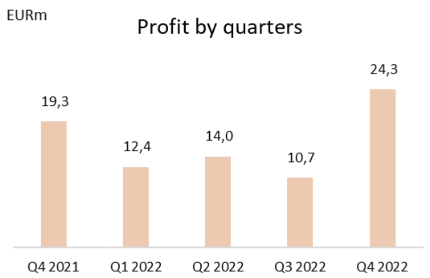
Interim Report January – December 2022
Summary of Results

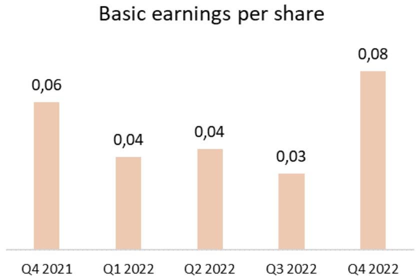
Q4 2022 in comparison with Q3 2022

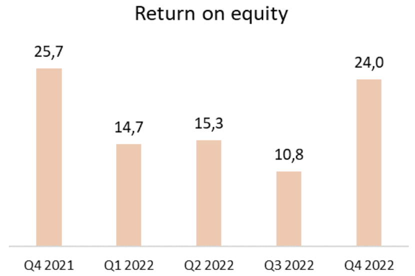
- Net profit EUR 24.3 m (EUR 10.7 m), of which EUR 24.1 m (EUR 10.3 m) is attributable to owners of the parent
- Earnings per share EUR 0.08 (EUR 0.03)
- Net income EUR 56.6 m (EUR 44.3 m)
- Operating expenses EUR 26.9 m (EUR 22.8 m)
- Loan and bond provisions EUR 0.3 m (EUR 7.4 m)
- Income tax expenses EUR 5.1 m (EUR 3.3 m)
- Return on equity 24.0% (10.8%)
- Capital adequacy 20.8% (19.6%)

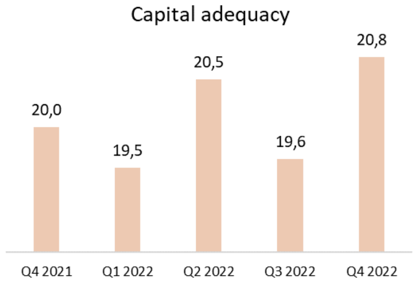
Q4 2022 in comparison with Q4 2021

- Net profit EUR 24.3 m (EUR 19.3 m), of which EUR 24.1 m (EUR 18.9 m) is attributable to owners of the parent
- Earnings per share EUR 0.08 (EUR 0.64)
- Net income EUR 56.6 m (EUR 42.5 m)
- Operating expenses EUR 26.9 m (EUR 18.3 m)
- Loan and bond provisions EUR 0.3 m (EUR 1.69 m)
- Income tax expenses EUR 0.3 m (EUR 3.4 m)
- Return on equity 24.0% (25.7%)
- Capital adequacy 20.8% (20.0%)









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,

Western society had barely managed to declare the pandemic over when it was replaced by war, the resultant energy crisis, steep price increases and ever stricter monetary policy.

The rapid increase in prices has caused the Estonian economy to decline. The eurozone countries and the United Kingdom also have to consider the risk of an economic downturn. All over Europe people are facing the same problems. All the basic everyday expenses have risen and many cost increases are still to hit people's accounts. The price increases in Estonia have been some of the most acute in Europe and have caused an overall decline in purchasing power. Confidence has decreased among companies across different sectors of the economy.

Due to the persistently large gap between inflation and interest rates, the latter are expected to continue increasing. Price stability is the European Central Bank's only mandate. In conditions of high inflation, financing becomes more expensive. Still, the change should be considered as normalisation, as the era of zero interest rates has been an anomaly and created fundamentally false expectations.

For banks, stricter monetary policy entails an increase in interest income. However, the situation is not one-directional, as the decline in confidence among consumers and companies compounded with increasing costs will affect the decisions of home buyers and the investment plans of companies. The end of the formerly lax monetary policy is also forcing banks to again encourage more deposits. This will lead to smaller growth rates, increasing risks and growing deposit costs. In well-managed banks, however, the increase in income can be expected to exceed the increase in expenses.

The capital requirements for banks are also on the increase. It has to be admitted that understanding capital requirements is becoming ever more difficult for investors and forecasting the development of the requirements is becoming harder. There are many invisible factors involved and so the capital requirements for banks often consist largely of various buffers, the methodology of which the banks do not understand in detail. The complexity of the system has increased and the movement towards apparent order but systemic disorder is one of long-term risks for the banks. For instance, LHV's capital requirements have doubled over the past eight years.

Q4 was busy and productive for LHV. In the UK, we commenced corporate lending activities in addition to applying for a banking licence. Loans starting from EUR 0.5 million are secured with commercial real estate and other collateral. Our strengths include a faster lending process and loan managers with long-standing experience who understand the needs of local companies. Furthermore, the international banking journal The Banker named LHV Pank as the best bank in Estonia in 2022. LHV has earned this recognition for four years running. During the quarter, we also made an announcement about electing a new head of LHV Kindlustus.

In looking forward from the last quarter of the year, 2023 will be the hardest year to forecast for LHV. A growth in the volume of loans must be forecast against the backdrop of the last decade's intensively changing economy, employment and prices, while the increase in expenses is related to loan losses, an increase in salaries, deposit costs and regulative expenses. LHV UK is working towards a banking licence, but it has already started its lending activities in the form of internal financing and a successful purchase of assets in 2022. Capital expenses are growing and engaging capital is more time-sensitive and expensive than before.

In saying this, we are heading into the year with a strong foundation and, as usual, strong internal confidence. We have always focused on the most important thing – creating conditions for the future. Strong results are the outcome of well-planned expectations. Our people, our customers and our shareholders as well as the long-term sustainability of our business activities are the most important.

We are entering 2023 under the direct supervision of the European Central Bank. We believe that this is a step forward. The European banking sector has been one of the economic sectors with the lowest yield in the past decade, and a large number of banks are still trading under the value of own capital. Europe needs an example of an innovative bank whose profitability derives from good cost-effectiveness and a high-quality loan portfolio. This is possible in Estonia and we are keen to prove the same in the United Kingdom.

Madis Toomsalu

Table of contents

Summary of financial results

The Group's Q4 2022 consolidated net profit was EUR 24.3 million, which increased by EUR 13.6 million compared to Q3 2022 and by EUR 5.0 million compared to Q4 2021. The profit for the Group's shareholders was EUR 24.1 million in Q4 2022, which was EUR 13.8 million more than in Q3 2022.

The Group's Q4 2022 consolidated net income was EUR 56.6 million, which increased by EUR 12.3 million compared to Q3 2022 and by EUR 13.9 million compared to Q4 2021. Operating expenses were EUR 26.9 million in Q4, which increased by EUR 4.1 million compared to Q3 2022 and by EUR 8.6 million compared to Q4 2021. Write-downs were EUR 0.3 million in Q4. Income tax expenses on future dividend disbursements made by subsidiaries at the consolidated level were EUR 0.4 million in Q4.

Return on equity owned by LHV shareholders was 24.0% in Q4 2022, which increased by 13.2 percentage points from Q3 2022 (10.8%) and decreased by 1.7 percentage points compared to Q4 2021 (25.7%).

