

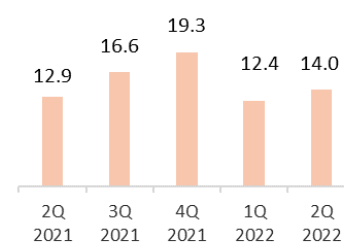
# Interim Report January – June 2022

## Summary of Results

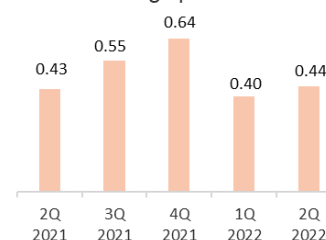
### Q2 2022 in comparison with Q1 2022

- Net profit EUR 14.0 m (EUR 12.4 m), of which EUR 13.5 m (EUR 11.9 m) is attributable to owners of the parent
- Earnings per share EUR 0.44 (EUR 0.40)
- Net income EUR 37.8 m (EUR 34.8 m)
- Operating expenses EUR 21.1 m (EUR 18.9 m)
- Loan and bond provisions EUR -0.3 m (EUR 0.7 m)
- Income tax expenses EUR 3.2 m (EUR 2.8 m)
- Return on equity 15.3% (14.7%)
- Capital adequacy 20.0% (19.0%)

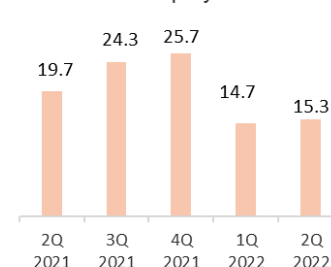
### Profit by quarters



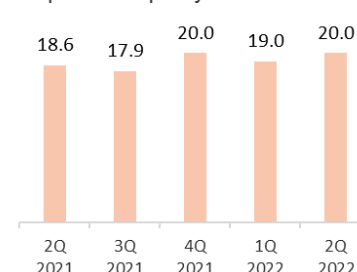
### Basic earnings per share



### Return on equity



### Capital adequacy



### Q2 2022 in comparison with Q2 2021

- Net profit EUR 14.0 m (EUR 12.9 m), of which EUR 13.5 m (EUR 12.4 m) is attributable to owners of the parent
- Earnings per share EUR 0.44 (EUR 0.43)
- Net income EUR 37.8 m (EUR 32.7 m)
- Operating expenses EUR 21.1 m (EUR 17.9 m)
- Loan and bond provisions EUR -0.3 m (EUR -0.8 m)
- Income tax expenses EUR 3.2 m (EUR 2.8 m)
- Return on equity 15.3% (19.7%)
- Capital adequacy 20.0% (18.6%)

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,

Once again, this message from the CEO must start by noting the challenging environment: the war in Ukraine, soaring energy prices and the highest inflation in decades, interest rate hikes in Europe, the US and the UK, simultaneously rising wages and low consumer confidence. The last of these is easy to explain when the prices of all basic items are rising for consumers: food, power, heat, transport fuel and loan costs. The list of input prices for businesses is similar. It is unrealistic to expect this type of dynamic not to impact home buyers' decisions or businesses' investment plans.

Still, it is not all bad news for banks, since an inflationary environment along with rising interest rates has generally meant income and profit growth for financial institutions. A majority of the loan portfolio is pegged to the Euribor and changes in the rate are also expressed in revenue. The decisions by the Bank of England to raise interest rates have an influence on gains earned on the funds held by our financial intermediaries. The expenses may not materialize simultaneously and credit losses continue to be associated with specific clients, because a change of a few per cent in the interest rates does not yet impact the magnitude of total losses in the portfolio as a whole.

Despite the stormy weather, LHV remains open for clients. The smartest decisions for business are made by business people. As a source of financing, we can weigh in on making business ideas better aligned to the changing environment. Sometimes it's smarter to take a step back and then later take two longer steps ahead.

In Estonia, we continue to focus on high-quality individual and business loan portfolio, strong investment offer along with pension funds and insurance. Internationally, we see our product portfolio geared to financial intermediaries as a chance to expand into online retail as well. We're hiring for this purpose in the UK and

making preparations for putting together a suitable offer. That, along with the kickoff of our lending activity in the UK, will take place in the first half of next year, once we have secured our banking licence. From the supervisory authorities' perspective, we are on schedule for obtaining one and we hope to be fully licensed by year's end. Our UK management is fully appointed and operating. In July, the very experienced Sally Veitch joined, preceded in May by Keith Butcher.

In light of the above, it is gratifying that we have been able to enjoy high-quality, capital value-bolstering growth over the course of the second quarter. Loan volumes grew by 172 million euros in the second quarter. To continue the growth, we opened a new branch in the Graf Zeppelin building in Pärnu, and are now more easily accessible for west-country Estonians. On the payments side, the activity in the virtual currencies has been down due to the price drop, also in part because of accounts we have closed, although we have continued active growth in other fields in terms of both the number of clients and payment volumes.

Investors' trust in LHV has also remained high. Over 11,694 investors took part in the LHV Group IPO that closed in early June, subscribing a total of 43.6 million euros in new shares.

As to other important Q2 events, the Financial Supervision Authority decided to grant our parent AS LHV Group approval to operate as a financial holding company. Besides that, we placed a 1 million euro investment at group level into the Estonian fintech Modular Technologies OÜ, known for its trademark Tuum. This developer of a new-generation banking platform also provides the core system for LHV Group subsidiary LHV UK Limited.

LHV's greatest strengths are speed and adaptivity. I believe that these principles will allow us to come through the challenging environment without sacrificing our ambitious goals.

Madis Toomsalu

## Table of contents

<b>Financial Summary</b> .....	<b>4</b>
<b>Operating Environment</b> .....	<b>7</b>
<b>Financial Results of the Group</b> .....	<b>9</b>
<b>The Group's Liquidity, Capitalisation and Asset Quality</b> .....	<b>10</b>
<b>Overview of AS LHV Pank Consolidation Group</b> .....	<b>12</b>
<b>Overview of AS LHV Varahaldus</b> .....	<b>15</b>
<b>Overview of AS LHV Kindlustus</b> .....	<b>17</b>
<b>CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b> .....	<b>18</b>
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income .....	18
Condensed Consolidated Interim Statement of Financial Position .....	19
Condensed Consolidated Interim Statement of Cash Flows .....	20
Condensed Consolidated Interim Statement of Changes in Equity .....	21
Notes to the Condensed Consolidated Interim Financial Statements .....	22
NOTE 1 Accounting Policies .....	22
NOTE 2 Business Segments.....	22
NOTE 3 Risk Management .....	26
NOTE 4 Breakdown of Financial Assets and Liabilities by Countries.....	26
NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates .....	27
NOTE 6 Open Foreign Currency Positions.....	28
NOTE 7 Fair Value of Financial Assets and Liabilities .....	29
NOTE 8 Breakdown of Loan Portfolio by Economic Sectors and by Stages .....	30
NOTE 9 Net Interest Income .....	31
NOTE 10 Net Fee and Commission Income.....	32
NOTE 11 Operating Expenses .....	32
NOTE 12 Balances with the Central Bank, Credit Institutions and Investment Companies .....	33
NOTE 13 Deposits of Customers and Loans Received .....	33
NOTE 14 Accounts payable and other liabilities.....	34
NOTE 15 Contingent Liabilities .....	34
NOTE 16 Basic Earnings and Diluted Earnings Per Share.....	34
NOTE 17 Capital Management .....	35
NOTE 18 Transactions with related parties .....	36
NOTE 19 Tangible and intangible assets .....	37
NOTE 20 Subordinated debts .....	37
NOTE 21 Changes in impairments.....	38
<b>Shareholders of AS LHV Group</b> .....	<b>39</b>
<b>Supervisory Boards and Management Boards of AS LHV Group and its Subsidiaries</b> .....	<b>40</b>
<b>Signatures of the Management Board to the Condensed Consolidated Interim Report</b> .....	<b>41</b>

## Financial Summary

The Group's consolidated net profit in Q2 2022 was EUR 14.0 million, having grown by EUR 1.6 million compared to Q1 2022 and by EUR 1.1 million compared to Q2 2021. The profit of the Group's shareholders in Q2 2022 was EUR 1.7 million higher than in Q1 2022.

The Group's net income in Q2 2022 amounted to EUR 37.9 million, having grown by EUR 3.1 million compared to Q1 2022 and by EUR 5.1 million compared to Q2 2021. Operating expenses amounted to EUR 21.1 million in Q2, having grown by EUR 2.2 million compared to Q1 2022 and by EUR 3.2 million compared to Q2 2021. The discounts of loans and bonds amounted to EUR 0.3 million in Q2. Income tax expense on dividend payments to be made by subsidiaries in the future was EUR 0.4 million at the consolidated level in Q2.

The return on equity owned by LHV's shareholders was 15.3% in Q2 2022, which was 0.6 percentage points higher than in Q1 2022 (14.7%) and 4.4 percentage points lower than in Q2 2021 (19.7%).

The Group's consolidated net loan portfolio grew by EUR 172 million in a quarter (EUR 75 million in Q1 2022) and consolidated deposits decreased by EUR 44 million (for comparison, a decrease of EUR 397 million in Q1 2022), while deposits related to payment intermediaries decreased by EUR 94 million (a decrease of EUR 397 million in Q1 2022).

The Bank's net profit at the consolidated level amounted to EUR 16.9 million in Q2 2022, which was EUR 2.1 million more than in the previous quarter (EUR 14.9 million in Q1 2022) and EUR 0.4 million more than in Q2 2021. The number of the Bank's customers grew by 13,100 in a quarter (16,100 in Q1 2022), amounting to a total of nearly 351,000.

The Bank's loan portfolio grew by EUR 172 million in Q2 (EUR 75 million in Q1 2022), reaching EUR 2,925 million. Corporate investment loans and housing loans grew the most.

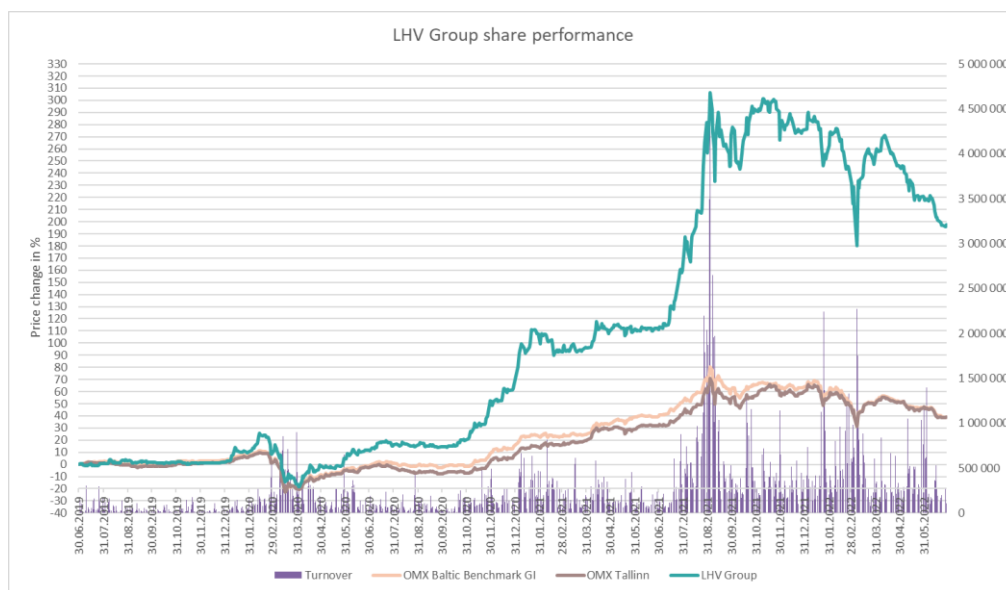
The deposits of the Bank's customers decreased by EUR 12 million in Q2 – the balance of the deposits of payment intermediaries decreased by EUR 94 million, while the deposits of the remaining customers grew by EUR 82 million. The total volume of deposits was EUR 5,425 million at the end of Q2.

LHV Varahaldus made a loss of EUR 0.2 million in Q2 2022 (a loss of EUR 0.6 million in Q1 2022). The asset management service fee income was EUR 2.0 million, which was at the same level as in the previous quarter. The operating expenses of LHV Varahaldus amounted to EUR 1.3 million in Q2 2022 (EUR 1.4 million in Q1 2022). Expenses related to non-current assets (including depreciation on customer contracts) amounted to EUR 0.5 million in Q2 2022, which was at the same level as in the previous quarter.

The total volume of funds managed by LHV decreased by EUR 103 million in a quarter (an increase of EUR 13 million in Q1 2022). The number of active 2nd pillar customers decreased by 4,211 in a quarter (a decrease of 3,320 in Q1 2022).

LHV Kindlustus made a loss of EUR 0.2 million in Q2 2022 (a loss of EUR 0.5 million in Q1 2022). The volume of gross premiums increased by EUR 2.9 million, reaching EUR 4.6 million. The revenue of LHV Kindlustus from insurance activities grew by EUR 0.3 million in a quarter.

LHV UK Ltd made a loss of EUR 2.1 million in Q2 2022.



There is only one class of shares issued by LHV, each share gives 1 voting right. The shares of LHV Group is traded on NASDAQ Tallinn main list since May 2016. Graph below presents LHV Group share performance against OMX Tallinn index and OMX Baltics benchmark index. LHV Group share has outperformed both indexes and has raised 224%, when comparison indexes have increased by 42% and 43% respectively.

LHV Group share price has been 35.5 euros in the end of Q2 and based on the stock price, LHV's market value was EUR 1 120 million. In the second quarter, LHV carried out a successful share issue, issuing new shares in the amount of EUR 35 million. In addition, a 1/10 share split was formalized in the first days of the third quarter.

