated debt	30 900	0	0	0	0	0	**30 900**
Total liabilities bearing currency risk	**1 551 620**	**2 600**	**33 394**	**3 641**	**42 701**	**6 707**	**1 640 663**
Open gross position derivative assets at contractual value	699	0	4 959	2 763	3 615	450	**12 486**
Open gross position derivative liabilities at contractual value	11 787	0	0	0	699	0	**12 486**
Open foreign currency position	**121 531**	**-7**	**9**	**43**	**155**	**-417**	**121 315**

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	31.12.2017	Level 1	Level 2	Level 3	31.12.2016
Financial assets at fair value through profit and loss								
Shares and fund units*	430	6 261	0	**6 691**	408	10 866	50	**11 324**
Available-for-sale bonds and shares	775	0	0	**775**	799	0	0	**799**
Bonds at fair value through profit and loss	49 138	0	0	**49 138**	63 817	0	0	**63 817**
Interest rate swaps and foreign exchange forwards	0	30	0	**30**	0	250	0	**250**
Total financial assets	**50 343**	**6 291**	**0**	**56 634**	**65 024**	**11 116**	**50**	**76 190**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	2	0	**2**	0	209	0	**209**
Total financial liabilities	**0**	**2**	**0**	**2**	**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 6 261 (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 31.12.2017 the fair value of corporate loans and overdraft is EUR 433 thousand (0.1%) higher than their carrying amount (30.09.2017: 1 388 thousand, 0.31% 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 31 December 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

	31.12.2017	%	31.12.2016	%
Individuals	191 744	25.9%	125 125	23.0%
Real estate activities	197 697	26.7%	149 145	27.4%
Manufacturing	68 252	9.2%	43 541	8.0%
Arts and entertainment	29 292	4.0%	29 143	5.4%
Financial activities	78 113	10.6%	68 985	12.7%
Wholesale and retail trade	21 112	2.9%	14 721	2.7%
Administrative and support service activities	33 947	4.6%	11 953	2.2%
Transportation and storage	5 876	0.8%	12 835	2.4%
Agriculture	8 717	1.2%	8 341	1.5%
Other service activities	15 485	2.1%	15 021	2.8%
Construction	19 421	2.6%	11 688	2.2%
Information and communication	8 439	1.1%	9 611	1.8%
Professional, scientific and technical activities	13 958	1.9%	12 451	2.3%
Education	2 218	0.3%	1 297	0.2%
Other sectors	45 897	6.2%	29 525	5.4%
Total	**740 168**	**100%**	**543 382**	**100%**
Provision	-8 125		-5 741	
Total loan portfolio	**732 043**	**100%**	**537 641**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q4 2017**	**12M 2017**	**Q4 2016**	**12M 2016**
Balances with credit institutions and investment companies	21	41	5	74
Bonds	42	206	71	380
Leasing	443	1 845	452	1 603
Leverage loans and lending of securities	100	147	117	505
Consumer loans	1 863	6 358	1 505	5 296
Hire purchase	2 053	7 287	1 923	7 797
Business loans	5 304	20 784	4 825	17 593
Creditcard loans	183	694	159	553
Other loans	1 438	3 274	419	1 359
Total	**11 449**	**40 636**	**9 476**	**35 160**
Interest expense				
Deposits of customers and loans received	-328	-1 224	-483	-2 248
Balances with the central bank	-715	-1 773	-203	-811
Subordinated liabilities	-536	-2 136	-528	-2 125
including loans between related parties	-83	-336	-114	-458
Total	**-1 579**	**-5 133**	**-1 214**	**-5 184**
Net interest income	**9 870**	**35 503**	**8 262**	**29 976**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q4 2017**	**12M 2017**	**Q4 2016**	**12M 2016**
Estonia	9 457	34 307	7 831	28 136
Latvia	0	0	91	102
Lithuania	1 927	6 082	1 478	6 468
Total	**11 384**	**40 389**	**9 400**	**34 706**