The Group's consolidated net loan portfolio grew by EUR 114 million during the quarter (EUR 170 million in Q3 2022) and consolidated deposits shrank by EUR 268 million (a decrease of EUR 198 million in Q3 2022). Deposits associated with payment intermediaries decreased by EUR 241 million (a decrease of EUR 233 million in Q3 2022).

The bank's net profit at the consolidated level was EUR 29.9 million in Q4 2022, which is EUR 10.8 million more than the result in the previous quarter (EUR 19.2 million in Q3 2022) and EUR 11.3 million more than the net profit of Q4 2021. The number of the Bank's customers grew by 13 500 during the quarter (13 800 in Q3 2022) and the total number of the Bank's customers is 378 000.

The Bank's loan portfolio grew by EUR 92 million in Q4 (EUR 170 million in Q3 2022, reaching EUR 3 187 million. Corporate investment loans and housing loans saw the biggest growth.

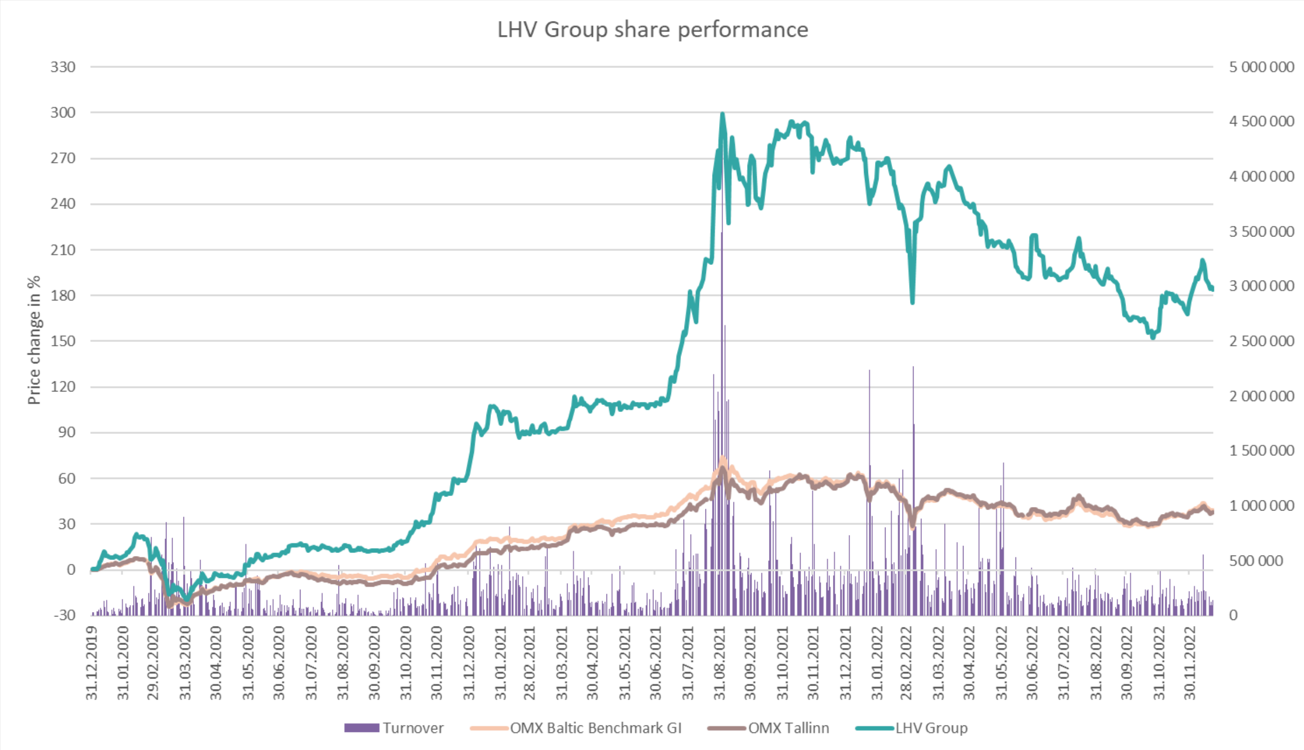
The deposits of the Bank's customers decreased by EUR 266 million in Q4, with the payment intermediaries' deposit balance decreasing by EUR 241 million and the deposits of the rest of the customers by EUR 25 million. The total volume of deposits was EUR 4 957 million at the end of the quarter.

The net profit of LHV Varahaldus was EUR 0.5 million in Q4 2022 (EUR 0.2 million in Q3 2022). The service fee income of LHV Varahaldus was EUR 2.0 million, which is at the same level as in the previous quarter. The operating expenses of LHV Varahaldus were EUR 1.2 million in Q4 2022 (EUR 1.3 million in Q3 2022). Expenses related to non-current assets (including depreciation on customer agreements) were EUR 0.4 million in Q4 2022, which is at the same level as in the previous quarter.

The total volume of funds managed by LHV grew by EUR 66 million in the quarter (an increase of EUR 7 million in Q3 2022). The number of active 2nd pillar customers increased by 1 700 during the quarter (a decrease of 1 400 in Q3 2022).

The net loss of LHV Kindlustus was EUR 0.5 million in Q4 2022 (a loss of EUR 0.4 million in Q3 2022). The volume of gross premiums grew by EUR 1.3 million in the quarter, reaching EUR 6.0 million. Income from insurance activities at LHV Kindlustus decreased by EUR 0.1 million in the quarter, to EUR 0.4 million.

In Q4 2022, LHV UK acquired Bank North's SME loan activities. As at the end of Q4 2022, the net loan portfolio amounted to EUR 22.1 million. The net loss of LHV UK was EUR 5.1 million in Q4 2022 (a loss of EUR 2.8 million in Q3 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 banchmark index. LHV Group share has outperformed both indexes and has raised 196%, when comparison indexes have increased by 76% and 79% respectively.

In mid-year the share split with 1/10 ratio was carried out. LHV Group share price was 3.34 euros in the end of the year and based on the stock price, LHV's market value was EUR 1 054 million.

Business volumes EUR million	**Q4 2022**	**Q3 2022**	**Quarter over quarter**	**Q4 2021**	**Year over year**
Loan portfolio	3 208.6	3 094.7	4%	2 677.2	20%
Financial investments	373.6	373.7	0%	135.9	175%
Deposits of customers	4 900.5	5 168.2	-5%	5 807.6	-16%
incl. deposits of financial intermediates	1 500.4	1 782.0	-16%	2 488.1	-40%
Equity (including minority interest)	420.8	395.7	6%	324.8	30%
Equity (owners' share)	412.9	388.1	6%	316.4	31%
Volume of funds managed	1 332.2	1 266.2	5%	1 349.0	-1%
Client securities	3 208.4	3 164.0	1%	3 603.0	-11%