<b>Business volumes</b> EUR million	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Quarter over quarter</b>	<b>Q2 2021</b>	<b>Year over year</b>			
Loan portfolio	2 924.5	2 752.5	6%	2 401.3	22%			
Financial investments	498.8	475.8	4%	86.6	476%			
Deposits of customers incl. deposits of financial intermediates	5 366.6	5 410.4	-1%	4 921.5	9%			
Equity (including minority interest)	1 755.5	1 096.5	-5%	953.5	-10%			
Equity (owners' share)	384.8	335.9	15%	262.0	47%			
Volume of funds managed	377.6	329.2	15%	254.8	48%			
Assets managed by bank	1 258.7	1 362.0	-8%	1 620.0	-22%			
3 294.0	3 531.0	-7%	2 491.0	32%				

<b>Income statement</b> EUR million	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Quarter over quarter</b>	<b>Q2 2021</b>	<b>Year over year</b>	<b>6M 2022</b>	<b>6M 2021</b>	<b>Year over year</b>
Net interest income	27.18	25.79	5%	22.93	19%	52.97	43.30	-18%
Net fee and commission income	11.00	10.35	6%	9.11	21%	21.35	17.75	-15%
Other financial income	-0.34	-1.31	-74%	0.29	NA	-1.65	-0.08	-95%
Total net operating income	37.84	34.83	9%	32.74	16%	72.67	61.47	-15%
Other income	0.06	-0.04	NA	0.04	50%	0.02	0.08	300%
Operating expenses	-21.08	-18.87	12%	-17.87	18%	-39.95	-31.63	-21%
Loan and bond portfolio gains/(-losses)	0.34	-0.74	NA	0.79	-57%	-0.40	-0.81	103%
Income tax expenses	-3.18	-2.80	14%	-2.79	14%	-5.98	-4.78	-20%
Net profit	13.98	12.38	13%	12.91	8%	26.36	24.33	-8%
Including attributable to owners of the parent	13.54	11.88	14%	12.41	9%	25.42	23.45	-8%

<b>Ratios</b> EUR million	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Quarter over quarter</b>	<b>Q2 2021</b>	<b>Year over year</b>	<b>6M 2022</b>	<b>6M 2021</b>	<b>Year over year</b>
Average equity (attributable to owners of the parent)	353.4	322.8	30.6	251.6	101,8	347.0	245.8	101.2
Return on equity (ROE), %	15.3	14.7	0.6	19.7	-4,4	14.7	19.1	-4.4
Return on assets (ROA), %	0.9	0.7	0.2	0.9	0,0	0.8	0.9	-0.1
Interest-bearing assets, average	6 480.0	6 644.2	-164.2	5 743.3	736,7	6 644.2	5 385.6	1 256.4
Net interest margin (NIM) %	1.68	1.55	0.13	1.60	0,08	1.60	1.61	-0.01
Price spread (SPREAD) %	1.65	1.53	0.12	1.60	0,05	1.57	1.58	-0.01
Cost/income ratio %	54.2	54.2	1.4	54.6	1,9	55.0	51.4	3.6
Profit attributable to owners before income tax	16.6	14.6	2.0	15.05	1,5	31.2	28.0	3.2

**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 the beginning of the year, inflation had only a modest influence on economic growth, but the influence became stronger in the spring months. Energy prices remain at record highs; futures also do not bode well for major price decrease in the near future. The growth in timber and industrial metals prices has eased off, but the price level is still nearly twice what it was in the pre-pandemic years. Russia's continuing war in Ukraine is putting more and more strain on the global grain market, since the blockade of the Black Sea has essentially brought Ukrainian grain exports to a halt. In the industrialized world, this is reflected in higher food prices, while in the developing world, it could lead to riots and uprisings.

Economic growth in the Eurozone surprisingly sped up to 0.6%, but the faster growth was due to one-time transactions by major international corporations (in Ireland). Neither did other indicators in the domestic economy stand out as especially positive. Private consumer spending dropped due to the pandemic restrictions still in place early in the year, and the rapid decrease of disposable income due to higher prices also left an impression. Economic developments in Estonia's main trade partners were mixed – Finland and Latvia posted quite strong economic growth, which undoubtedly provided some relief for Estonian companies. At the same time, the Swedish economy shrank quarter-over-quarter, which could create problems for the Estonian exporting sector. Estonia exports a great deal of industrial and construction goods to Sweden and the contribution made by these sectors fell short of expectations in Sweden in Q1.

Eurozone inflation in Q2 sped up significantly, reaching 8.6% in June, and an average of 8% in Q2. Of course, the most significant factor in rising prices stemmed from energy products, which in recent months have been close to 40% more expensive than a year ago. Fresh – unprocessed – foodstuffs have also become significantly more costly. The price rise has been very uneven from one country to the next – only 6% in Malta and France to nearly 20% in the Baltics. The differences are due to the sources used to generate energy in a given country and the extent to which governments have used support measures to pare back the rising prices. As always, the statistical methodology also influences the result. Domestic factors have also played a role – the budget stimulus used to ease the pandemic allowed many companies and consumers to exit the crisis more easily, but also artificially propped up demand in a situation where supply-side limitations kept producers from maintaining the same tempo. To sum up, the additional money injected into the economy created a very favourable footing for prices to increase and various (geo)political and other shocks have essentially acted only as a catalyst

Previously, inflation in Europe has been coloured solely by energy price dynamics, but in recent months, products with a more stable nature have also started increasing in price. Base inflation rose to 3.6% in Q2, making it significantly easier for the European Central Bank to change the course of monetary policy. At its June meeting, the ECB's Governing Council decided that asset purchases under the APP would be discontinued and only reinvesting of redemptions coming due in the PEPP portfolio would continue. Asset purchases under PEPP, the pandemic emergency purchase programme, were discontinued already in March. It was also announced that interest rates would be raised in July for the first time in 10 years. First, all three monetary policy interest rates will be raised by 0.25% and hikes will continue in September. Euribor rates, which reflect the price of interbank loan transactions, soared following the news and the 6-month Euribor on which most loan agreements are predicated had reached 0.32% by mid-July. That figure could reach 1.25% by the end of this year if market expectations hold course.

For some European countries, higher interest rates are beginning to result in serious problems servicing government debt. A few days after the interest rate hike was announced, long-term bond interest rates rose to over 5% in Italy and over 3% in Spain and Portugal. The central bank reacted quickly and announced that a new working group was being put together to begin developing principles for ensuring liquidity in those countries in a situation where regular asset purchases are discontinued and refinancing of debt seems risky for the market participants. Today all of the interest rates referred to have dropped one percentage point although no solution has yet actually been found for the situation.

The Estonian economy grew by 0.1% in Q1 compared to the end of the previous year and 4.3% year-over-year. Information and communications sector was the greatest factor in the economic growth – value-added grew 8% in a few months. The sector, which is mainly based on IT services, contributed 45% of the economic growth in Q1 and the sector held a share of 10% of the Estonian economy. Based on monthly indicators, stronger growth in value-added would have been expected in the construction and retail sector, where business volumes grew more than 10% year-over-year, but the value-added generated in these fields declined in the beginning of the year instead. Nor has soaring inflation in Q2 actually pulled the rug out from the economy, but the signs of cooling are clearly in the air. The growth in processing industry output has slowed to a few percent year-over-year, and even the growth of sales volumes in retail, which had withstood the inflation incredibly well, slowed in May. On the positive side, tourism and travel have recovered, undoubtedly offering some relief for the Estonian shipping, aviation and lodging businesses.

Together with relatively brisk economic growth, Estonian consumer prices remain among Europe's highest. Inflation averaged 20% in Q2, which is certainly unsustainable in the long term. Half of the price increase comes from energy, but base inflation has also reached 10%. In autumn, inflation will undoubtedly start tapering because of the higher comparison base from the end of last year. Unfortunately, there is no indication that energy or food prices might start decreasing in the near term, which means that even if growth figures become tolerable, the price level will remain high. For consumers it is certainly important how the new cabinet will compensate rising energy prices in the heating period ahead. In the short-term, it will provide relief for consumers, but in the longer perspective, all support measures will have to be paid for in the form of taxes.

Despite the rapidly rising prices and difficulties stemming from sanctions on Russia, the Estonian labour market has remained strong. Unemployment has not increased significantly compared to Q1 – registered unemployment remains around 7% and data based on survey results yields a figure of 5.5%. What is also positive is that although entrepreneurial confidence is down somewhat and the number of orders is down from a few months ago, perceptions are still that total employment will increase in industry rather than layoffs of workers. Still, individual companies may encounter difficulty coping with high energy prices or

changes in supply chains, and this could ultimately be expressed in contraction of activity.

Estonian economic growth is due for a slowdown this year. This would have happened even in the absence of the war, because late last year production resources were fully committed and intensification of supply-side limitations began curtailing continued rapid growth. The war and its various knock-on effects are now exerting an additional curtailing effect on the outlook for the Estonian economy, due to the loss of some export markets, interruption of supply channels and rising commodities prices. While the price rise has already accelerated due to sanctions, the broader effect on the economy will start rearing its head only in the second half of the year. According to the latest forecast from the Bank of Estonia, the Estonian economy will grow 1.5% this year and growth will see moderate acceleration in the years ahead. The growth is supported by relatively strong export and internal demand. A negative influence stems from reduced investment, which on the one hand reflects the major one-time investments from the past year, but on the other hand general confidence among entrepreneurs has decreased and investments tend to be postponed. Inflation will average 15% for the year as a whole.



## Financial Results of the Group

Compared to Q1, the Group's net interest income increased in Q2 2022 by 5%, standing at EUR 27.2 (Q1: 25.8) million.

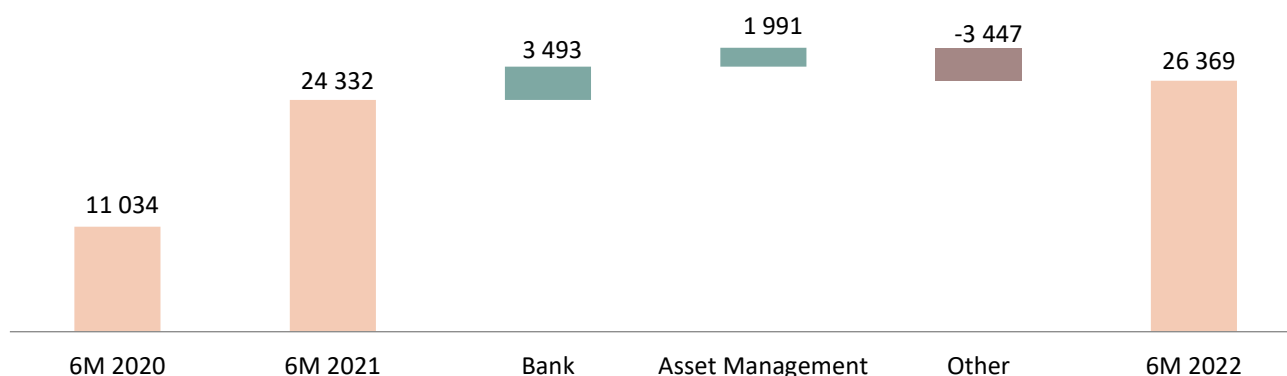
At the consolidated level, income tax on future dividend payments by subsidiaries was EUR 0.4 million in the first quarter.

Net fee and commission income increased in Q2 by 6% and stood at EUR 11.0 (Q1: 10.4) million. In total, the net income of the Group increased by 9% in Q2, compared to Q1, amounting to EUR 37.8 (Q1: 34.8) million, with expenses increasing 12% and amounting to EUR 21.1 (Q1: 18.9) million. The Group's operating profit for Q2 amounted to EUR 16.8 (Q1: 15.9) million. The expenses from loan and bond portfolio impairments amounted to

EUR -0.3 million in Q2 (Q1: 0.7). The Group's total profit for Q2 amounted to EUR 14.0 million (Q1: 12.4). Compared to Q2 2021, the Group's net interest income increased by 19% and net fee and commission income increased by 21%.

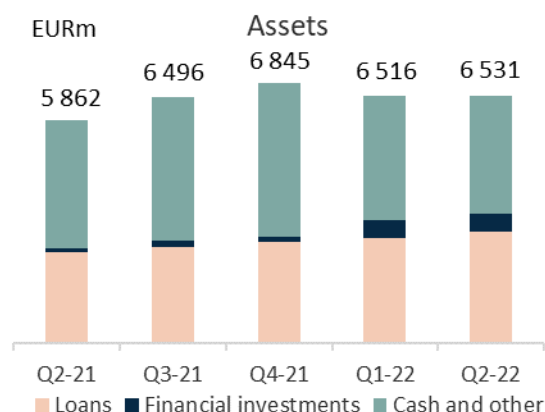
In terms of business entities, AS LHV Pank posted in Q2 a consolidated profit of EUR 16.9 million and AS LHV Varahaldus a loss of EUR 0.2 million because of the income tax expense. LHV Kindlustus posted a loss of EUR 0.2 million. The AS LHV Group on solo bases posted a profit of EUR 3.7 million thanks to the dividend income. In Q2 LHV UK Ltd posted a loss of EUR 2.1 million.

### Net profit change (EURt)



The Group's volume of deposits as at the end of Q2 amounted to EUR 5 367 (Q1: 5 410) million, of which demand deposits formed EUR 5 219 (Q1: 5 247) million and term deposits EUR 148 (Q1: 163) million.

As at the end of Q2, the volume of loans granted by the Group amounted to EUR 2 925 (Q1: 2 753) million, increasing in Q2 by 6%. Compared to Q2 2021, the volume of the Group's deposits has increased by 9% and the volume of loans by 22%.



## The Group's Liquidity, Capitalisation and Asset Quality

As at 30 June 2022, the Group's own funds stood at EUR 433.5 million (31 December 2021: EUR 367.0 million). LHV Group own funds are calculated based on regulative requirements.

Compared to Group's internal capital adequacy ratio target 16.0%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio amounting to 20.0% (31 December 2021: 19.0%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10.63% and Tier 1 capital adequacy ratio to 12.46%. The internal targets were approved in December 2021 by the Group's Supervisory Board, after the completion of the annual supervisory assessment by the Financial Supervision Authority.