NOTE 10 Net Fee and Commission Income

Fee and commission income	Q4 2017	12M 2017	Q4 2016	12M 2016
Security brokerage and commissions paid	600	3 076	943	3 086
Asset management and similar fees	3 938	14 983	4 278	14 344
Currency conversion revenues	312	977	483	1 109
Fees from cards and payments	1 631	5 875	1 094	3 584
Fee from Snoras's portfolio management*	0	0	0	45
Other fee and commission income	1 159	2 687	350	1 122
Total	**7 640**	**27 598**	**7 148**	**23 290**
Fee and commission expense				
Security brokerage and commissions paid	-124	41	-225	-828
Expenses related to cards	-601	-2 026	-386	-1 059
Expenses related to acquiring	-567	-1 669	-435	-1 280
Other fee and commission expense	-362	-1 765	-255	-937
Total	**-1 654**	**-5 419**	**-1 301**	**-4 104**
Net fee and commission income	**5 986**	**22 179**	**5 847**	**19 186**

* 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:	Q4 2017	12M 2017	Q4 2016	12M 2016
Estonia	6 985	26 118	6 820	22 156
Latvia	44	50	0	23
Lithuania	563	1 228	268	902
Luxembourg	48	202	54	209
Total	**7 640**	**27 598**	**7 148**	**23 290**

NOTE 11 Operating Expenses

	Q4 2017	12M 2017	Q4 2016	12M 2016
Wages, salaries and bonuses	3 008	11 148	2 467	9 788
Social security and other taxes*	937	3 516	732	3 188
Total personnel expenses	**3 945**	**14 664**	**3 199**	**12 976**
IT expenses	578	1 920	505	1 807
Information services and bank services	183	720	175	751
Marketing expenses	1 376	4 939	1 479	4 653
Office expenses	158	548	137	541
Transportation and communication expenses	87	323	87	277
Staff training and business trip expenses	248	582	125	429
Other outsourced services	727	3 250	886	3 225
Other administrative expenses	370	2 141	142	1 602
Depreciation of non-current assets	398	1 472	761	1 419
Operational lease payments	343	1 170	262	973
Other operating expenses	71	208	72	263
Total other operating expenses	**4 539**	**17 273**	**4 631**	**15 940**
Total operating expenses	**8 484**	**31 937**	**7 830**	**28 916**

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

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

	31.12.2017	31.12.2016
Term deposits with maturity less than 3 months*	40 498	41 373
Legal reserve with the central bank	15 375	7 736
Other receivables from central bank*	905 339	257 391
Total	**961 212**	**306 500**
*Cash and cash equivalents in the Statement of Cash Flows	945 837	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 14 186 thousand (30 September 2017: EUR 11 860 thousand). All other demand and term deposits are held with credit institutions and the central bank.

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

NOTE 13 Deposits of Customers and Loans Received

Deposits/loans by type	**Individuals**	**Legal entities**	**Public sector**	**30.09.2017**
Demand deposits	278 430	1 124 946	6 203	1 409 579
Term deposits	51 075	70 221	5 816	127 112
Loans received	0	6 000	0	6 000
Accrued interest liability	144	87	7	238
Total	**329 649**	**1 201 254**	**12 026**	**1 542 929**

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**

In 2017 the loan from Estonian Rural Development Foundation in the amount of EUR 778 thousand was repaid. LHV Pank signed an unsecured 10-year loan agreement with the European Investment Fund (EIF) in the amount of EUR 12.5 million to increase the borrowing possibilities of small and medium-sized enterprises. As at 31.12.2017, the Bank had utilized 6,000 thousand euros of the loan amount.

The nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been implemented.

NOTE 14 Accounts payable and other liabilities

Financial liabilities	**31.12.2017**	**31.12.2016**
Trade payables and payables to merchants	8 946	3 016
Other short-term financial liabilities	1 878	1 551
Accrued interest on subordinated loans	210	210
Payments in transit	55 661	11 063
Financial guarantee contracts issued	137	137
Subtotal	**66 832**	**15 977**

Non-financial liabilities		
Performance guarantee contracts issued	159	228
Tax liabilities	700	886
Payables to employees	1 238	1 020
Other short-term liabilities	2 141	920
Subtotal	**4 238**	**3 054**
Total	**71 070**	**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**	**Letter of credit**	**Unused loan commitments**	**Total**
Liability in the contractual amount as at 31 December 2017	10 129	5 999	51	179 573	**195 752**
Liability in the contractual amount as at 31 December 2016	12 695	5 442	0	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.