Income statement EUR million	**Q4 2022**	**Q3 2022**	**Quarter over quarter**	**Q4 2021**	**Year over year**	**12M 2022**	**12M 2021**	**Year over year**
Net interest income	44.10	32.04	38%	28.16	57%	129.11	97.32	33%
Net fee and commission income	11.55	12.00	-4%	15.28	-24%	44.90	43.48	3%
Other financial income	0.84	0.23	265%	-0.91	-192%	-0.60	-0.95	-37%
Total net operating income	56.49	44.27	28%	42.53	33%	173.41	139.85	24%
Other income	0.08	0.03	167%	0.18	-56%	0.13	0.53	-76%
Operating expenses	-26.88	-22.81	18%	-18.25	47%	-89.64	-65.18	38%
Loan and bond portfolio gains/(-losses)	-0.25	-7.41	-97%	-1.69	-85%	-8.05	-3.95	104%
Income tax expenses	-5.11	-3.33	53%	-3.40	50%	-14.42	-10.99	31%
Net profit	24.33	10.75	126%	19.35	26%	61.43	60.26	2%
Including attributable to owners of the parent	24.08	10.31	134%	18.86	28%	59.81	58.26	3%

Ratios EUR million	**Q4 2022**	**Q3 2022**	**Quarter over quarter**	**Q4 2021**	**Year over year**	**12M 2022**	**12M 2021**	**Year over year**
Average equity (attributable to owners of the parent)	400.5	382.8	17.7	293.1	106.6	364.7	276.6	88.1
Return on equity (ROE), %	24.0	10.8	13.2	25.7	-1.7	16.4	21.1	-4.7
Return on assets (ROA), %	1.6	0.7	0.9	1.2	0.4	0.9	1.0	-0.1
Interest-bearing assets, average	6 139.5	6 344.0	-204.5	6 634.1	-494.6	6 437.6	5 871.7	565.9
Net interest margin (NIM) %	2.87	2.02	0.85	1.70	1.17	2.01	1.66	0.35
Price spread (SPREAD) %	2.84	2.00	0.84	1.67	1.17	1.98	1.63	0.35
Cost/income ratio %	47.5	51.5	-4.0	42.8	4.7	51.7	46.4	5.3
Profit attributable to owners before income tax	29.1	13.6	15.5	22.2	6.9	73.9	68.8	5.1

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

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

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

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

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

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

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

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

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

Operating Environment

Global economic growth slowed significantly in the second half of the year. With inflation and energy prices still high, and the pressure on the business sector is increasingly felt. With monetary policy tighter, access to credit has worsened. The economic issues are overshadowed by the Ukraine war and geopolitical tensions between Russia and the West. Purchasing managers' indexes worldwide have fallen below 50 points, which reflects the economic contraction. Although the worst-case scenarios did not materialize by the end of the year, gloom was prevalent among the business community and consumers everywhere. In October 2022, the IMF called for global growth of 3.2%, a downgrade of 0.4 percentage points compared to April. The Eurozone economy may have grown 3.4% in the year ended, according to the European Central Bank.

In Q3, the European economy was strongly impacted by generally shaken confidence and decreased export opportunities. Larger industrial enterprises are feeling the higher energy costs and being more cautious about planning business volumes. With the lifting of pandemic restrictions and easing of supply chain disruptions having a favourable effect, the Eurozone's economy put in a surprisingly strong performance in Q3, growing 0.3% quarter-over-quarter. The momentum probably did not carry over to Q4, as survey data points to consistent decrease in economic activity in both the industrial and service sectors. Besides high input prices, businesses are also hampered by employees' pay expectations and higher interest costs. The European Central Bank reported that the Eurozone economy shrank by 0.2% quarter-over-quarter in Q4, and that a marginal decline will continue at the start of the next year. Lower economic activity will create an opening for price pressure to ease, since demand for industrial inputs will cool off.

Eurozone inflation peaked at 10.6% year-over-year in October. In the last few months of the year, the growth rate slowed and in December, the average consumer basket increased by 9.2%. On a monthly basis, the Eurozone had a deflationary environment in November and December – the average consumer basket became cheaper. The tapering of inflation has taken place mainly due to energy prices, which are higher than usual but have started retreating from their summer highs. The knock-on effect of energy prices on other prices stands in the way of faster tapering of inflation. This echo effect is only now peaking. It is particularly visible in food prices, which were 14% higher in December than 12 months ago. By country, inflation has been uneven – inflation in Spain, France and Luxembourg hovered around 6% at year's end, while it was still more than 20% year-over-year in Hungary, Latvia and Lithuania.

As the year drew to a close, the European Central Bank continued tightening monetary policy. All three monetary policy interest rates were hiked 0.75%in October; in December by 0.5%. The interest rate on the main refinancing operations hit 2.5%, which is still somewhat lower than that of other major central banks. In addition, the long-term lending programme conditions were recalibrated in October, removing additional incentives on the interest rate on operations. To reduce liquidity, banks were also offered additional dates for voluntary early repayments of borrowings. In December, the launch of moderate reductions in the volume of asset purchase plan portfolio was also announced. Reinvestment of the principal payments from maturing securities will be continued in full until February 2023 and thereafter the volume of the reinvested share will start decreasing by an average 15 billion euros a month.

Leading European Central Bank figures have not softened their rhetoric, emphasizing that the interest rate hikes will continue in 2023 and that rates are expected to remain high for a long period. On the backdrop of the ECB's moves, the six-month Euribor rose to 2.7% by year's end and continued rising in the first weeks of 2023. Market expectations are that the Euribor will top out at 3.5% in summer 2023 and fall slightly lower by the end of the year. Contrary to statements from central bankers, the above described dynamic points to expectations that the central bank will get around to the first interest rate cuts at the end of this year.

In Q3, the Estonian economy shrank by 2.4% year-over-year. Viewed on a quarterly basis, this was the second straight period with a contraction in total economic output, after allowing for adjustments for seasonality and number of working days. Although the contraction was in line with barometer surveys and other economic statistics, the growth profile exhibited quite a few contrasts by area of activity. Based on industrial output statistics, output increased in energy and mining; however, in terms of GDP, value-added decreased in both cases. Nor was agricultural yield poor in the autumn of the year ended; however, value-added in the sector dropped around 90%. The processing industry and construction volume indices in Q3 fell significantly but in terms of contribution to GDP, the value-added from the areas of activity increased. Such inconsistencies indicate the statistics are not firm, and it is likely we will see noteworthy correction of the GDP figures retroactively.

The statistics for foreign trade also paints a somewhat deceptive picture of actual developments at year's end. In Q3, export of goods increased 16% in current prices in Q3, with fuel exports increasing by approximately 30% and export of foodstuffs by 40%. Unfortunately, this increase in turnover occurred with export prices rising a whopping 25%, and thus, the volume of export of goods in Q3 was actually lower than during the same period in 2021. This was also characterized by the fact that measured in terms of GDP, export of goods fell by 1% in Q3. Major fluctuations in various prices (export prices, import prices, relative prices) are likely one of the main factors that make it harder to table balanced statistics. When the growth of prices slows, the quality of statistics should also start improving little by little.

The growth of Estonian consumer prices slowed gradually at the end of the year, reaching 17.6% year-on-year in December. Similarly to global developments, the dynamics of Estonian consumer prices have also exhibited bidirectional movement in recent months. The prices of energy-related goods (motor fuels, electricity, gas, heat) peaked in summer and have come down slightly since then. Countering energy prices, food and drink prices have begun increasing more and more. Higher input prices have started gradually carrying over to end prices and it can be hoped that the bulk of this process is now behind us. Looking ahead, inflation will continue to slow, but in 2023, prices will still rise more on average than in typical years.