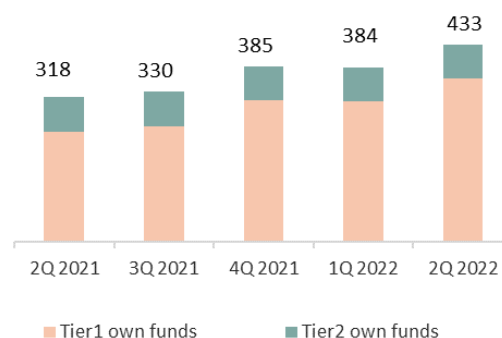
The minimum requirement for own funds and eligible liabilities (MREL) is included into resolution plan and LHV has to keep enough own funds and qualifying liabilities which can be used to cover losses in resolution planning. On 21st of June 2021 Estonian FSA set two separate MREL ratio on consolidation group level for LHV Group, one MREL-TREA is calculated against total risk weighted assets and another MREL-LRE against total assets. Both these ratios have transition time till 01.01.2024 and were set respectively at 21.42% and 5.91%. Additionally mid-term targets were set at 19.08% and 5.91%, what LHV Group has to fulfill by 01.01.2022. LHV Group issued in September EUR 100 million MREL eligible bonds, which covers both MREL requirements over the full forecasting period.

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 140.3% as at the end of June (31 December 2021: 142.7%). Financial intermediates' deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 227.3% (31.12.2021: 253.3%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 54% of the balance sheet (31 December 2021: 60%). The ratio of loans to deposits stood at 51% as at the end of the second quarter (31 December 2021: 43%). Group's maturity structure is presented in Note 5.

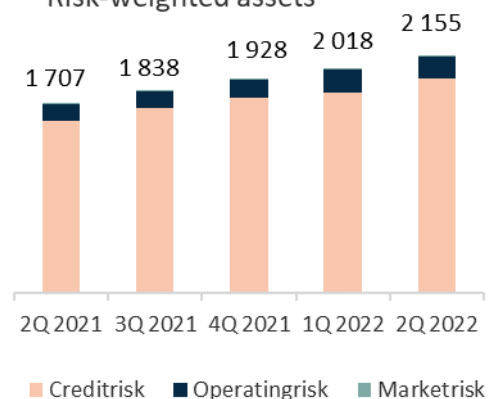
The Group's credit quality was good. As at the end of June, provisions for estimated loan losses amounted to EUR 18.8

million in the balance sheet, i.e. approximately 0.6% of the loan portfolio (31 December 2021: EUR 19.0 million, 0.7%). Estimated loan losses make up 1 234.2% (31 December 2021: 1 693.6%) of the portfolio of loans overdue for more than 90 days.

Own funds



Risk-weighted assets

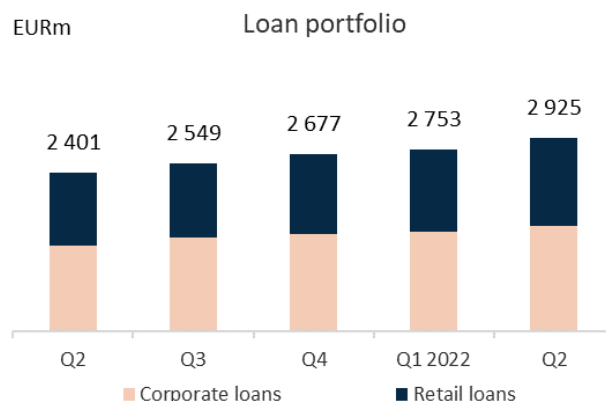


EUR thousand	30.06.2022	Proportion	31.12.2021	Proportion
Loans to customers	2 943 537		2 696 210	
including overdue loans:	24 616	0.8%	16 802	0.6%
1-30 days	18 957	0.6%	13 417	0.5%
31-60 days	3 684	0.1%	1 971	0.1%
61-90 days	460	0.0%	289	0.0%
91 and more days	1 515	0.1%	1 125	0.0%
Impairment of loans	-18 838	-0.6%	-19 049	-0.7%
Impairment % of loans overdue for more than 90 days	1 243.2%		1 693.6%	

Capital base	30.06.2022	31.12.2021	31.12.2020
Paid-in share capital	31 542	29 864	28 819
Share premium	141 186	97 361	71 468
Statutory reserves transferred from net profit	-75	4 713	4 713
Other reserves	4 713	47	0
Retained earnings	170 010	179 746	90 434
Intangible assets (subtracted)	-22 899	-14 473	-18 528
Net profit for the reporting period (COREP)	8 590	0	37 950
Other adjustments	-481	-128	-323
CET1 capital elements or deductions	0	-12 209	-8 358
CET1 instruments of financial sector entities where the institution has a significant investment	-3 881	-4 328	-4 842
CET1 instruments of financial sector entities where the institution has not a significant investment	-5 236	-5 236	0
<b>Tier 1 capital</b>	<b>323 469</b>	<b>275 357</b>	<b>201 333</b>
Additional Tier 1 capital	35 000	35 000	35 000
<b>Total Tier 1 capital</b>	<b>3 58 469</b>	<b>310 357</b>	<b>236 333</b>
Subordinated debt	75 000	75 000	75 000
<b>Total Tier 2 capital</b>	<b>75 000</b>	<b>75 000</b>	<b>75 000</b>
<b>Net own funds for capital adequacy</b>	<b>433 469</b>	<b>385 357</b>	<b>311 333</b>
<b>Capital requirements</b>			
Central governments and central bank under standard method	0	0	363
Credit institutions and investment companies under standard method	12 134	10 465	8 060
Companies under standard method	1 271 277	1 141 853	865 624
Retail claims under standard method	233 506	212 860	197 849
Public sector under standard method	1	6	3 250
Housing real estate under standard method	326 812	291 338	243 971
Overdue claims under standard methods	11 342	19 332	13 362
Investment funds' shares under standard method	185	190	7 145
Other assets under standard method	86 728	93 939	49 321
<b>Total capital requirements for covering the credit risk and counterparty credit risk</b>	<b>1 941 985</b>	<b>1 769 983</b>	<b>1 388 945</b>
Capital requirement against foreign currency risk under standard method	3 472	3 489	3 950
Capital requirement against interest position risk under standard method	0	0	0
Capital requirement against equity portfolio risks under standard method	11 500	2 079	972
Capital requirement against credit valuation adjustment risks under standard method	2 918	1 211	82
Capital requirement for operational risk under base method	197 920	152 778	124 638
<b>Total capital requirements for adequacy calculation</b>	<b>2 157 795</b>	<b>1 929 540</b>	<b>1 518 587</b>
<b>Capital adequacy (%)</b>	<b>20.09</b>	<b>19.97</b>	<b>20.50</b>
<b>Tier 1 capital ratio (%)</b>	<b>16.61</b>	<b>16.08</b>	<b>15.56</b>
<b>Core Tier 1 capital ratio (%)</b>	<b>14.99</b>	<b>14.27</b>	<b>13.26</b>

## Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 172 million
- Net profit EUR 16.9 million
- Early repayment of TLTRO loan in the amount of EUR 50 million



EUR million	Q2 2022	Q1 2022	Change %	Q2 2021	Change %	From the beginning of 2022	From the beginning of 2021	Change %
Net interest income	27.23	25.88	5%	23.31	17%	53.11	44.07	21%
Net fee and commission income	7.64	7.79	-2%	6.82	12%	15.43	13.19	17%
Other financial income	0.08	-1.42	NA	0.11	-32%	-1.35	-0.39	245%
Total net operating income	34.95	32.25	8%	30.24	16%	67.20	56.87	18%
Other income	0.07	-0.02	NA	0.12	-36%	0.05	0.18	-69%
Operating expenses	-15.64	-14.37	9%	-11.93	31%	-30.01	-23.38	28%
Loan and bond portfolio gains/(-losses)	0.34	-0.74	NA	0.79	-57%	-0.40	-0.81	-51%
Income tax expenses	-2.79	-2.27	23%	-2.68	4%	-5.06	-4.56	11%
Net profit	16.94	14.85	14%	16.53	2%	31.79	28.29	12%
Loan portfolio	2 925	2 753	6%	2 401	22%			
Financial investments	484	467	4%	79	511%			
Deposits of customers incl. deposits of financial intermediates	5 425	5 437	-0,2%	4 947	10%			
Subordinated liabilities	99	104	-5%	86	19%			
Equity	307	293	5%	238	29%			

Q2 was successful with regard to the growth of business volumes and revenue. LHV Pank earned EUR 27.2 million in net interest income and EUR 7.6 million in net service fee income in Q2. In total, the Bank's revenue amounted to EUR 35.0 million and expenses to EUR 15.6 million. Net operating expenses grew by 15% and expenses by 31% in a year. The provisions for loans and bonds amounted to EUR 0.3 million. The proportion of debts in the loan portfolio is still small, but we are nevertheless keeping a close eye on developments in the credit portfolio.

Financial income amounted to EUR 0.1 million in Q2. LHV Pank calculates a 14% advance income tax and the respective income tax expenses was EUR 2.5 million in Q2. Income tax expense on dividend payments to be made by subsidiaries in the future was EUR 0.3 million at the consolidated level in Q1.

The Bank's Q2 profit amounted to EUR 16.9 million, which is 14% more than in Q1 2022 (14.9) and 2% more than in Q2 2021 (16.5).

The largest portion of the service fee income still derives from income from settlements and cards as well as income from currency exchange and payment collection.

The growth in net interest income comes from an increase in business volumes. The total volume of the Bank's loan portfolio amounted to EUR 2 925 million by the end of Q2 (EUR 2 753 million in Q1 2022). The volume of the portfolio grew by 6% in a quarter. The volume of loans grew by EUR 172 million in Q2 (EUR 75 million in Q1 2022). The net portfolio of retail loans grew 6% in a quarter, reaching EUR 1 321 million (EUR 1 242 million in Q1 2022). The net portfolio of corporate loans also grew by 6% in a

quarter, reaching EUR 1 604 million (EUR 1 511 million in Q1 2022).

The Bank's volume of deposits remained largely at the same level as in the previous quarter, amounting to EUR 5 425 million at the end of the quarter (EUR 5 437 million in Q1 2022). The volume of Ordinary clients' deposits grew by 54 million euros during the quarter and financial intermediaries' deposits decreased by 94 million euros. Starting in the beginning of the year, significant changes have taken place in the dynamics of deposits and ordinary clients' deposits have grown at the planned rate. Financial intermediaries are impacted by the more modest level of activity on the market, volatility has abated and volumes of deposits remain stable at a lower level.

Loans to companies grew by 93 million euros and retail loans by 79 million euros. The growth in the corporate loan portfolio outstripped targets. The growth in the retail loan portfolio was according to plan, driven by home loans. Although uncertainty related to the war in Ukraine impacted demand in Q1, interest from clients recovered in Q2. It is important to note that the projects now going forward are of very good conception and design, and some are the ones that were paused by clients at the beginning of the year.

The Bank's income/expense ratio was 44.6% in Q2, which was 5.3 percentage points higher than in Q2 2021 (39.3%).

The corporate credit portfolio, which includes loans and guarantees, grew 316.4 million euros over the year (+22%) with quarter-over-quarter growth of 100.9 million euros (+6%). The greatest source of the growth was loans for real estate activities, which traditionally is the field that receives the most financing from commercial banks, growing 189.7 million euros during the year (+37%). The bulk of the growth came from financing of business real estate projects with a strong income stream. Next came loans to the wholesale and retail trade and motor vehicle repair sector, which grew 55.4 million euros from the year before (+58%) and loans issued to the financial and insurance activities sector, which grew 50.2 million euros (+57%) over the year.

Compared to Q1 of 2022, portfolio growth was most influenced by loans and guarantees issued for real estate activities (quarterly growth of 50.2 million euros; +8%), followed by the agriculture, forestry and fishing sector (47.3 million euros; +208%) and the sector engaged in electricity, gas, steam and conditioned air supply (7.3 million euros; +14%).

The most corporate loans were granted to the real estate sector, which makes up 41% of the bank's corporate loan portfolio. Of real estate loans, the principal part were issued to projects with high-quality rental streams, with real estate developments making up a much smaller share. Most real estate developments financed are located in Tallinn, and projects located in other major Estonian

the deposits on payment intermediaries decreased by EUR 94 million in a quarter. Of the deposits, EUR 5 277 million were call deposits and EUR 148 million term deposits. The volume of the deposits of private persons amounted to EUR 1 112 million as at the end of the quarter, having grown by 1% in a quarter.

cities and in the vicinity of Tallinn made up 30% of developments. LHV's market share of new development financing in Tallinn made up about one-quarter of the whole at the end of Q2 2022. The LHV real estate development portfolio is well-positioned in case market trends should change – the financed developments are in good locations and the risk to planned sales price ratio averages 54%.

After the real estate sector, the most credit was issued to wholesale and retail trade, motor vehicle repair sector (9%) and processing industry companies (8%). Of sectors with ordinarily a higher credit risk, horeca made up 3%, construction 2% and transport and warehousing 1% of the total volume of the portfolio.

Net profit for the quarter was 16.9 million euros. Compared to last year, profit grew, but the result fell 2.3 million euros short of the ambitious growth plan tabled at the beginning of the year. The reason for the shortfall is the lower service charge income partially related to lower client activity level and shaky confidence, and mainly due to the more modest increase of business volumes in the payment services and currency exchange field.

During the quarter, the number of the bank's clients grew by 13,100. Client activity recovered compared to Q1, but is still impacted by the new and different environment. Deposits decreased by 12 million euros over the quarter and loans grew by 172 million euros.

Loan write-downs decreased by 0.4 million euros during the quarter. Although the macroeconomic environment has changed significantly since the plans laid at the start of the year, the amount of write-downs is impacted above all by the quality of the loan portfolio and strength of clients. Sectors that depend on tourism, which was hit the hardest by the pandemic crisis, have now recovered and clients operating in that sector are doing very well now – the expense base is under control and demand has returned to pre-crisis levels. As a whole, the quality of the bank's loan portfolio remains very low. Because of this, write-downs are also much smaller than planned.