	Q4 2017	**12M 2017**	**Q4 2016**	**12M 2016**
Total profit attributable to owners of the parent (EUR thousand)	5 686	19 603	4 896	17 815
Weighted average number of shares (in thousands of units)	25 767	25 562	25 356	24 856
Basic earnings per share (EUR)	0.22	0.77	0.19	0.72
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	26 207	26 049	25 836	25 336
Diluted earnings per share (EUR)	0.22	0.75	0.19	0.70

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 30.12.2017 was 132 181 thousand euros (30.09.2017: 128 416 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.

The Group follows the general principles in its capital management:

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

Capital base	**31.12.2017**	**31.12.2016**
Paid-in share capital	25 767	25 356
Share premium	46 304	45 892
Reserves	2 471	1 580
Other reserves	36	-40
Accumulated loss	24 468	10 517
Intangible assets (subtracted)	-7 940	-8 114
Profit for the reporting period	10 175	17 816
Total Tier 1 capital	**101 281**	**93 007**
Subordinated liabilities	30 900	30 900
Total Tier 2 capital	**30 900**	**30 900**
Total net own funds	**132 181**	**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	12M 2017	12M 2016
Interest income	**63**	**50**
incl. management	27	14
incl. shareholders and their related entities that have significant influence	36	36
Fee and commission income	**8**	**5**
Incl. management	2	1
incl. shareholders and their related entities that have significant influence	6	4
Interest expenses from deposits	**41**	**46**
incl. management	1	3
incl. shareholders and their related entities that have significant influence	40	43
Interest expenses from subordinated loans	**336**	**386**
incl. management	7	34
incl. shareholders and their related entities that have significant influence	329	352

Balances	31.12.2017	31.12.2016
Loans and receivables as at the year-end	**2 820**	**2 708**
incl. management	1 736	1 596
incl. shareholders and their related entities that have significant influence	1 084	1 112
Deposits as at the year-end	**22 995**	**7 430**
incl. management	283	236
incl. shareholders and their related entities that have significant influence	22 712	7 194
Subordinated loans as at the year-end	**4 699**	**4 799**
incl. management	104	104
incl. shareholders and their related entities that have significant influence	4 595	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 Q4, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 335 thousand (Q4 2016: EUR 277 thousand), including all taxes. As at 31.12.2017, remuneration for December and accrued holiday pay in the amount of EUR 84 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 31.12.2017 and 31.12.2016 (pension liabilities, termination benefits, etc.). In Q4 2017, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 10 thousand (Q4 2016: EUR 18 thousand).

Management is related to the share-based compensation plan. In Q4 2017 the share-based compensation to management amounted to EUR 112 thousand (Q4 2016: EUR 84 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 25 767 342 ordinary shares, with a nominal value of 1 euro.

As at 31 December 2017, AS LHV Group has 5 281 shareholders:

- 13 371 474 shares (51.9%) were held by members of the Supervisory Board and Management Board, and related parties.
- 12 395 868 shares (48.1%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 31 December 2017:

Number of	Participation	Name of shareholder
3 357 920	13.0%	AS Lõhmus Holdings
2 538 367	9.9%	Rain Lõhmus
2 079 344	8.1%	Viisemann Investments AG
1 595 620	6.2%	Ambient Sound Investments OÜ
1 210 215	4.7%	OÜ Krenno
999 456	3.9%	AS Genteel
951 978	3.7%	AS Amalfi
722 297	2.8%	OÜ Kristobal
653 165	2.5%	SIA Krugmans
589 177	2.3%	OÜ Bonaares

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 19 488 shares.
Rain Lõhmus holds 2 538 367 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 465 055 shares and Viisemann Investment AG holds 2 079 344 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 (until 04.02.2018), Kadri Kiisel (from 05.02.2018)

OÜ Cuber Tehnology
Management board: Jüri Laur

UAB Mokilizingas
Supervisory board: AS LHV Group, AS LHV Pank, UAB „K2Z", UAB Inovatyvūs prekybos sprendimai
Management board: Benas Pavlauskas, Jonė Virbickienė, Saulius Kuliešius (until 23.012018), Raimondas Štreimikis
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 December 2017 period the condensed consolidated interim financial statements of AS LHV Group for the 12-month period ended 31 December 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.

05.02.2018

Madis Toomsalu