In spite of the high inflation and cooling economy, households were still in a strong financial state in 2022. The volume of deposits began falling back in the second half of the year, as consumers had to dip into their savings to ride out the higher prices. At year's end, the volume of households' deposits was still at the same level as the year before, however. Loan balance grew 10% overall across the economy and loan quality remained good – loans in arrears made up a smaller share of the portfolio in December than the year before.

According to most forecasts, Estonia's GDP was at the same level in 2022 as the year before or slightly less. Zero growth is forecasted for 2023 as well, as due to high inflation, household purchasing power has decreased and private consumption cannot continue growing at the same pace seen in the past. A broader-based economic recovery could start in the second half of 2023, when inflation will gradually start receding, and again returning to 2-3% annual growth in 2024.

Financial Results of the Group

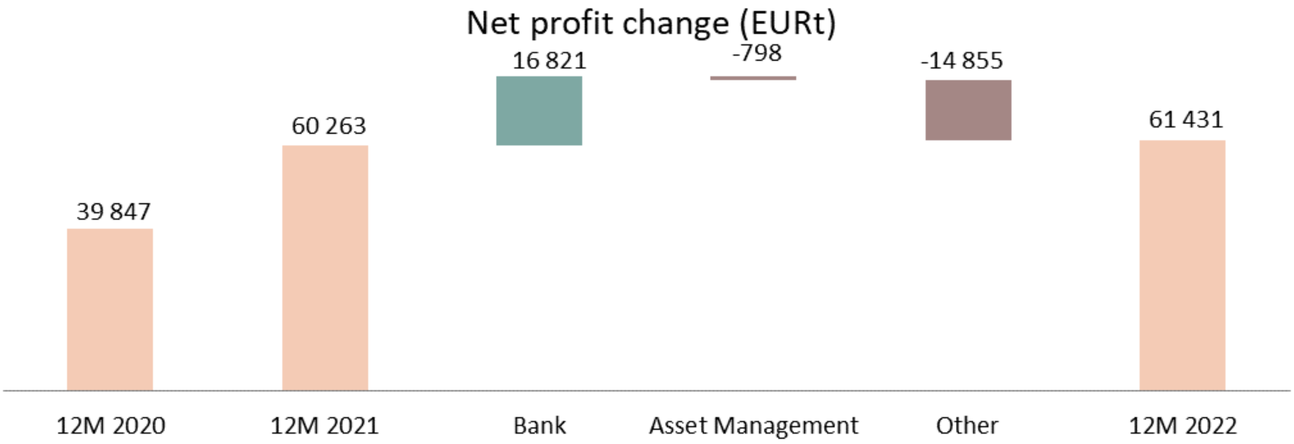
In Q4 2022, the Group's net interest income rose by 38% compared to Q3 and stood at EUR 44.1 million (EUR 32.0 million in Q3).

The net service fee income decreased by 4% and was EUR 11.5 million (EUR 12.0 million in Q3). In total, the Group's Q4 net income increased by 28% from Q3, amounting to EUR 56.6 million (EUR 44.3 million in Q3), and expenses grew by 18%, amounting to EUR 26.9 million (EUR 22.8 million in Q3). The Group's operating profit was EUR 29.7 million in Q4 (EUR 21.5 million in Q3). Impairment allowances were made in the amount of EUR 0.3 million in Q4 (EUR 7.4 million in Q3).

Income tax expenses on future dividend disbursement made by subsidiaries at the consolidated level were EUR 0.4 million in Q4 2022.

The Group's net profit was EUR 24.3 million in Q4 (EUR 10.7 million in Q3). Compared to Q4 2021, the Group's net interest income rose by 57% and et service fee income decreased by 24%.

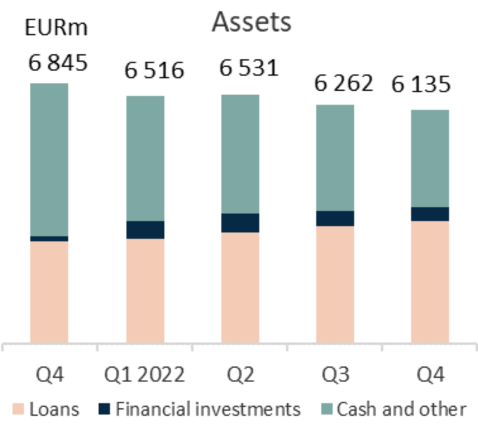
By business units, AS LHV Pank's consolidated net profit amounted to EUR 29.9 million in Q4 and that of AS LHV Varahaldus amounted to EUR 0.5 million. AS LHV Kindlustus reported a net loss of EUR 0.5 million. LHV UK Ltd.'s net loss was EUR 5.1 million and AS EveryPay's net profit was EUR 0.1 million. Viewed separately, LHV Group made a net loss of EUR 0.3 million.



The Group's volume of deposits as at the end of Q4 amounted to EUR 4 901 (Q3: 5 138) million, of which demand deposits formed EUR 4 644 (Q3: 5 054) million and term deposits EUR 257 (Q3: 114) million.

The volume of deposits of financial companies as at the end of Q4 amounted to EUR 1 500 (Q3: 1 782) million.

As at the end of Q4, the volume of loans granted by the Group amounted to EUR 3 209 (Q3: 3 095) million, increasing in Q4 by 4%. Compared to Q4 2021, the volume of the Group's deposits has decreased by 16% and the volume of loans has increased by 20%.



The Group's Liquidity, Capitalisation and Asset Quality

As at 31 December 2022, the Group's own funds stood at EUR 473.9 million (31 December 2021: EUR 367.0 million). LHV Group own funds are calculated based on regulative requirements.

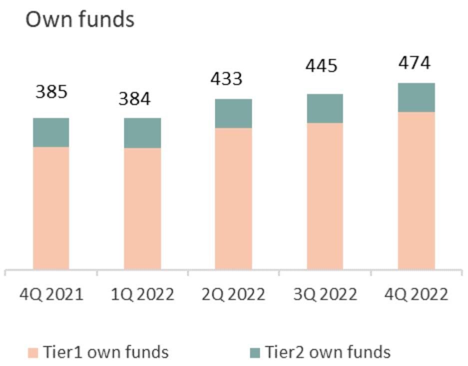
Compared to Group's internal capital adequacy ratio target 16.9%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio amounting to 20.8% (31 December 2021: 19.0%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 14.20% and Tier 1 capital adequacy ratio to 16.35%. 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.