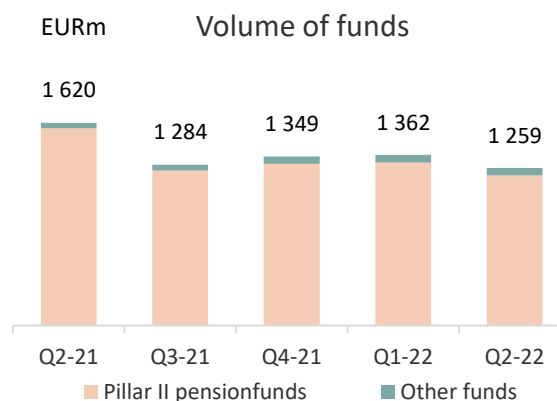
Although the Euribor has a positive impact on the bank's revenue base, we must curb our expectations in the changed macroeconomic environment. The rapidly rising prices are highly likely to taper in autumn, but energy and food prices will not go down in the near term. Both businesses and consumers will have to factor in higher expenditures in the next heating period and increased prices of food and other commodities. This will definitely have an impact on both consumers and businesses.

The large number of sanctions imposed due to the Ukraine war caused numerous challenges in Q2, which required additional resources. Similarly to other banks operating on this market, we stopped executing payments to Russia and Belarus. Unlike other banks, we have continued receiving clients' payments from Russia and Belarus. Due to this, volumes are up somewhat.

We launched cooperation as the headline sponsor of the May Run to support the biggest annual women's sport event open to the public. We also improved our internet bank and added the option of investing in individual stocks to Growth Account. Euromoney selected LHV as the best bank in Estonia for the fifth time.

## Overview of AS LHV Varahaldus

- Profit before income tax in Q1 – 0.2 million EUR
- Net profit was 0.2 million EUR, a negative yield generated by the funds meant a decline in the value of equity and resulted in financial expenses
- Number of active second-pillar clients at the end of the quarter – 131 000
- Volume of assets in second-pillar funds by the end of the quarter – more than 1.2 billion EUR



EUR million	Q2 2022	Q1 2022	Change %	Q2 2021	Change %	6M 2022	6M 2021	Change %
Net fee and commission income	2.0	2.01	2%	2.3	-13%	3.96	4.6	-14%
Net financial income	-0.41	0.10	NA	0.18	NA	-0.31	0.29	NA
Operating expenses	-1.33	-1.35	-1%	-1.18	13%	-2.68	-2.43	10%
Depreciation of non-current assets	-0.49	-0.53	-8%	-3.60	-86%	-1.02	-4.09	-75%
Profit	-0.23	0.18	NA	-2.30	-90%	-0.05	-1.63	-97%
Financial investments	9	8.0	13%	7.1	27%			
Equity	22.0	22.0	0%	24.0	-8%			
Assets under management	1 259.0	1 362.0	-8%	1 620.0	-22%			

In Q2, LHV Varahaldus posted an operating income of 2.0 million EUR, operating expenses of 1.8 million EUR, and an operating profit of 0.2 million EUR. The financial result for the quarter was negatively influenced by the funds' yield – since LHV Varahaldus has invested equity in the pension funds it manages and these funds lost in value during the quarter, this also resulted in financial expenses for Varahaldus of more than 0.4 million EUR. Net profit for the quarter was 0.2 million EUR.

Q2 was again a challenging quarter for stock markets, and H1 as a whole was one of the worst in the last 50 years. The decline was even more broad-based than in Q1, with nearly all sectors hit, including the bond market. Measured in euros, MSCI World, SP500 and Euro Stoxx 50 lost 10.8%, 11.7% and 9.9% of their value in the most recent quarter, respectively. Q2 also saw the euro continue to weaken against the dollar – by 5.8% in the quarter.

During Q1, LHV pension funds managed to post positive results in spite of the declining market, but Q2 was more complicated. The values of the units in the biggest actively managed M, L and XL funds fell during the quarter by 1.8%, 4.0% and 5.3%. The decline in funds with higher stock risk was deeper, LHV's Index pension fund fell by 9.9%, and Roheline by 10.7%. The

conservative funds S and XS fell 0.7% and 1.4%, respectively, but managed to maintain value fairly well against competing conservative funds. Growth in social tax revenue – which serves as a comparison index – saw rapid growth in Q1, remaining more than 13% higher than the same period in the previous year in each month.

In Q2, the focus in choosing stock market investments in the largest funds was on companies and sectors that would be capable of generating value and offering a return even in an inflationary environment. The largest positions were related to precious metals and commodities, plus blue-chip Scandinavian companies more broadly.

LHV's number of active second-pillar clients at quarter's end was slightly more than 131,000, having dropped by around 4,000 over three months. The decrease was caused by the clients who left the second pillar in early May. The market share did not change much in terms of clients, still around 25%. Q2 was the first one since pension reform came into effect where the number of clients exiting the second pillar was less than the number of new clients joining the pillar. The volume of assets managed by LHV Varahaldus was more than 1.2 billion EURO by the end of the quarter. The volume of second-pillar assets dropped by close to

100 million EUR during the quarter – more than 60 million EUR was due to disbursements made to clients who left the second pillar in early May; a negative impact on the funds' volume also stemmed from the yield in the last three months. The number of third-pillar clients is still seeing stable growth.

The portfolio of all actively managed funds and distribution of asset classes largely correspond to the long-term goal, where M, L and XL portfolio are mainly invested in unlisted asset classes

less dependent on stock markets. We keep a close eye on developments on the stock market and are prepared to quickly adjust our positions depending on the conditions. We also devote extra attention to liquidity to ensure capability to more aggressively invest and naturally make disbursements to clients if they change or exit funds.



## Overview of AS LHV Kindlustus

In Q2 of 2022, AS LHV Kindlustus continued active sale of insurance policies and development of its services. At the end of the quarter, a property and liability insurance product was introduced. It will initially be offered to LHV banking clients. The development of new claims adjusting software was launched to make the process even more convenient for clients.

The number of insurance policies concluded and the volume of insurance premiums earned are growing across all insurance product sales channels, particularly rapidly in the brokerage channel and via the LHV website. In April, the sale of insurance contracts through IIZI Kindlustusmaakler insurance broker began. Now, all clients who use IIZI services can also buy LHV Kindlustus third party liability and motor hull insurance contracts.

As of 30 June 2022, LHV Kindlustus had 216,000 valid insurance policies and 148,000 clients.

The volume of gross insurance premiums in Q2 is 4611.6 thousand euros and net earned insurance premiums totalled 648.0 thousand euros. Overall for the six months, auto and motor TPL insurance made up 54.8% of the insurance premium volume. Travel insurance, home insurance and loan payment insurance

are other important insurance products. Over 95% of the insurance policies ending in Q2 were renewed for the next period. During Q2, 1289 new loss events were registered, and claims adjustment ended in the case of 1144 incidents. As of the end of the quarter, 698 loss files were open. The net losses incurred in the period together with indirect claims adjustment costs were 1045.4 thousand euros. Loss provisions was stood at 997.7 thousand euros as of the end of the period.

The result for Q2 was influenced by a number of house fires covered by home insurance, and the number of travel curtailments was up mainly due to the chaos in the aviation sector. The number of Covid-19 loss events in travel insurance was insignificant. The company's loss for Q2 was 237.4 thousand euros. The result is under the financial forecast due to lower net income caused by slower than planned sales activity at the beginning of the year. The volume of operating costs was lower than planned.

EUR thousand	Q2 2022	Q1 2022	Change %	Q2 2021	Change %
Gross insurance premiums	4 612	1 748	164%	1 640	181%
Net earned insurance premiums	1 648	1 263	31%	527	213%
Net losses incurred	1 045	1 030	2%	103	914%
Total net operating expenses	838	731	15%	537	56%
Underwriting result	-235	-498	-53%	-114	107%
Net profit	-237	-497	-52%	-112	112%
Actuarial reserves at the end of the period	6 947	4 976	40%	3 160	120%
Equity at the end of the period	5 996	6 159	-3%	7 070	-15%

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

<i>(in thousands of euros)</i>	Note	Q2 2022	6M 2022	Q2 2021	6M 2021
Interest income		33 498	66 348	29 747	56 783
Interest expense		-6 314	-13 377	-6 819	-13 484
<b>Net interest income</b>	9	<b>27 184</b>	<b>52 971</b>	<b>22 928</b>	<b>43 299</b>
Fee and commission income		15 445	30 260	13 647	26 736
Fee and commission expense		-4 441	-8 909	-4 129	-8 488
<b>Net fee and commission income</b>	10	<b>11 004</b>	<b>21 351</b>	<b>9 518</b>	<b>18 248</b>
Net gains from financial assets measured at fair value		-351	-1 818	203	-224
Foreign exchange rate gains/losses		8	161	89	141
<b>Net gains from financial assets</b>		<b>-343</b>	<b>-1 657</b>	<b>292</b>	<b>-83</b>
Other income		57	55	43	82
Other expense		0	-90	0	0
<b>Total other income</b>		<b>57</b>	<b>22</b>	<b>43</b>	<b>82</b>
Staff costs		-11 747	-21 995	-8 007	-15 260
Administrative and other operating expenses		-9 332	-17 950	-9 865	-16 372
<b>Total expenses</b>	11	<b>-21 079</b>	<b>-39 945</b>	<b>-17 872</b>	<b>-31 632</b>
<b>Profit before impairment losses on loans and advances</b>		<b>16 823</b>	<b>32 742</b>	<b>14 909</b>	<b>29 914</b>
Impairment losses on loans and bonds	21	341	-394	791	-810
<b>Profit before income tax</b>		<b>17 164</b>	<b>32 348</b>	<b>15 700</b>	<b>29 104</b>
Income tax expense		-3 177	-5 078	-2 785	-4 773
<b>Net profit for the reporting period</b>	2	<b>13 987</b>	<b>26 370</b>	<b>12 915</b>	<b>24 331</b>
<b>Other comprehensive income/loss:</b>					
Items that may be reclassified subsequently to profit or loss:					
Changes in the fair value of debt instruments measured at FVOCI		0	0	0	0
Unrealized exchange differences arising on the translation of the financial statements of foreign operations		-79	-123	-58	0
<b>Total profit and other comprehensive income for the reporting period</b>		<b>13 908</b>	<b>26 247</b>	<b>12 587</b>	<b>24 331</b>
<b>Total profit of the reporting period attributable to:</b>					
Owners of the parent		13 543	25 423	12 409	23 451
Non-controlling interest		444	947	506	880
<b>Total profit for the reporting period</b>	2	<b>13 987</b>	<b>26 370</b>	<b>12 915</b>	<b>24 331</b>
<b>Total profit and other comprehensive income attributable to:</b>					
Owners of the parent		13 464	25 300	12 351	23 451
Non-controlling interest		444	947	506	880
<b>Total profit and other comprehensive income for the reporting period</b>		<b>13 908</b>	<b>26 247</b>	<b>12 587</b>	<b>24 331</b>
Basic earnings per share (in euros)	16	0,44	0,84	0,43	0,81
Diluted earnings per share (in euros)	16	0,43	0,82	0,42	0,79

The Notes on pages 22 to 38 are an integral part of the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	30.06.2022	31.12.2021
<b>Assets</b>			
Due from central bank	4, 5, 6, 12	2 925 391	3 874 284
Due from credit institutions	4, 5, 6, 12	124 476	106 838
Due from investment companies	4, 6, 12	5 086	6 188
Financial assets at fair value through profit or loss	4, 6, 7	12 298	135 855
Financial assets at amortized cost		480 241	0
Loans and advances to customers	4, 6, 8, 21	2 924 536	2 677 160
Receivables from customers		9 182	9 752
Other financial assets		124	2 236
Other assets		3 582	3 471
Financial investment		6 236	5 236
Tangible assets	19	15 652	8 474
Intangible assets	19	13 317	11 825
Goodwill		10 736	3 614
<b>Total assets</b>	<b>2</b>	<b>6 530 857</b>	<b>6 844 933</b>
<b>Liabilities</b>			
Loans received from Central Banks (TRTLO)	13	147 354	197 461
Deposits of customers	13	5 366 565	5 807 617
Loans received and debt securities in issue	13	349 645	349 146
Financial liabilities at fair value through profit or loss	7	291	157
Accounts payable and other liabilities	14	171 842	55 373
Subordinated debt	6, 20	110 368	110 378
<b>Total liabilities</b>	<b>2</b>	<b>6 146 065</b>	<b>6 520 132</b>
<b>Owner's equity</b>			
Share capital		31 542	29 864
Share premium		141 186	97 361
Statutory reserve capital		4 713	4 713
Other reserves		4 688	4 733
Retained earnings		195 432	179 746
<b>Total equity attributable to owners of the parent</b>		<b>377 561</b>	<b>316 417</b>
Non-controlling interest		7 231	8 384
<b>Total equity</b>		<b>384 792</b>	<b>324 801</b>
<b>Total liabilities and equity</b>		<b>6 530 857</b>	<b>6 844 933</b>