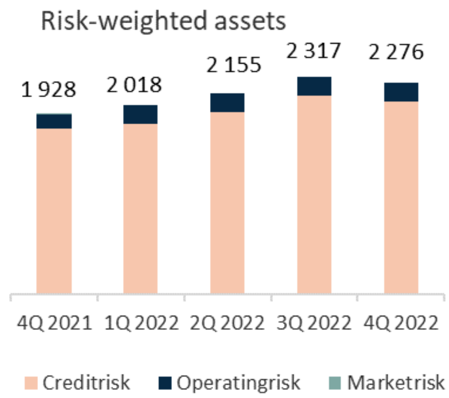
The minimum requirement for own funds and eligible liabilities (MREL) is a building block of the resolution plan and LHV has to maintain sufficient own funds and qualifying liabilities which can be used to cover losses in resolution planning. On 21st of June 2021 Estonian FSA set two separate MREL ratios on the consolidation group level for LHV Group. MREL-TREA is calculated based on total risk weighted assets. MREL-LRE is calculated based on total assets. On 26th of June 2022 the Estonian FSA applied new MREL target levels that are applicable for LHV Group. The final targets for the MREL ratios have been applied with a transitional period until 1st of January 2024. The final target levels of the ratios have been set at 24.57% for MREL-TREA and 5.91% for MREL-LRE. The interim targets have been set at 19.08% for MREL-TREA and 5.91% for MREL-LRE which became effetive on 1st January 2022. LHV Group issued EUR 100 milion of MREL eligible bonds in September 2021 in order to fulfil the MREL target ratios. LHV Group is making preparations for a potential additional issue of MREL eligible senior unsecured bonds, in order to fulfil the MREL targets that have been set for the Group. LHV Group issued in Q4 2022 additional MREL eligible unsecured bonds in the amount of EUR 88 milion, to fulfil MREL targets.

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 139.7% as at the end of December (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 231.5% (31.12.2021: 253.3%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 46% of the balance sheet (31 December 2021: 60%). The ratio of loans to deposits stood at 61% as at the end of the fourth 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 December, provisions for estimated loan losses amounted to EUR 20.6 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 1 399.4% (31 December 2021: 1 693.6%) of the portfolio of loans overdue for more than 90 days.

The amount of outstanding loans has increased by 5 221 thousand during the year 2022 due to the termination of the debt resale agreement with the existing partner. The contract with the new counterparty was concluded in January 2023.



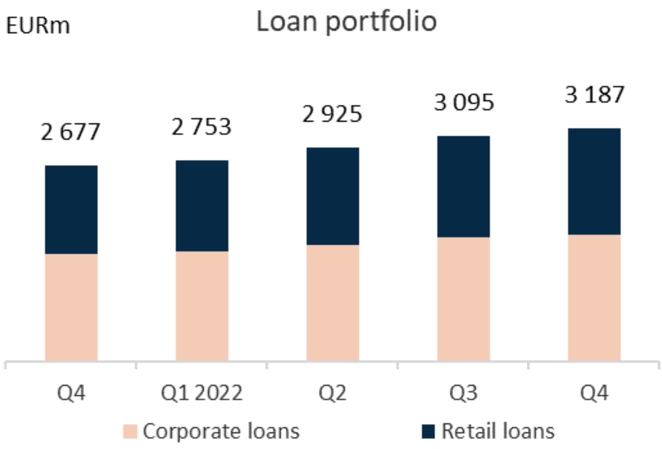


EUR thousand	31.12.2022	Proportion	31.12.2021	Proportion
Loans to customers	3 229 214		2 696 210	
including overdue loans:	22 023	0.7%	16 802	0.6%
1-30 days	17 770	0.6%	13 417	0.5%
31-60 days	2 207	0.1%	1 971	0.1%
61-90 days	570	0.0%	289	0.0%
91 and more days	1 475	0.0%	1 125	0.0%
Impairment of loans	-20 642	-0.6%	-19 049	-0.7%
Impairment % of loans overdue for more than 90 days	1 399.4%		1 693.6%	

Capital base	**31.12.2022**	**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	4 713	4 713	4 713
Other reserves	-1 441	47	0
Retained earnings	170 010	179 746	90 434
Intangible assets (subtracted)	-23 333	-14 473	-18 528
Net profit for the reporting period (COREP)	25 611	0	37 950
Other adjustments	-369	-128	-323
CET1 capital elements or deductions	-456	-12 209	-8 358
CET1 instruments of financial sector entities where the institution has a significant investment	-3 351	-4 328	-4 842
CET1 instruments of financial sector entities where the institution has not a significant investment	-181	-5 236	0
Tier 1 capital	**343 931**	**275 357**	**201 333**
Additional Tier 1 capital	55 000	35 000	35 000
Total Tier 1 capital	**398 931**	**310 357**	**236 333**
Subordinated debt	75 000	75 000	75 000
Total Tier 2 capital	**75 000**	**75 000**	**75 000**
Net own funds for capital adequacy	**473 931**	**385 357**	**311 333**
Capital requirements			
Central governments and central bank under standard method	0	0	363
Credit institutions and investment companies under standard method	11 553	10 465	8 060
Companies under standard method	1 204 523	1 141 853	865 624
Retail claims under standard method	219 031	212 860	197 849
Public sector under standard method	0	6	3 250
Housing real estate under standard method	513 483	291 338	243 971
Overdue claims under standard methods	8 004	19 332	13 362
Investment funds' shares under standard method	186	190	7 145
Other assets under standard method	102 697	93 939	49 321
Total capital requirements for covering the credit risk and counterparty credit risk	**2 059 477**	**1 769 983**	**1 388 945**
Capital requirement against foreign currency risk under standard method	18 324	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	740	2 079	972
Capital requirement against credit valuation adjustment risks under standard method	2 228	1 211	82
Capital requirement for operational risk under base method	197 920	152 778	124 638
Total capital requirements for adequacy calculation	**2 278 689**	**1 929 540**	**1 518 587**
Capital adequacy (%)	**20.80**	**19.97**	**20.50**
Tier 1 capital ratio (%)	**17.51**	**16.08**	**15.56**
Core Tier 1 capital ratio (%)	**15.09**	**14.27**	**13.26**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 92 million
- Net profit EUR 29.9 million
- Best bank in Estonia
- Most desirable employer titel



EUR million	Q4 2022	Q3 2022	Change %	Q4 2021	Change %	From the beginning of 2022	From the beginning of 2021	Change %
Net interest income	44.39	31.99	39%	28.32	57%	129.50	97.67	33%
Net fee and commission income	8.26	8.72	-5%	10.53	-22%	32.41	31.18	4%
Other financial income	0.69	0.23	203%	-1.15	NA	-0.43	-1.54	-72%
Total net operating income	53.34	40.94	30%	37.70	41%	161.48	127.30	27%
Other income	0.10	0.05	122%	0.19	-47%	0.20	0.60	-67%
Operating expenses	-18.10	-16.43	10%	-14.27	27%	-64.54	-49.34	31%
Loan and bond portfolio gains/(-losses)	-0.43	-2.17	-80%	-1.69	-75%	-3.00	-3.94	-24%
Income tax expenses	-4.99	-3.21	56%	-3.29	52%	-13.26	-10.56	26%
Net profit	29.92	19.17	56%	18.64	61%	80.88	64.05	26%
Loan portfolio	3 187	3 095	3%	2 677	19%			
Financial investments	365	365	0%	128	185%			
Deposits of customers	4 957	5 223	-5%	5 847	-15%			
incl. deposits of financial entities	1 557	1 782	-13%	2 527	-38%			
Subordinated liabilities	114	99	15%	89	28%			
Equity	388	358	9%	280	39%			

Q4 was successful in terms of business volumes, income and net profit. In Q4, LHV Pank earned net interest income of EUR 44.4 million and EUR 8.3 million in net service fee income. Financial income amounted to EUR 0.7 million in Q4. In total, the Bank's income was EUR 53.4 million and expenses were EUR 18.1 million. Net income rose by 41% and expenses increased by 27% over the year. Provisions for loans and bonds were EUR 0.4 million. The share of arrears in the loan portfolio continues to be low, but we made forward-looking and customer-specific allowances. We are keeping a very close eye on developments in the credit portfolio.