The Notes on pages 22 to 38 are an integral part of the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q2 2022	6M 2022	Q2 2021	6M 2021
<b>Cash flows from operating activities</b>					
Interest received		33 264	66 019	29 853	56 403
Interest paid		-6 441	-12 732	-7 877	-14 196
Fees and commissions received		15 320	30 260	13 234	26 234
Fees and commissions paid		-4 441	-8 909	-4 129	-8 488
Other income received		204	34	448	568
Staff costs paid		-10 023	-18 742	-7 032	-13 358
Administrative and other operating expenses paid		-6 711	-13 607	-5 591	-10 978
Income tax		-263	-5 159	-1 578	-5 996
<b>Cash flows from operating activities before change in operating assets and liabilities</b>		<b>20 909</b>	<b>37 164</b>	<b>17 327</b>	<b>30 189</b>
<b>Net increase/decrease in operating assets:</b>					
Net increase/(decrease) in financial assets at fair value through profit or loss		-3 355	-3 464	-612	-980
Loans and advances to customers		-170 919	-247 288	-96 335	-193 434
Mandatory reserve at central bank		359	3 935	-1 525	-8 045
Security deposits		0	2 112	28	-62
Other assets		-3 165	1 686	672	6 085
<b>Net increase/decrease in operating liabilities:</b>					
Demand deposits of customers		-28 764	-430 329	386 257	1 023 565
Term deposits of customers		-15 158	-11 463	-197 428	-220 863
Loans received		0	0	0	73
Prepayments of loans received		-50 258	-50 479	-2 907	-2 907
Financial liabilities held for trading at fair value through profit and loss		258	134	-1	-216
Other liabilities		52 014	110 209	-14 318	34 027
<b>Net cash generated from/used in operating activities</b>		<b>-198 079</b>	<b>-587 783</b>	<b>91 159</b>	<b>667 432</b>
<b>Cash flows from investing activities</b>					
Purchase of non-current assets		-8 805	-11 204	-1 250	-2 547
Acquisition of subsidiaries and affiliates		-8 966	-8 966	0	0
Net changes of investment securities at fair value through profit or loss and of investment securities at amortized cost		-9 820	-351 166	63 917	244 174
<b>Net cash flows from/used in investing activities</b>		<b>-27 591</b>	<b>-371 236</b>	<b>62 667</b>	<b>241 627</b>
<b>Cash flows from financing activities</b>					
Paid in share capital (incl. share premium)		45 504	45 504	1 578	1 578
Dividends paid		-11 946	-14 046	-8 358	-10 458
Loans received (non-preferred bonds)		0	0	0	40 000
Repayments of the principal of lease liabilities		-380	-744	-111	-266
<b>Net cash flows from/used in financing activities</b>		<b>-33 178</b>	<b>30 714</b>	<b>-6 891</b>	<b>30 854</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	6	<b>115</b>	<b>17</b>	<b>88</b>	<b>199</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>-192 606</b>	<b>-928 422</b>	<b>147 023</b>	<b>940 112</b>
Cash and cash equivalents at the beginning of the period		3 194 196	3 930 012	3 145 373	2 352 284
<b>Cash and cash equivalents at the end of the period</b>	12	<b>3 001 590</b>	<b>3 001 590</b>	<b>3 292 396</b>	<b>3 292 396</b>

The Notes on pages 22 to 38 are an integral part of the condensed consolidated interim financial statements

## Condensed Consolidated Interim Statement of Changes in Equity

<i>(in thousands of euros)</i>	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total equity attributable to owners of LHV Group	Non-controlling interest	Total equity
<b>Balance as at 01.01.2021</b>	<b>28 819</b>	<b>71 468</b>	<b>4 713</b>	<b>3 409</b>	<b>128 385</b>	<b>236 794</b>	<b>8 482</b>	<b>245 276</b>
Paid in share capital	300	1 298	0	0	0	1 598	0	1 598
Dividends paid	0	0	0	0	-8 358	-8 358	-2 100	-10 458
Share options	0	0	0	-192	1 458	1 266	0	1 266
<i>Profit for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>23 451</i>	<i>23 451</i>	<i>880</i>	<i>24 331</i>
<i>Other comprehensive income/loss</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>31</i>	<i>0</i>	<i>31</i>	<i>0</i>	<i>31</i>
Total profit and other comprehensive income for the reporting period	0	0	0	31	23 451	23 482	880	24 362
<b>Balance as at 30.06.2021</b>	<b>29 119</b>	<b>72 766</b>	<b>4 713</b>	<b>3 248</b>	<b>144 936</b>	<b>254 782</b>	<b>7 262</b>	<b>262 044</b>
<b>Balance as at 01.01.2022</b>	<b>29 864</b>	<b>97 361</b>	<b>4 713</b>	<b>4 733</b>	<b>179 746</b>	<b>316 417</b>	<b>8 384</b>	<b>324 801</b>
Paid in share capital	1 678	43 825	0	0	0	45 503	0	45 503
Dividends paid	0	0	0	0	-11 946	-11 946	-2 100	-14 046
Share options	0	0	0	78	2 209	2 287	0	2 287
<i>Profit for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>25 432</i>	<i>25 423</i>	<i>947</i>	<i>26 370</i>
<i>Other comprehensive income/loss</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-123</i>	<i>0</i>	<i>-123</i>	<i>0</i>	<i>-123</i>
Total profit and other comprehensive income for the reporting period	0	0	0	-123	25 432	25 300	947	26 247
<b>Balance as at 30.06.2022</b>	<b>31 542</b>	<b>141 186</b>	<b>4 713</b>	<b>4 688</b>	<b>195 432</b>	<b>377 561</b>	<b>7 231</b>	<b>384 792</b>

The Notes on pages 22 to 38 are an integral part of the condensed consolidated interim financial statements

# Notes to the Condensed Consolidated Interim Financial Statements

## NOTE 1 Accounting Policies

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

The accounting policies and methods of computation used in the preparation of the interim report are the same as the accounting policies and methods of computation used in the annual report for the year ended 31 December 2021, which comply with the International Financial Reporting Standards, as adopted by the European Union (IFRS EU).

These condensed consolidated interim financial statements have been reviewed, not audited and do not contain the entire range of information required for the preparation of complete financial statements. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report

prepared for the year ended 31 December 2021, which has been prepared in accordance with the International Financial Reporting Standards (IFRS EU).

The applicable accounting policies have not changed compared to the previous financial year, except for the treatment of the liquidity portfolio treated at the market price. We reclassified this portfolio to accounting at amortized cost at the beginning of the second quarter. It was a fundamental change in the risk taken by the business line.

The financial figures of the condensed consolidated interim financial statements have been presented in thousands of euros, unless otherwise indicated. The interim financial statements have been consolidated and include the results of AS LHV Group and its subsidiaries AS LHV Varahaldus (100% interest), AS LHV Pank (100% interest), LHV UK Ltd (100% interest), AS EveryPay (100% interest) and AS LHV Finance (65% interest) and AS LHV Kindlustus (65% interest).

## NOTE 2 Business Segments

The Group divides its business activities into segments according to its legal structure, except LHV Pank divides its business activities by 3 main business segments: retail banking, corporate banking and financial intermediates. The business segments form a part of the Group, with a separate access to financial data and which are subject to regular monitoring of operating profit by the Group's decision-maker. The Management Board of AS LHV Group has been designated as the decision-maker responsible for allocation of funds and assessment of the profitability of the business activities. The result posted by a segment includes revenue and expenditure directly related to the segment.

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

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	UK LHV Ltd	Other activities	Total
<b>Q2 2022</b>									
Interest income	10 090	16 968	0	3 052	2 505	6	0	877	33 498
Interest expense	-1 240	-2 579	0	-635	-1 736	0	-63	-61	-6 314
<b>Net interest income</b>	<b>8 850</b>	<b>14 389</b>	<b>0</b>	<b>2 417</b>	<b>769</b>	<b>6</b>	<b>-63</b>	<b>816</b>	<b>27 184</b>
Fee and commission income	2 281	633	2 000	203	9 743	484	0	101	15 445
Fee and commission expense	-596	-20	0	-209	-4 093	0	0	477	-4 441
<b>Net fee and commission income</b>	<b>1 685</b>	<b>613</b>	<b>2 000</b>	<b>-6</b>	<b>5 650</b>	<b>484</b>	<b>0</b>	<b>578</b>	<b>11 004</b>
<b>Other income</b>	<b>1</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>57</b>
<b>Net income</b>	<b>10 536</b>	<b>15 023</b>	<b>2 000</b>	<b>2 411</b>	<b>6 445</b>	<b>490</b>	<b>-63</b>	<b>1 403</b>	<b>38 245</b>

Net gains from financial assets	27	0	-411	0	-11	-6	-1	59	-343
Administrative and other operating expenses, staff costs	-4 951	-2 994	-1 823	-554	-4 971	-719	-2 043	-3 024	-21 079
<b>Operating profit</b>	<b>5 612</b>	<b>12 029</b>	<b>-234</b>	<b>1 857</b>	<b>1 463</b>	<b>-235</b>	<b>-2 107</b>	<b>-1 562</b>	<b>16 823</b>
Impairment losses on loans and advances	-24	587	0	-95	-6	0	0	-121	341
Income tax	-697	-1 550	0	0	-287	0	0	-643	-3 177
<b>Net profit</b>	<b>4 891</b>	<b>11 066</b>	<b>-234</b>	<b>1 762</b>	<b>1 170</b>	<b>-235</b>	<b>-2 107</b>	<b>-2 326</b>	<b>13 987</b>

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	UK LHV Ltd	Other activities	Total
<b>6M 2022</b>									
Interest income	19 469	33 455	0	5 918	6 018	6	0	1 482	66 348
Interest expense	-2 552	-4 877	0	-1 055	-4 278	0	-63	-552	-13 377
<b>Net interest income</b>	<b>16 917</b>	<b>28 578</b>	<b>0</b>	<b>4 863</b>	<b>1 740</b>	<b>6</b>	<b>-63</b>	<b>930</b>	<b>52 971</b>
Fee and commission income	5 166	1 186	3 959	398	19 178	626	0	-253	30 260
Fee and commission expense	-1 245	-44	0	-389	-7 754	0	0	523	-8 909
<b>Net fee and commission income</b>	<b>3 921</b>	<b>1 142</b>	<b>3 959</b>	<b>9</b>	<b>11 424</b>	<b>626</b>	<b>0</b>	<b>270</b>	<b>21 351</b>
<b>Other income</b>	<b>3</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>-52</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>22</b>
<b>Net income</b>	<b>20 841</b>	<b>29 771</b>	<b>3 959</b>	<b>4 872</b>	<b>13 112</b>	<b>632</b>	<b>-63</b>	<b>1 220</b>	<b>74 344</b>
Net gains from financial assets	-45	0	-309	0	-4	-5	-2	-1 292	-1 657
Administrative and other operating expenses, staff costs	-10 024	-6 058	-3 700	-1 117	-9 913	-1 360	-3 680	-4 093	-39 945
<b>Operating profit</b>	<b>10 772</b>	<b>23 713</b>	<b>-50</b>	<b>3 755</b>	<b>3 195</b>	<b>-733</b>	<b>-3 745</b>	<b>-4 165</b>	<b>32 742</b>
Impairment gains/(-losses) on loans and bond portfolio	-756	370	0	123	-10	0	0	-121	-394
Income tax	-896	-1 930	-830	-1 107	-413	0	0	-802	-5 978
<b>Net profit</b>	<b>9 120</b>	<b>22 153</b>	<b>-880</b>	<b>2 771</b>	<b>2 772</b>	<b>-733</b>	<b>-3 745</b>	<b>-5 088</b>	<b>26 370</b>
<b>Total assets 30.06.2022</b>	<b>2 747 381</b>	<b>3 718 566</b>	<b>22 579</b>	<b>80 531</b>	<b>0</b>	<b>20 484</b>	<b>9 497</b>	<b>-68 181</b>	<b>6 530 857</b>
<b>Total liabilities 30.06.2022</b>	<b>3 117 467</b>	<b>672 879</b>	<b>590</b>	<b>65 056</b>	<b>2 382 856</b>	<b>14 541</b>	<b>4 398</b>	<b>-111 722</b>	<b>6 146 065</b>

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	Other activities	LHV UK Ltd	Total
<b>Q2 2021</b>									
Interest income	8 858	14 040	0	2 884	1 359	0	2 606	0	29 747
Interest expense	-347	-2 465	-2	-487	0	0	-3 518	0	-6 819
<b>Net interest income</b>	<b>8 511</b>	<b>11 575</b>	<b>-2</b>	<b>2 397</b>	<b>1 359</b>	<b>0</b>	<b>-912</b>	<b>0</b>	<b>22 928</b>
Fee and commission income	2 141	393	2 309	192	8 219	417	-24	0	13 647
Fee and commission expense	-330	-5	0	-166	-3 627	0	-1	0	-4 129
<b>Net fee and commission income</b>	<b>1 811</b>	<b>388</b>	<b>2 309</b>	<b>26</b>	<b>4 592</b>	<b>417</b>	<b>-25</b>	<b>0</b>	<b>9 518</b>
<b>Other income</b>	<b>17</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>-49</b>	<b>0</b>	<b>43</b>
<b>Net income</b>	<b>10 339</b>	<b>12 016</b>	<b>2 307</b>	<b>2 423</b>	<b>5 973</b>	<b>417</b>	<b>-986</b>	<b>0</b>	<b>32 489</b>
Net gains from financial assets	-10	0	181	0	-1	0	121	1	292
Administrative and other operating expenses, staff costs	-3 941	-2 409	-4 783	-485	-3 387	-531	-1 791	-545	-17 872
<b>Operating profit</b>	<b>6 388</b>	<b>9 607</b>	<b>-2 295</b>	<b>1 938</b>	<b>2 585</b>	<b>-114</b>	<b>-2 656</b>	<b>-544</b>	<b>14 909</b>
Impairment gains/(-losses) on loans and bond portfolio	56	824	0	-82	-7	0	0	0	791
Income tax	-742	-1 235	0	0	-407	0	-401	0	-2 785
<b>Net profit</b>	<b>5 702</b>	<b>9 196</b>	<b>-2 295</b>	<b>1 856</b>	<b>2 171</b>	<b>-114</b>	<b>-3 057</b>	<b>-544</b>	<b>12 915</b>

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	Other activities	LHV UK Ltd	Total
<b>6M 2021</b>									
Interest income	17 148	27 668	0	5 841	1 664	0	4 462	0	56 783
Interest expense	-780	-4 934	-14	-920	-2	0	-6 834	0	-13 484
<b>Net interest income</b>	<b>16 368</b>	<b>22 734</b>	<b>-14</b>	<b>4 921</b>	<b>1 662</b>	<b>0</b>	<b>-2 372</b>	<b>0</b>	<b>43 299</b>
Fee and commission income	4 976	709	4 616	381	15 604	506	-56	0	26 736
Fee and commission expense	-819	-11	0	-332	-7 322	0	-4	0	-8 488
<b>Net fee and commission income</b>	<b>4 157</b>	<b>698</b>	<b>4 616</b>	<b>49</b>	<b>8 282</b>	<b>506</b>	<b>-60</b>	<b>0</b>	<b>18 248</b>
<b>Other income</b>	<b>11</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>-49</b>	<b>0</b>	<b>82</b>
<b>Net income</b>	<b>20 536</b>	<b>23 492</b>	<b>4 602</b>	<b>4 970</b>	<b>10 004</b>	<b>506</b>	<b>-2 481</b>	<b>0</b>	<b>61 629</b>



Net gains from financial assets	-35	0	306	0	-1	0	-354	1	-83
Administrative and other operating expenses, staff costs	-7 924	-4 812	-6 538	-904	-6 605	-894	-3 410	-545	-31 632
<b>Operating profit</b>	<b>12 577</b>	<b>18 680</b>	<b>-1 630</b>	<b>4 066</b>	<b>3 398</b>	<b>-388</b>	<b>-6 245</b>	<b>-544</b>	<b>29 914</b>
Impairment gains/(-losses) on loans and bond portfolio	-160	-36	0	-572	-15	0	-27	0	-810
Income tax	-1 302	-2 027	-1 241	-1 184	-633	0	1 614	0	-4 773
<b>Net profit</b>	<b>11 115</b>	<b>16 617</b>	<b>-2 871</b>	<b>2 310</b>	<b>2 750</b>	<b>-388</b>	<b>-4 658</b>	<b>-544</b>	<b>24 331</b>
<b>Total assets</b>									
<b>30.06.2021</b>	<b>2 037 433</b>	<b>3 609 167</b>	<b>24 658</b>	<b>69 239</b>	<b>174 637</b>	<b>11 252</b>	<b>-67 142</b>	<b>2 423</b>	<b>5 861 667</b>
<b>Total liabilities</b>									
<b>30.06.2021</b>	<b>2 574 494</b>	<b>1 511 116</b>	<b>689</b>	<b>54 827</b>	<b>1 511 116</b>	<b>4 182</b>	<b>-56 830</b>	<b>29</b>	<b>5 599 623</b>

## 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 2021. There have been no major changes in the risk management department or in any risk management policies since the year end. The impact of COVID-19 on the Group's operations needs to be reported separately. The crisis mainly affects three risks: personnel risk, liquidity risk and credit risk.

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

To reduce liquidity risk, LHV Pank has issued mortgage bonds.

They made it possible to reduce the share of expensive platform deposits in financing and, together with the increased funding from the TLTRO III program, to finance the purchase of Danske's portfolio of local governments and companies at the beginning of the fourth quarter.

In terms of credit risk, in 2020 LHV joined in granting payment holidays to customers' loan payments agreed under the auspices of the Banking Association. In total, we provided 6 and 12 month payment payment holidays in the amount of 350 million euros. By the end of June, the volume of the loan portfolio on payment holidays has decreased by 300 EUR, where clients have moved back to original payment schedules and remaining payment holidays end by end of 2021. Only few customers require special attention. Second wave of pandemia has affected the credit portfolio only very limited amount and total portfolio on payment holidays at the end of September was EUR 53 million. In second quarter the restrictions set because of Covid ended, which has positively impacted the GDP growth forecasts, high 8 percent area.

## NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

<b>30.06.2022</b>	<b>Estonia</b>	<b>Germany</b>	<b>Other EU</b>	<b>USA</b>	<b>UK</b>	<b>Other</b>	<b>Total</b>
Due from banks and investment companies	1 864 451	0	940 333	24 235	225 340	594	<b>3 054 953</b>
Financial assets at fair value	400 251	5 003	87 248	29	2	6	<b>492 539</b>
Loans and advances to customers	2 901 164	628	16 632	695	976	4 441	<b>2 924 536</b>
Receivables from customers	9 182	0	0	0	0	0	<b>9 182</b>
Other financial assets	24	0	0	100	0	0	<b>124</b>
<b>Total financial assets</b>	<b>5 175 072</b>	<b>5 631</b>	<b>1 044 213</b>	<b>25 059</b>	<b>226 318</b>	<b>5 041</b>	<b>6 481 334</b>
Loans received from Central Banks (TRTLO)	147 468	0	0	0	0	0	<b>147 468</b>
Deposits of customers and loans received	3 577 735	50 206	1 144 468	25 478	524 329	44 349	<b>5 366 565</b>
Loans received and bonds issued	349 531	0	0	0	0	0	<b>349 531</b>
Subordinated debt	110 368	0	0	0	0	0	<b>110 368</b>
Financial liabilities at fair value	291	0	0	0	0	0	<b>291</b>
Accounts payable and other financial liabilities	171 842	0	0	0	0	0	<b>171 842</b>
<b>Total financial liabilities</b>	<b>4 357 235</b>	<b>50 206</b>	<b>1 144 468</b>	<b>25 478</b>	<b>524 329</b>	<b>44 349</b>	<b>6 146 064</b>

Unused loan commitments in the amount of EUR 607 417 thousand are for the residents of Estonia.

<b>31.12.2021</b>	<b>Estonia</b>	<b>Germany</b>	<b>Other EU</b>	<b>USA</b>	<b>UK</b>	<b>Other</b>	<b>Total</b>
Due from banks and investment companies	3 611 765	0	76 010	29 900	269 593	42	<b>3 987 310</b>
Financial assets at fair value	55 949	6	79 709	30	2	159	<b>135 855</b>
Loans and advances to customers	2 652 960	781	17 292	903	849	4 375	<b>2 677 160</b>
Receivables from customers	9 752	0	0	0	0	0	<b>9 752</b>
Other financial assets	117	0	0	2 119	0	0	<b>2 236</b>
<b>Total financial assets</b>	<b>6 330 543</b>	<b>787</b>	<b>173 011</b>	<b>32 952</b>	<b>270 444</b>	<b>4 576</b>	<b>6 812 313</b>
Loans received from Central Banks (TRTLO)	197 461	0	0	0	0	0	<b>197 461</b>
Deposits of customers and loans received	3 449 803	113 798	1 484 106	62 541	631 356	66 013	<b>5 807 617</b>
Loans received and bonds issued	349 146	0	0	0	0	0	<b>349 146</b>
Subordinated debt	110 378	0	0	0	0	0	<b>110 378</b>
Financial liabilities at fair value	157	0	0	0	0	0	<b>157</b>
Accounts payable and other financial liabilities	49 262	0	0	0	0	0	<b>49 262</b>
<b>Total financial liabilities</b>	<b>4 156 207</b>	<b>113 798</b>	<b>1 484 106</b>	<b>62 541</b>	<b>631 356</b>	<b>66 013</b>	<b>6 514 021</b>

Unused loan commitments in the amount of EUR 679 579 thousand are for the residents of Estonia.

## NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

<b>30.06.2022</b>	<b>On demand</b>	<b>0-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities by contractual maturity dates</b>						
Loans received from Central Banks (TLTRO)	0	0	0	147 750		<b>147 750</b>
Deposits from customers	5 218 714	48 119	92 161	5 638	100	<b>5 364 732</b>
Loans received and bonds issued	0	1 004	253	352 518	0	<b>353 775</b>
Subordinated debt	0	1 923	5 706	120 548	0	<b>128 177</b>
Accounts payable and other financial liabilities	0	163 947	0	0	0	<b>163 947</b>
Unused loan commitments	0	607 417	0	0	0	<b>607 417</b>
Financial guarantees by contractual amounts	0	53 334	0	0	0	<b>53 334</b>
Foreign exchange derivatives (gross settled)	0	150 069	0	0	0	<b>150 069</b>
Financial liabilities at fair value	0	291	0	0	0	<b>291</b>
<b>Total liabilities</b>	<b>5 218 714</b>	<b>1 026 104</b>	<b>98 120</b>	<b>626 454</b>	<b>100</b>	<b>6 969 492</b>
<b>Financial assets by contractual maturity dates</b>						
Due from banks and investment companies	3 054 580	0	0	0	0	<b>3 054 580</b>
Financial assets at fair value (debt securities)	0	156 983	236 498	90 716	1 173	<b>485 370</b>
Loans and advances to customers	0	189 824	415 069	1 974 671	1 216 834	<b>3 796 398</b>
Receivables from customers	0	9 182	0	0	0	<b>9 182</b>
Foreign exchange derivatives (gross settled)	0	150 069	0	0	0	<b>150 069</b>
Other financial assets	124	0	0	0	0	<b>124</b>
<b>Total financial assets</b>	<b>3 054 704</b>	<b>506 058</b>	<b>651 567</b>	<b>2 065 387</b>	<b>1 218 007</b>	<b>7 495 723</b>
<b>Maturity gap from financial assets and liabilities</b>	<b>-2 164 010</b>	<b>-520 046</b>	<b>553 447</b>	<b>1 438 933</b>	<b>1 217 907</b>	<b>526 231</b>

<b>31.12.2021</b>	<b>On demand</b>	<b>0-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities by contractual maturity dates</b>						

Loans received from Central Banks (TLTRO)	0	0	0	197 000	0	<b>197 000</b>
Deposits from customers	5 648 302	55 271	101 784	2 288	0	<b>5 807 645</b>
Loans received and bonds issued	0	0	1 140	352 538	0	<b>353 678</b>
Subordinated debt	0	1 903	5 727	124 341	0	<b>131 971</b>
Accounts payable and other financial liabilities	0	49 262	0	0	0	<b>49 262</b>
Unused loan commitments	0	679 579	0	0	0	<b>679 579</b>
Financial guarantees by contractual amounts	0	49 409	0	0	0	<b>49 409</b>
Foreign exchange derivatives (gross settled)	0	101 848	0	0	0	<b>101 848</b>
Financial liabilities at fair value	0	157	0	0	0	<b>157</b>
<b>Total liabilities</b>	<b>5 648 302</b>	<b>937 429</b>	<b>108 651</b>	<b>676 167</b>	<b>0</b>	<b>7 370 549</b>

<b>Financial assets by contractual maturity dates</b>						
Due from banks and investment companies	3 987 341	0	0	0	0	<b>3 987 341</b>
Financial assets at fair value (debt securities)	0	46 047	3 387	77 915	155,481	<b>127 504</b>
Loans and advances to customers	0	173 534	431 582	1 661 341	924 419	<b>3 190 876</b>
Receivables from customers	0	9 752	0	0	0	<b>9 752</b>
Foreign exchange derivatives (gross settled)	2 236	0	0	0	0	<b>2 236</b>
Other financial assets)	0	101 848	0	0	0	<b>101 848</b>
<b>Total financial assets</b>	<b>3 989 577</b>	<b>331 181</b>	<b>434 969</b>	<b>1 739 256</b>	<b>924 574</b>	<b>7 419 557</b>

<b>Maturity gap from financial assets and liabilities</b>	<b>-1 658 725</b>	<b>-606 248</b>	<b>326 318</b>	<b>1 063 089</b>	<b>924 574</b>	<b>49 008</b>
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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

30.06.2022	EUR	CHF	GBP	SEK	USD	Other	Total
<b>Assets bearing currency risk</b>							
Due from banks and investment companies	2 795 725	1 516	235 434	2 124	13 968	6 185	<b>3 054 953</b>
Financial assets at fair value	489 040	1	2	1	35	3 461	<b>492 539</b>
Loans and advances to customers	2 915 057	70	309	475	8 352	272	<b>2 924 536</b>
Receivables from customers	7 746	4	-3 241	80	4 274	320	<b>9 182</b>
Other financial assets	124	0	0	0	0	0	<b>124</b>
<b>Total assets bearing currency risk</b>	<b>6 207 692</b>	<b>1 591</b>	<b>232 503</b>	<b>2 680</b>	<b>26 629</b>	<b>10 239</b>	<b>6 481 334</b>
<b>Liabilities bearing currency risk</b>							
Loans received from Central Banks (TRTLO)	147 354	0	0	0	0	0	<b>147 354</b>
Deposits from customers	4 982 565	6 099	220 952	10 218	136 467	10 264	<b>5 366 565</b>
Loans received and bonds issued	349 645	0	0	0	0	0	<b>349 645</b>
Financial liabilities at fair value	0	0	0	0	289	2	<b>291</b>
Accounts payable and other financial liabilities	134 171	38	11 675	459	17 286	318	<b>163 947</b>
Subordinated debt	110 368	0	0	0	0	0	<b>110 368</b>
<b>Total liabilities bearing currency risk</b>	<b>5 724 103</b>	<b>6 137</b>	<b>232 627</b>	<b>10 677</b>	<b>154 042</b>	<b>10 584</b>	<b>6 138 169</b>
Open gross position derivative assets at contractual value	0	4 519	0	7 997	134 216	3 337	<b>150 069</b>
Open gross position derivative liabilities at contractual value	150 069	0	0	0	0	0	<b>150 069</b>
<b>Open foreign currency position</b>	<b>333 520</b>	<b>-27</b>	<b>-124</b>	<b>0</b>	<b>6 803</b>	<b>2 992</b>	<b>343 165</b>

31.12.2021	EUR	CHF	GBP	SEK	USD	Other	Total
<b>Assets bearing currency risk</b>							
Due from banks and investment companies	3 687 255	1 367	277 043	1 075	18 433	2 137	<b>3 987 310</b>
Financial assets at fair value	135 812	0	1	0	37	4	<b>135 855</b>
Loans and advances to customers	2 669 321	18	463	396	6 616	346	<b>2 677 160</b>
Receivables from customers	7 818	0	491	226	167	1 050	<b>9 752</b>
Other financial assets	117	0	0	0	2 119	0	<b>2 236</b>
<b>Total assets bearing currency risk</b>	<b>6 500 323</b>	<b>1 385</b>	<b>277 998</b>	<b>1 697</b>	<b>27 372</b>	<b>3 538</b>	<b>6 812 313</b>
<b>Liabilities bearing currency risk</b>							
Loans received from Central Banks (TRTLO)	197 461	0	0	0	0	0	<b>197 461</b>
Deposits from customers	5 409 103	5 037	271 784	7 837	101 149	12 708	<b>5 807 617</b>
Loans received and bond issued	349 146	0	0	0	0	0	<b>349 146</b>
Financial liabilities at fair value	0	0	0	16	123	18	<b>157</b>
Accounts payable and other financial liabilities	36 376	218	6 456	217	5 676	319	<b>49 262</b>
Subordinated debt	110 378	0	0	0	0	0	<b>110 378</b>
<b>Total liabilities bearing currency risk</b>	<b>6 102 464</b>	<b>5 254</b>	<b>278 240</b>	<b>8 070</b>	<b>106 948</b>	<b>13 045</b>	<b>6 514 021</b>
Open gross position derivative assets at contractual value	0	3 872	0	6 454	82 496	9 026	<b>101 848</b>
Open gross position derivative liabilities at contractual value	101 848	0	0	0	0	0	<b>101 848</b>
<b>Open foreign currency position</b>	<b>296 011</b>	<b>3</b>	<b>-242</b>	<b>81</b>	<b>2 920</b>	<b>-481</b>	<b>298 292</b>

## 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	30.06.2022	Level 1	Level 2	Level 3	31.12.2021
<b>Financial assets at fair value through profit and loss</b>								
Shares and fund units*	739	7 289	0	<b>8 028</b>	727	7 620	0	<b>8 347</b>
Bonds at fair value through profit and loss	811	0	0	<b>811</b>	127 504	0	0	<b>127 504</b>
Interest rate swaps and foreign exchange forwards	0	3 459	0	<b>3 459</b>	0	4	0	<b>4</b>
<b>Total financial assets</b>	<b>1 550</b>	<b>10 748</b>	<b>0</b>	<b>12 298</b>	<b>128 231</b>	<b>7 624</b>	<b>0</b>	<b>135 855</b>
<b>Financial liabilities at fair value through profit and loss</b>								
Interest rate swaps and foreign exchange	0	291	0	<b>291</b>	0	157	0	<b>157</b>
<b>Total financial liabilities</b>	<b>0</b>	<b>291</b>	<b>0</b>	<b>291</b>	<b>0</b>	<b>157</b>	<b>0</b>	<b>157</b>

\*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 289 (31.12.2021: 7 620) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 0.5% of the number of units in each of the mandatory pension fund managed by it.