LHV Pank calculates a 14% advance income tax, the tax expense on which was EUR 4.7 million in Q4. Income tax expense on future disbursements of dividends by subsidiaries at the consolidated level was EUR 0.3 million in Q3.

The Bank's Q4 profit was EUR 29.9 million, which is 56% more than in the previous quarter (EUR 19.2 million) and 60% more than in Q4 2021 (EUR 18.6 million).

Of the various categories of service fee income, income from settlements and currency exchange along with income from cards and payment acceptance contributed the largest amount.

The growth of net interest income stems from growth of business volumes and the rise in interest rates. The total volume of the Bank's loan portfolio reached EUR 3 187 million by Q4 end (Q3 2022: EUR 3 095 million). The volume of the portfolio grew by 3%

during the quarter. The total growth of loan volume in Q4 was EUR 92 million (Q3 2022: EUR 170 million). The net retail loan portfolio grew by 4% during the quarter, reaching EUR 1 456 million (Q3 2022: EUR 1 398 million). The net corporate loan portfolio grew by 2% during the quarter, reaching EUR 1 731 million (Q3 2022: EUR 1 697 million).

Loans to companies grew by EUR 34 million and retail loans increased by EUR 58 million. The growth in the loan portfolio was more modest than in past quarters, but larger than planned in terms of the year as a whole – corporate loans had already met the annul target by the end of Q3, and the growth of the retail loan portfolio is driven by home loans, which fulfilled the goal with room to spare. As of the end of the year, the loan portfolio grew EUR 90 million more than planned. Since the autumn, high inflation and energy prices have dented consumer confidence, which had a significant effect on loan demand in the last quarter of the year. The uncertainty has resulted in companies putting investment projects on hold and individuals doing the same with real estate purchases.

The volume of deposits at the Bank decreased by EUR 266 million from the previous quarter and stood at EUR 4 957 million (Q3 2022: EUR 5 223 million) at the end of the quarter. The volume of payment intermediaries' deposits dropped by EUR 241 million during the quarter. Of the deposits, EUR 4 699 million were demand deposits and EUR 257 million were term deposits. The volume of individuals' deposits was EUR 1 129 million as at the end of the quarter, having decreased by 0.5 % since the previous quarter.

The Bank's expense-income ratio was 33.9% in Q4, decreasing by 3.8 percentage points from Q4 2021 (37.7%).

The corporate credit portfolio, which includes loans and guarantees, grew by EUR 271.3 million in the year (+17%) with quarter on quarter growth of EUR 31.9 million (+2%). The biggest contributor to the growth was loans for real estate activities, which is traditionally the field that receives the most financing from commercial banks, growing EUR 130.8 million during the year (+21%). The bulk of the growth came from the financing of commercial real estate projects with a strong income stream. Next came loans to the electricity, gas, steam and conditioned air supply sector, which grew EUR 59.8 million compared to the previous year (+82%) and loans to the agricultural, forestry and fishery sector, which grew EUR 22.0 million (+47%) over the year.

Compared to Q3 2022, portfolio growth was most influenced by loans and guarantees to the administrative and auxiliary activities sector (quarterly growth EUR 25.6 million; +54%), followed by the electricity, gas, steam and conditioned air supply sector (EUR 20.5 million; +18%) and the real estate sector (EUR 12.4 million; +2%).

The majority of corporate loans were granted to the real estate sector, which makes up 41% of the bank's corporate loan portfolio. Of the real estate loans, the principal part was issued to projects with high-quality rental streams, with real estate developments making up a much smaller share. Most of the financed real estate developments are located in Tallinn, while projects located in other major Estonian cities and in the vicinity of Tallinn made up about 30% of developments. LHV's market share of new development financing in Tallinn made up about one-quarter of the entire volume at the end of Q4 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 53%.

After the real estate sector, the most credit was issued to wholesale and retail trade, the motor vehicle and motorbike 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.

During the quarter, the number of the bank's clients grew by 13,400. The activity of the bank's clients remained high. Deposits decreased by EUR 266 million over the quarter; loans increased by EUR 92 million.

Deposits of ordinary clients decreased by EUR 25 million and deposits of financial intermediaries decreased by EUR 241 million. The inflationary economic environment has significantly changed the dynamics governing deposits. Ordinary clients' deposits did decrease somewhat but the contraction was proportionally less than for the market in general. The deposit buffers of both individuals' and companies have started decreasing, but the downturn is milder than for the market as a whole, thanks to active additions of new clients. Financial intermediaries with larger deposits have been impacted by the more conservative activity on the market, volatility is down, but clients do diversify their holdings between different banks.

Net profit for the quarter was EUR 30 million. The strong result for Q4 was influenced by interest income growing due to greater loan volumes, but a significant influence also came from interest income earned on deposits held at the central bank due to higher central bank rates as well as on loan agreements due to the rise in the Euribor. Due to higher interest income and lower impairment, net profit outstripped the planned target by EUR 10.5 million by year's end. Income from service fees fell short of the plan, the reason being more modest increases in business volumes in payment services and currency exchange.

Loan impairments amounted to EUR 0.4 million in Q4. As the macroeconomic environment has significantly changed compared to plans made at the start of the year, in Q4 we made both forward-looking model-based write-downs and ones in connection with specific clients. As a whole, the quality of the bank's loan portfolio has remained strong and the share of loans in arrears is still very low. For that reason, impairments were much lower than planned.

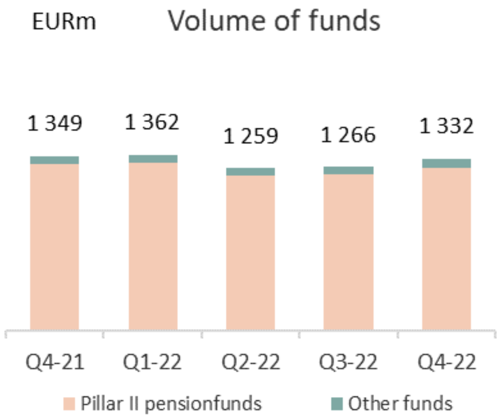
Although the rise in the Euribor rate has a positive influence on the bank's revenue base, caution is in order in the new macroeconomic environment. The very high and rapid price rise in the autumn has slowed but the price level is expected to remain high. In addition, higher Euribor levels have shown up in loan agreements and this has increased clients' loan payments. In aggregate, the business community and consumers must factor in significantly higher costs, which have an influence on consumers' financial security and the health of companies. The business community are adapting but the planned energy performance investments will not bring quick relief and the greater expense in the form of input prices cannot always be passed on in whole to clients. The industrial sector is impacted the most, and layoffs have taken place here. At the moment, unemployment remains acceptable, and this is the best protection for individuals' loan portfolio.

The international banking periodical The Banker chose LHV as the best bank in Estonia for the fourth time. And in a study conducted by the CVKeskus.ee online job site for the 11th consecutive year, employees and contractors chose LHV Pank as the most appealing employer in Estonia for 2022.