Hierarchy levels:

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

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

the presence of any risks or uncertainties. The NPV is discounted by using the risk-free profitability rate available on the market.

As at 30.06.2022 the fair value of corporate loans and overdraft is EUR 76 276 thousand (4.59%) higher than their carrying amount (31.12.2021: 5 795 thousand, 0.38% higher). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of retail loans does not materially differ from their carrying amount as at 30 June 2022 and 31 December 2021. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current

market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

Lease interest rates offered to customers generally correspond to interest rates prevailing in the market for such products. Considering that the interest rate environment has been relatively stable since the Group started to provide leasing, consequently the fair value of lease agreements does not materially differ from their carrying amount. As significant management judgment is required to determine fair value, leases are classified as level 3 in the fair value hierarchy.

Leveraged loans, hire-purchase and credit cards granted to customers are of sufficiently short-term nature and they have been issued at market terms, therefore the fair market rate of interest and also the fair value of loans do not change significantly during the loan term. The fair value level of leveraged loans, hirepurchase, credit cards and consumer loans is 3 as significant judgmental assumptions are used for the valuation process.

Other receivables from customers, along with accrued expenses and other current receivables have been generated in the course of ordinary business and are subject to payment over a short period of time. Their fair value does not thus differ from the

carrying amount. These receivables and payables do not bear any interest. The fair value of accounts payable, accrued expenses and other payables is determined based on hierarchy level 3.

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

Subordinated loans in the amount of EUR 50 000 thousand were received in 2020, subordinated loans in the amount of EUR 40 000 thousand were received in 2019 and EUR 20 000 thousand were received in 2018. Subordinated loans were issued on market terms and considering the movements in loan and interest market, we can say that the market conditions are similar as they were when issuing the subordinated loans so that the fair value of the loans does not materially differ from their carrying value. In determining the fair value of loans, considerable management judgements are used. Subordinated debt are thus categorised under hierarchy level 3.

## NOTE 8 Breakdown of Loan Portfolio by Economic Sectors and by Stages

30.06.2022	Stage 1	Stage 2	Stage 3	Provision	Total	%
Individuals	1 003 718	115 333	6 688	-2 129	1 123 610	38.42%
Agriculture	52 825	2 377	15	-134	55 083	1.88%
Mining and Quarrying	652	811	0	-31	1 432	0.05%
Manufacturing	135 647	23 092	215	-851	158 103	5.41%
Energy	41 338	749	0	-112	41 975	1.44%
Water and sewerage	28 066	252	0	-274	28 044	0.96%
Construction	93 632	4 380	186	-1 771	96 427	3.30%
Wholesale and retail trade	130 071	17 697	724	-1 523	146 969	5.03%
Transportation and storage	14 150	10 247	91	-633	23 855	0.82%
Accommodation and catering	7 675	24 609	39	-1 672	30 651	1.05%
Information and communication	11 918	379	1	-14	12 284	0.42%
Financial activities	113 076	229	0	-583	112 722	3.85%
Real estate activities	651 465	84 534	1 850	-2 867	734 982	25.13%
Professional, scientific and technical activities	74 320	7 063	28	-158	81 253	2.78%
Administrative and support service activities	112 139	4 037	39	-2 965	113 250	3.87%
Local municipalities	88 351	297	0	0	88 648	3.03%
Education	4 478	321	0	-179	4 620	0.16%
Health care	10 855	899	0	-78	11 676	0.40%
Arts and entertainment	28 878	24 940	30	-2 818	51 030	1.74%
Other service activities	6 763	1 179	26	-46	7 922	0.27%
<b>Total</b>	<b>2 610 017</b>	<b>323 425</b>	<b>9 932</b>	<b>-18 838</b>		
Provision	-9 136	-7 942	-1 760			
<b>Total loan portfolio</b>	<b>2 600 881</b>	<b>315 483</b>	<b>8 172</b>		<b>2 924 536</b>	<b>100%</b>

	Stage 1	Stage 2	Stage 3	Provision	31.12.2021	%
Individuals	886 127	114 863	11 328	-2 392	1 009 926	37.7%
Agriculture	63 843	4 809	21	-214	68 459	3.1%
Mining and Quarrying	923	1 114	0	-18	2 019	0.1%
Manufacturing	125 985	26 328	255	-930	151 638	6.9%
Energy	57 403	1 729	0	-627	58 505	2.6%
Water and sewerage	23 172	573	0	-240	23 505	1.1%
Construction	80 323	3 990	477	-1 778	83 012	3.8%
Wholesale and retail trade	126 082	5 186	848	-486	131 630	6.0%
Transportation and storage	25 730	3 057	101	-136	28 752	1.3%
Accommodation and catering	5 526	25 036	159	-2 041	28 680	1.3%
Information and communication	10 600	294	8	-24	10 878	0.5%
Financial activities	85 481	327	0	-303	85 505	3.9%
Real estate activities	569 902	85 688	1 995	-3 260	654 325	29.6%
Professional, scientific and technical activities	39 062	5 344	482	-219	44 669	2.0%
Administrative and support service activities	113 860	3 698	155	-3 268	114 445	5.2%
Local municipalities	97 307	315	0	0	97 622	4.4%
Education	4 035	275	31	-14	4 327	0.2%
Health care	9 766	3 441	3	-71	13 139	0.6%
Arts and entertainment	24 155	27 576	64	-2 963	48 832	2.2%
Other service activities	16 463	856	38	-65	17 292	0.8%
<b>Total</b>	<b>2 365 745</b>	<b>314 499</b>	<b>15 965</b>	<b>-19 049</b>		
Provision	-9 472	-7 444	-2 133			
<b>Total loan portfolio</b>	<b>2 356 273</b>	<b>307 055</b>	<b>13 832</b>		<b>2 677 160</b>	<b>100%</b>

## NOTE 9 Net Interest Income

Interest income	Q2 2022	6M 2022	Q2 2021	6M 2021
From balances with credit institutions and investment	671	934	72	117
From central bank	488	988	233	483
From debt securities	-243	-342	-79	-195
Leasing	1 441	2 881	1 489	2 935
Leverage loans and lending of securities	428	863	429	784
Consumer loans	2 245	4 303	2 034	4 080
Hire purchase	807	1 615	838	1 749
Corporate loans	17 853	35 181	14 614	28 683
Credit card loans	199	394	202	437
Mortgage loans	6 186	11 717	5 234	10 021
Private loans	568	1 122	569	1 123
Other loans	2 855	6 692	4 112	6 566
<b>Total</b>	<b>33 498</b>	<b>66 348</b>	<b>29 747</b>	<b>56 783</b>
<b>Interest expense</b>				
Deposits of customers and loans received	-1 250	-2 412	-1 218	-2 789
Balances with the central bank	-2 946	-6 732	-3 371	-6 284
Subordinated liabilities	-2 118	-4 233	-2 230	-4 411
including loans between related parties	-81	-162	-81	-161
<b>Total</b>	<b>-6 314</b>	<b>-13 377</b>	<b>-6 819</b>	<b>-13 484</b>
<b>Net interest income</b>	<b>27 184</b>	<b>52 971</b>	<b>22 928</b>	<b>43 299</b>

**Interest income on loans by customer location**

<b>(interest on bank balances and bonds excluded):</b>	<b>Q2 2022</b>	<b>6M 2022</b>	<b>Q2 2021</b>	<b>6M 2021</b>
Estonia	32 582	64 768	29 521	56 378
<b>Total</b>	<b>32 582</b>	<b>64 768</b>	<b>29 521</b>	<b>56 378</b>

**NOTE 10 Net Fee and Commission Income**

<b>Fee and commission income</b>	<b>Q2 2022</b>	<b>6M 2022</b>	<b>Q2 2021</b>	<b>6M 2021</b>
Security brokerage and commissions paid	1 023	2 445	1 034	2 614
Asset management and similar fees	3 407	6 683	3 417	6 769
Currency exchange fees conversion revenues	2 201	4 505	2 032	3 924
Fees from cards and payments	6 420	613 064	5 624	10 542
Other fee and commission income	2 394	3 563	1 540	2 887
<b>Total</b>	<b>15 445</b>	<b>30 260</b>	<b>13 647</b>	<b>26 736</b>
<b>Fee and commission expense</b>				
Security brokerage and commissions paid	-598	-1 237	-333	-819
Expenses related to cards	-1 768	-3 480	-1 379	-2 966
Expenses related to acquiring	-1 837	-3 480	-1 740	-3 366
Other fee and commission expense	-238	-712	-677	-1 337
<b>Total</b>	<b>-4 441</b>	<b>-8 909</b>	<b>-4 129</b>	<b>-8 488</b>
<b>Net fee and commission income</b>	<b>11 004</b>	<b>21 351</b>	<b>9 518</b>	<b>18 248</b>

<b>Fee and commission income by customer location:</b>	<b>Q2 2022</b>	<b>6M 2022</b>	<b>Q2 2021</b>	<b>6M 2021</b>
Estonia	13 558	26 463	12 655	24 779
Great Britain	1 887	3 797	992	1 957
<b>Total</b>	<b>15 445</b>	<b>30 260</b>	<b>13 647</b>	<b>26 736</b>

**NOTE 11 Operating Expenses**

	<b>Q2 2022</b>	<b>6M 2022</b>	<b>Q2 2021</b>	<b>6M 2021</b>
Wages, salaries and bonuses	8 966	16 768	6 159	11 745
Social security and other taxes*	2 781	5 227	1 848	3 515
<b>Total personnel expenses</b>	<b>11 747</b>	<b>21 995</b>	<b>8 007</b>	<b>15 260</b>
IT expenses	1 577	3 241	1 007	2 027
Information services and bank services	341	640	330	682
Marketing expenses	655	1 617	552	1 084
Office expenses	435	851	216	407
Transportation and communication expenses	137	269	68	128
Staff training and business trip expenses	339	594	68	103
Other outsourced services	2 000	4 195	1 266	2 477
Other administrative expenses	1 594	2 697	1 918	3 697
Depreciation of non-current assets	1 487	2 825	4 155	5 113
Operational lease payments	491	599	169	441
Other operating expenses	276	422	116	212
<b>Total other operating expenses</b>	<b>9 332</b>	<b>17 950</b>	<b>9 865</b>	<b>16 372</b>
<b>Total operating expenses</b>	<b>21 079</b>	<b>39 945</b>	<b>17 872</b>	<b>31 632</b>

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



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

	30.06.2022	31.12.2021
Demand and term deposits with maturity less than 3 months*	129 562	113 026
Statutory reserve capital with the central bank	53 363	57 298
Demand deposit from central bank*	2 872 028	3 816 986
<b>Total</b>	<b>3 054 953</b>	<b>3 987 310</b>

\*Cash and cash equivalents in the Statement of Cash

Flows	3 001 590	3 930 012
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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 5 086 thousand (31 December 2021: EUR 6 188 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 30 June 2022 was 1% (31 December 2021: 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	Financial				30.06.2022
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	1 080 692	1 972 068	2 008 761	157 740	5 219 261
Term deposits	31 432	15 467	81 834	19 087	147 820
Accrued interest liability	293	-796	-15	2	-516
<b>Total</b>	<b>1 112 417</b>	<b>1 986 739</b>	<b>2 090 580</b>	<b>176 829</b>	<b>5 366 565</b>

Deposits/loans by type	Financial				31.12.2021
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	1 005 757	2 473 973	2 008 349	161 510	5 649 589
Term deposits	39 209	15 679	81 808	22 587	159 283
Accrued interest liability	285	-1 537	-5	2	-1 255
<b>Total</b>	<b>1 045 251</b>	<b>2 488 115</b>	<b>2 090 152</b>	<b>184 099</b>	<b>5 807 617</b>

Loans received 30.06.2022	TRTLO			Total loans received and dept securities in issue
		Covered bonds	Preferred senior bond	
Loans received	150 000	249 126	100 000	349 126
Accrued interest liability	-2 646	15	504	519
<b>Total</b>	<b>147 354</b>	<b>249 141</b>	<b>100 504</b>	<b>349 645</b>
Loans received 31.12.2021	TRTLO			Total loans received and dept securities in issue
		Covered bonds	Preferred senior bond	
Loans received	200 000	248 980	100 000	348 980
Accrued interest liability	-2 539	140	26	166
<b>Total</b>	<b>197 461</b>	<b>249 120</b>	<b>100 026</b>	<b>349 146</b>

In June 2020, LHV Pank made a successful debut issue of EUR 250 million in covered bonds to international investors. 31 institutional investors participated in the 5-year issue and the interest rate was 0.12%. The issue by LHV Pank was the first debut issue since the beginning of the COVID-19 crisis. The issue

received an Aa1 rating from Moodys and was listed on the Dublin Stock Exchange.