In early 2023, a new investment banking unit aimed at serving corporate clients launched operations in LHV companies' banking business area. The department will be headed by Mihkel Torim and Maire Gustavson, Sten Hans Jakobsoo and Hermann Eensaar also Joined the LHV team. Before coming to LHV, Torim headed investment banking at Swedbank Baltic and before that also was the director of the corresponding unit in Finland. The team has broad-based experience in M&A advisory, strategic advisory and capital market transactions.

Overview of AS LHV Varahaldus

- Q4 net profit – EUR 0.5 million
- Number of new active second-pillar customers – nearly 2 000; a total of 131 thousand customers at the end of the year
- Volume of assets in second-pillar funds at the end of the year – EUR 1.3 billion
- Number of third-pillar customers at the end of the year – nearly 33 000, and the volume of funds grew by EUR 9 million in Q4



EUR million	Q4 2022	Q3 2022	Change %	Q4 2021	Change %	12M 2022	12M 2021	Change %
Net fee and commission income	2.01	2.0	2%	4.5	-55%	7.95	11.30	-30%
Net financial income	0.14	0.03	367%	0.24	-42%	-0.14	0.58	NA
Operating expenses	-1.21	-1.34	-10%	-1.08	12%	-5.23	-4.67	12%
Depreciation of non-current assets	-0.40	-0.43	-7%	-0.66	-39%	-1.85	-5.29	-65%
Profit	0.54	0.24	125%	3.0	-82%	0.73	1.94	-62%
Financial investments	8	8	0%	8.0	0%			
Equity	23.0	22.0	5%	28.0	-18%			
Assets under management	1 332.0	1 266.0	5%	1 349.0	-1%			

In Q4, the operating income of LHV Varahaldus amounted to EUR 2.0 million and net profit to EUR 0.5 million. Operating income was at the same level as the previous quarter and largely corresponded to the financial plan, while operating expenses were positively influenced by intangible expenses being lower than in the previous quarter, as well as by an adjustment to personnel expenses. The net financial income or the income earned from growth in the value of own units was EUR 0.1 million in Q4.

The last three months of the year were again turbulent on the equity markets. The quarter did, indeed, start positively for the major markets, but a broad-based decline again had to be overcome in December. Measured in euros, the S&P 500 lost 2.1% of its value and the Nasdaq dropped by 9.5% in the last quarter. The quarter was significantly better for the major European markets, with the EURO STOXX 50 growing by 14.6% in Q4. However, the year on a whole was negative for all the major markets, with the S&P 500 dropping by 14.4% measured in euros, and the EURO STOXX 50 down by 9.5% in 2022.

Compared to the market indexes, the major actively managed LHV pension funds did better both in the last quarter and in 2022 as a whole. The values of the units of pension funds M, L and XL grew by 1.6%, 2.8% and 4.9%, respectively, and these were the only three funds in the Estonian pension market that managed to close 2022 at a positive yield. Pension Fund Green dropped by 2.5% and Pension Fund Index by 0.6% in Q4. The yields of the third-pillar funds remained at the same scale as the second-pillar funds of a similar strategy – pension funds Index Plus and Green Plus dropped by 0.7% and 2.8%, respectively, and LHV Pension Fund Supplementary produced a yield of 5.0%.

The number of LHV's active second-pillar customers did not change significantly during the quarter, amounting to more than 131 thousand as at the end of the year. Interest in exiting the second-pillar has dropped considerably in recent quarters. On the basis of the applications made by the end of November (the applications take effect and the payments are made at the beginning of May 2023), a little more than 1700 of LHV's active customers are leaving. In recent months, the number of new customers and the monthly contributions to funds have exceeded the number of customers exiting the system and the volumes entailed in their exit. The volume of second-pillar pension funds was nearly EUR 1.3 billion as at the end of the year, having grown by EUR 57 million in Q4.

Q4 was again characterised by heightened activity around the 3rd pillar. As at the end of the year, third-pillar funds had nearly 33 thousand contributors and the volume of assets of third-pillar funds grew by nearly EUR 9 million in the quarter, amounting to EUR 62 million as at the end of the year.

Although LHV's major actively managed funds achieved the best result in the market in 2022, they did not manage to earn the success fee, unlike in the previous two years. The increase in the reference index, which depends on the receipt of social tax, i.e. is a function of salary and employment growth, was the fastest in the past fourteen years, growing by 12.6% in the year. The primary goal for the coming periods is to close the gap between the reference index and the yields.

There were two positive regulatory news reports also within the last quarter of the year. Starting from 2025, contributions can be made to the 2nd pillar under the 4+4% or 6+4% system instead of the former 2+4% system, i.e. instead of the former 2%, customers will be able to contribute up to three times more into growing their pension assets from their gross salary. The submission of applications starts in 2024. Final approval was given to compensation of the state's payments that were suspended for a certain period and the average yield of the funds in a lump sum in January 2023, the additional contributions bringing nearly EUR 73 million into LHV's pension funds in the second half of January.

As at the end of the year, the portfolio of actively managed funds M, L and XL and the distribution of asset classes largely met the long-term goal – private capital, real estate and unlisted bonds primarily to Estonian companies make up a large part of the L and XL portfolio, while the remainder is divided between listed shares and bonds. We shall continue to make OTC investments in the coming year, while also taking into account changes in the volumes of funds and the required liquidity.

Overview of AS LHV Kindlustus

AS LHV Kindlustus continued growing the volumes of its insurance portfolio in Q4 2022, with gross insurance premiums growing 26.7% and net earned premiums 33.2% compared to Q3. During the quarter, 44.6 thousand new insurance contracts were concluded, with premiums totalling EUR 7.7 million. In cooperation with Confido, LHV Kindlustus launched a new health insurance product solution and the volume of premiums for this new product line was EUR 0.7 million in Q4. The number of insurance contracts and the volume of premiums continues to grow across insurance products in all sales channels, with sales growing particularly fast in the brokerage channel and on the LHV web portal. In 2022, the company significantly exceeded the goals for growth set in the financial plan.

The selection of insurance products offered grew with the addition of a health insurance solution developed with Confido. This solution is offered to corporate customers through a cooperation partner. The development of a new insurance information system also continued, and this system is aimed at making the contract management and claims handling process even more convenient for all customers.

As at 31 December 2022, LHV Kindlustus had 218 thousand valid insurance policies and 150 thousand customers.

The volume of gross insurance premiums was EUR 6 028 thousand and the net earned insurance premiums totalled EUR 3 111 thousand in Q4. For the entire year, vehicle and motor TPL insurance amounted to 65.7% of the volume of insurance premiums. Travel insurance, home insurance and loan payment insurance also had a significant share in the total.

During Q4, 2707 new loss events were registered and claims adjustment was completed for 2300 events. As at the end of the quarter, a total of 1 583 loss files were open. The net losses incurred in the period together with indirect claims adjustment costs amounted to EUR 2 428 thousand. Loss provisions stood at EUR 2.33 million at the end of the period.