In September, LHV Group issued EUR 100 million of preferred bonds with a four-year maturity, which includes the option to call back the transaction after the third year. The issue received a Baa3 rating and was listed on the Dublin Stock Exchange.

In 2020, the Bank raised EUR 200 million in negative interest funds through the TLTRO III program offered by the European Central Bank. In the second quarter, the Bank returned early loan of 50 million euros to the European Central Bank.

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

	30.06.2022	31.12.2021
<b>Financial liabilities</b>		
Trade payables and payables to merchants	2 556	2 779
Other short-term financial liabilities	10 074	6 904
Lease liabilities	6 746	3 350
Payments in transit	130 216	27 202
Financial guarantee contracts issued	1 480	1 101
Liabilities from insurance services	12 875	7 926
<b>Subtotal</b>	<b>163 947</b>	<b>49 262</b>
<b>Not financial liabilities</b>		
Performance guarantee contracts issued	853	543
Tax liabilities	2 544	2 207
Payables to employees	3 734	2 545
Other short-term liabilities	764	816
<b>Subtotal</b>	<b>7 895</b>	<b>6 111</b>
<b>Total</b>	<b>171 842</b>	<b>55 373</b>

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 30 June 2022	28 318	53 661	6 115	607 417	695 511
Liability in the contractual amount as at 31 December 2021	19 919	49 409	1 438	679 579	750 345

## NOTE 16 Basic Earnings and Diluted Earnings Per Share

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

	Q2 2022	6M 2022	Q2 2021	6M 2021
Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)	13 543	25 423	13 543	23 452
Weighted average number of shares (in thousands of units)	30 703	30 097	30 703	28 894
Basic earnings per share (EUR)	0.44	0.84	0.44	0.81
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	31 332	30 762	29 815	29 815
Diluted earnings per share (EUR)	0.43	0.83	0.42	0.79

## 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 30.06.2022 was 433 469 thousand euros (31.12.2021: 385 357 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.

The Group follows the general principles in its capital management:

- The Group must be adequately capitalized at all times, ensuring the necessary capital to ensure economic preservation in all situations;
- The main focus of the capital management is on tier 1 own funds, because only tier 1 own funds can absorb losses. All other capital layers in use are dependent of tier 1 own funds volume;
- Capital of the Group can be divided in two: 1) regulative minimum capital and 2) capital buffer held by the Group. In order to reach its long-term economic goals the Group must on one hand strive towards proportional lowering of the regulative minimum capital (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 maintaining higher capital buffer.

<b>Capital base</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Paid-in share capital	31 542	29 864
Share premium	141 186	97 361
Reserves	4 713	4 713
Other reserves	-75	47
Accumulated loss	170 010	179 746
Intangible assets (subtracted)	-22 899	-14 473
Profit for the reporting period (COREP)	8 590	28 868
Other adjustments	-481	-128
CET1 capital elements or deductions	0	-12 209
CET1 instruments of financial sector entities where the institution has a significant investment	-3 881	-4 328
CET1 instruments of financial sector entities where the institution has not a significant investment	-5 236	-5 236
<b>Total Core Tier 1 capital</b>	<b>323 469</b>	<b>275 357</b>
Additional Tier 1 capital	35 000	35 000
<b>Total Tier 1 capital</b>	<b>358 469</b>	<b>310 357</b>
Subordinated liabilities	75 000	75 000
<b>Total Tier 2 capital</b>	<b>75 000</b>	<b>75 000</b>
<b>Total net own funds</b>	<b>433 469</b>	<b>385 357</b>

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

## NOTE 18 Transactions with related parties

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

- owners that have significant impact on the Group and the entities related to them;
- members of the management board and legal entities controlled by them (together referred to as management);
- members of the supervisory board;
- close relatives of the persons mentioned above and the entities related to them.

Transactions	Q2 2022	6M 2022	Q2 2021	6M 2021
<b>Interest income</b>	<b>30</b>	<b>61</b>	<b>31</b>	<b>55</b>
incl. management	13	26	16	29
incl. shareholders that have significant influence	17	35	15	26
<b>Fee and commission income</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>8</b>
Incl. management	2	4	1	2
incl. shareholders that have significant influence	1	3	3	6
<b>Interest expenses from deposits</b>	<b>4</b>	<b>8</b>	<b>5</b>	<b>10</b>
incl. management	1	2	1	2
incl. shareholders that have significant influence	3	6	4	8
<b>Interest expenses from subordinated loans</b>	<b>81</b>	<b>162</b>	<b>81</b>	<b>161</b>
incl. management	3	6	2	5
incl. shareholders that have significant influence	78	156	79	156

Balances	30.06.2022	31.12.2021
<b>Loans and receivables as at the year-end</b>	<b>5 839</b>	<b>6 047</b>
incl. management	2 778	2 857
incl. shareholders that have significant influence	3 061	3 190
<b>Deposits as at the year-end</b>	<b>51 302</b>	<b>30 639</b>
incl. management	594	788
incl. shareholders that have significant influence	50 708	29 851
<b>Subordinated loans as at the year-end</b>	<b>4 134</b>	<b>4 134</b>
incl. management	148	148
incl. shareholders that have significant influence	3 986	3 986

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

Loans granted to related parties are issued at market conditions.

In Q2, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 688 thousand (Q2 2021: EUR 646 thousand), including all taxes. As at 30.06.2022, remuneration for June and accrued holiday pay in the amount of EUR 172 thousand (31.12.2021: EUR 107 thousand) is reported as a payable to management. The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 30.06.2022 and 31.12.2021 (pension liabilities, termination

benefits, etc.). In Q2 2022, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 27 thousand (Q2 2021: EUR 32 thousand).

Management is related to the share-based compensation plan. In Q2 2022 the share-based compensation to management amounted to EUR 618 thousand (Q2 2021: EUR 291 thousand).

The Group has signed contracts with the members of the Management Board, which do not provide for severance benefits upon termination of the contract. In any matters not regulated by the contract, the parties adhere to the procedure specified in the legislation of the Republic of Estonia.

## NOTE 19 Tangible and intangible assets

<i>(in thousands of euros)</i>	Tangible assets	Right of use assets	Total tangible assets	Intangible assets	Costs incurred for the acquisition of customer contracts	Total intangible assets
<b>Balance as at 31.12.2020</b>						
Cost	6 763	5 446	12 209	9 457	15 964	25 421
Accumulated depreciation and amortisation	-3 983	-1 641	-5 624	-5 579	-4 695	-10 274
<b>Carrying amount 31.12.2020</b>	<b>2 780</b>	<b>3 805</b>	<b>6 585</b>	<b>3 878</b>	<b>11 269</b>	<b>15 147</b>
Purchase of non-current assets	2 515	1 077	3 592	2 496	0	2 496
Depreciation/amortisation charge	-863	-773	-1 636	-2 610	-3 958	-6 568
Recalculation of the accumulated	0	-67	-67	0	0	0
Write-off of on-current assets	0	0	0	-807	0	-807
Capitalised selling costs	0	0	0	0	750	750
<b>Balance as at 31.12.2021</b>						
Cost	9 278	6 523	15 801	11 146	16 714	27 860
Accumulated depreciation and amortisation	-4 846	-2 481	-7 327	-7 382	-8 653	-16 035
<b>Carrying amount 31.12.2021</b>	<b>4 432</b>	<b>4 042</b>	<b>8 474</b>	<b>3 764</b>	<b>8 061</b>	<b>11 825</b>
Purchase of non-current assets	4 401	4 614	9 015	1 945	0	1 945
Depreciation/amortisation charge	-560	-573	-1 133	-889	-803	-1 692
Tangible and intangible assets added by the acquisition of a subsidiary	48	0	48	1 431	0	1 431
Accumulated depreciation added by the acquisition of a subsidiary	-25	0	-25	-534	0	-534
Recalculation of the accumulated amortisation	0	-727	-727	1	0	1
Write-off of on-current assets	0	0	0	-2	0	-2
Capitalised selling costs	0	0	0	0	343	343
<b>Balance as at 30.06.2022</b>						
Cost	13 728	11 137	24 865	14 520	17 057	31 577
Accumulated depreciation and amortisation	-5 432	-3 781	-9 213	-8 804	-9 456	-18 260
<b>Carrying amount 30.06.2022</b>	<b>8 296</b>	<b>7 356</b>	<b>15 652</b>	<b>5 716</b>	<b>7 601</b>	<b>13 317</b>

## NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)					
	Year issue	of	Amount	Interest rate	Maturity date
Subordinated Tier 2 liabilities	2018		20 000	6.0%	November 28 2028
Subordinated Tier 2 liabilities	2019		20 000	6.0%	November 28 2028

Subordinated Tier 2 liabilities	2020	35 000	6.0%	September 30 2030
Additional subordinated Tier 2 liabilities	2019	20 000	8.0%	Perpetual
Additional subordinated Tier 2 liabilities	2020	15 000	9.5%	Perpetual

Subordinated debt as at 30.06.2021	110 000
Subordinated debt as at 30.09.2021	110 000
Subordinated debt as at 31.12.2021	110 000
Subordinated debt as at 31.03.2022	110 000
Subordinated debt as at 30.06.2022	110 000

## NOTE 21 Changes in impairments

<b>Changes in impairments</b>	<b>Balance as at 01.01</b>	<b>Impairment provisions/reversals set up during the year</b>	<b>Written off during the reporting period</b>	<b>Balance as at 30.06</b>
Corporate loans	-15 288	3 746	-3 243	-14 786
Consumer loans	-1 320	1 320	-1 089	-1 089
Investment financing	-130	130	-133	-133
Leasing	-1 250	1 231	-1 805	-1 824
Private loans	-1 061	426	-370	-1 005
<b>Total 2022</b>	<b>-19 049</b>	<b>6 852</b>	<b>-6 641</b>	<b>-18 838</b>

<b>Changes in impairments</b>	<b>Balance as at 01.01</b>	<b>Impairment provisions/reversals set up during the year</b>	<b>Written off during the reporting period</b>	<b>Balance as at 31.12</b>
Corporate loans	-13 449	4 603	-6 442	-15 289
Consumer loans	-1 178	518	-659	-1 320
Investment financing	-25	15	-120	-130
Leasing	-1 385	747	-612	-1 250
Private loans	-821	-28	-212	-1 061
<b>Total 2021</b>	<b>-16 858</b>	<b>5 854</b>	<b>-8 045</b>	<b>-19 049</b>

## Shareholders of AS LHV Group

AS LHV Group has a total of 31 542 453 ordinary shares, with a nominal value of 1 euro.

**As at 30 June 2022, AS LHV Group has 27 376 shareholders:**

- 14 417 567 shares (45.71%) were held by members of the Supervisory Board and Management Board, and related parties.
- 17 124 886 shares (54.29%) were held by Estonian entrepreneurs and investors, and related parties.

**Top ten shareholders as at 30 June 2022:**

Number of	Participation	Name of shareholder
3 716 207	11.8%	AS Lõhmus Holdings
2 547 742	8.1%	Viisemann Investments AG
2 544 947	8.1%	Rain Lõhmus
1 682 821	5.3%	Ambient Sound Investments OÜ
1 226 509	3.9%	Krenno OÜ
1 131 000	3.6%	AS Genteel
1 087 528	3.5%	AS Amalfi
718 899	2.3%	SIA Krugmans
669 102	2.1%	Bonaares OÜ
603 759	1.9%	OÜ Meroona Systems

### Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 102 784 shares.

Rain Lõhmus holds 2 544 947 shares, AS Lõhmus Holdings 3 716 207 shares and OÜ Merona Systems 603 759 shares.

Andres Viisemann holds 54 584 shares. Viisemann Holdings OÜ holds 373 295 shares and Viisemann Investment AG holds 2 547 742 shares.

Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 682 821 shares.

Tiina Mõis holds 4 988 shares. AS Genteel holds 1 131 000 shares.

Heldur Meerits does not hold shares. AS Amalfi holds 1 087 528 shares.

Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 502 837 shares, Astrum OÜ holds 389 shares and Lame Maakera OÜ holds 48 012 shares.

Sten Tamkivi holds 400 shares. OÜ Seikatsu holds 15 939 shares.

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

### AS LHV Group

Supervisory board: Rain Lõhmus, Andres Viisemann, Tiina Mõis, Heldur Meerits, Raivo Hein, Tauno Tats, Sten Tamkivi

Management board: Madis Toomsalu

### AS LHV Varahaldus

Supervisory board: Madis Toomsalu, Andres Viisemann, Erki Kilu

Management board: Vahur Vallistu, Joel Kukemelk

### AS LHV Pank

Supervisory board: Madis Toomsalu, Rain Lõhmus, Andres Viisemann, Tiina Mõis, Heldur Meerits, Raivo Hein

Management board: Kadri Kiisel, Jüri Heero, Andres Kitter, Meelis Paakspuu, Indrek Nuume, Martti Singi

### AS LHV Finance

Supervisory board: Kadri Kiisel, Madis Toomsalu, Veiko Poolgas, Jaan Koppel

Management board: Mari-Liis Stalde

### AS LHV Kindlustus

Supervisory board: Madis Toomsalu, Erki Kilu, Veiko Poolgas, Jaan Koppel

Management board: Jaanus Seppa, Tarmo Koll

### LHV UK Limited

Board of Directors: Madis Toomsalu, Erki Kilu, Andres Kitter

### AS EveryPay

Supervisory board: Kadri Kiisel, Madis Toomsalu, Erki Kilu, Andres Kitter

Management board: Lauri Teder



## Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to June 2022 period the condensed consolidated interim financial statements of AS LHV Group for the 6-months period ended 30 June 2022.

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

**19.07.2022**

**Madis Toomsalu**