Water damage covered by home insurance continued to be more frequent in Q4 and, as is characteristic of the winter months, the number of vehicle and motor TPL insurance events registered was higher than usual. The company's Q4 result was influenced by an increase in provisions. The loss amounted to EUR 527 thousand. The result falls short of the financial forecast due to the indemnities paid out being higher than expected. The company's volume of operating expenses met expectations.

EUR thousand	Q4 2022	Q3 2022	Change %	Q4 2021	Change %
Gross insurance premiums	6 028	4 750	27%	1 559	287%
Net earned insurance premiums	3 111	2 336	33%	950	227%
Net losses incurred	2 428	1 673	45%	674	260%
Total net operating expenses	1 212	1 069	13%	192	531%
Underwriting result	-529	-407	30%	-216	145%
Net profit	-527	-432	22%	-213	147%
Actuarial reserves at the end of the period	12 564	9 880	27%	4 778	163%
Equity at the end of the period	5 078	5 594	-9%	6 647	-24%

Martti-Sten Merilai joined the company as Chairman of the management board. As of the end of Q4, LHV Kindlustus employed 39 people.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q4 2022	12M 2022	Q4 2021	12M 2021
Interest income		49 770	152 413	35 843	124 641
Interest expense		-5 672	-23 302	-7 680	-27 322
Net interest income	9	**44 098**	**129 111**	**28 163**	**97 319**
Fee and commission income		15 734	61 495	19 257	60 824
Fee and commission expense		-4 185	-16 595	-4 005	-17 345
Net fee and commission income	10	**11 549**	**44 900**	**15 252**	**43 479**
Net gains from financial assets measured at fair value		-101	-2 008	-746	-924
Foreign exchange rate gains/losses		937	1 414	-167	-22
Net gains from financial assets		**836**	**-594**	**-913**	**-946**
Other income		76	224	178	530
Other expense		-1	-98	0	0
Total other income		**75**	**126**	**178**	**530**
Staff costs		-13 170	-46 795	-8 638	-31 322
Administrative and other operating expenses		-13 711	-42 843	-9 611	-33 863
Total expenses	11	**-26 881**	**-89 638**	**-18 249**	**-65 185**
Profit before impairment losses		**29 677**	**83 905**	**24 431**	**75 197**
Revaluation of the financial asset		180	-5 056	0	0
Impairment losses on loans and bonds	21	-430	-2 996	-1 694	-3 948
Profit before income tax		**29 427**	**75 853**	**22 737**	**71 249**
Income tax expense		-5 112	-14 421	- 3 395	-10 986
Net profit for the reporting period	2	**24 315**	**61 432**	**19 342**	**60 263**
Other comprehensive income/loss:					
Items that may be reclassified subsequently to profit or loss:					
Unrealized exchange differences arising on the translation of the financial statements of foreign operations		-123	-1 489	11	48
Total profit and other comprehensive income for the reporting period		**24 192**	**59 943**	**19 353**	**60 311**
Total profit of the reporting period attributable to:					
Owners of the parent		24 078	59 808	18 856	58 261
Non-controlling interest		237	1 624	486	2 002
Total profit for the reporting period	2	**24 315**	**61 432**	**19 342**	**60 263**
Total profit and other comprehensive income attributable to:					
Owners of the parent		23 955	58 319	18 867	58 309
Non-controlling interest		237	1 624	483	2 002
Total profit and other comprehensive income for the reporting period		**24 192**	**59 943**	**19 353**	**60 311**
Basic earnings per share (in euros)	16	0.08	0.19	0.06	0.20
Diluted earnings per share (in euros)	16	0.07	0.19	0.06	0.19

The Notes on pages 22 to 37 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	31.12.2022	31.12.2021
Assets			
Due from central bank	4, 5, 6, 12	2 390 964	3 874 284
Due from credit institutions	4, 5, 6, 12	87 933	106 838
Due from investment companies	4, 6, 12	3 391	6 188
Financial assets at fair value through profit or loss	4, 6, 7	9 354	135 855
Financial assets at amortized cost	7	364 230	0
Loans and advances to customers	4, 6, 8, 21	3 208 572	2 677 160
Receivables from customers		21 019	9 752
Other financial assets		124	2 236
Other assets		6 775	3 471
Financial investment		1 180	5 236
Tangible assets	19	16 859	8 474
Intangible assets	19	13 853	11 825
Goodwill		10 748	3 614
Total assets	2	**6 135 002**	**6 844 933**
Liabilities			
Loans received from Central Banks (TLTRO)	13	147 841	197 461
Deposits of customers	13	4 900 515	5 807 617
Loans received and debt securities in issue	13	438 642	349 146
Financial liabilities at fair value through profit or loss	7	3 850	157
Accounts payable and other liabilities	14	92 462	55 373
Subordinated debt	6, 20	130 843	110 378
Total liabilities	2	**5 714 153**	**6 520 132**
Owner's equity			
Share capital		31 542	29 864
Share premium		141 186	97 361
Statutory reserve capital		4 713	4 713
Other reserves		5 683	4 733
Retained earnings		229 817	179 746
Total equity attributable to owners of the parent		**412 941**	**316 417**
Non-controlling interest		7 908	8 384
Total equity		**420 849**	**324 801**
Total liabilities and equity		**6 135 002**	**6 844 933**

The Notes on pages 22 to 37 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q4 2022	12M 2022	Q4 2021	12M 2021
Cash flows from operating activities					
Interest received		47 770	149 230	36 218	124 692
Interest paid		-5 289	-21 159	-9 352	-29 888
Fees and commissions received		15 732	61 493	19 280	59 904
Fees and commissions paid		-4 185	-16 595	-4 005	-17 345
Other income received		-2 150	-2 095	-2 116	-845
Staff costs paid		-11 461	-40 894	-6 557	-27 104
Administrative and other operating expenses paid		-8 475	-31 365	-6 577	-23 816
Income tax		-2 951	-12 732	-2 418	-10 798
Cash flows from operating activities before change in operating assets and liabilities		**28 991**	**85 883**	**24 473**	**74 800**
Net increase/decrease in operating assets:					
Net increase/(decrease) in financial assets at fair value through profit or loss		2 830	-35	822	-140
Loans and advances to customers		-120 471	-540 335	-132 555	-475 118
Mandatory reserve at central bank		2 392	8 609	-3 237	-16 045
Security deposits		0	2 112	-47	-164
Other assets		-30 419	-4 053	-2 369	1 426
Net increase/decrease in operating liabilities:					
Demand deposits of customers		-411 155	-1 006 749	450 858	2 014 423
Term deposits of customers		143 020	97 695	-98 171	-324 019
Loans received		88 267	88 267	0	0
Prepayments of loans received		784	-49 216	-16 941	-21 764
Financial liabilities held for trading at fair value through profit and loss		3 843	3 693	150	-64
Other liabilities		22 798	23 942	-31 306	28 244
Net cash generated from/used in operating activities		**-269 120**	**-1 290 187**	**191 677**	**1 281 579**
Cash flows from investing activities					
Purchase of non-current assets		2 393	-11 299	-3 140	-6 688
Acquisition of subsidiaries and affiliates		0	-8 966	-1	-5 237
Net changes of investment securities at fair value through profit or loss and of investment securities at amortized cost		-2 758	-235 818	1 378	193 394
Net cash flows from/used in investing activities		**-365**	**-256 083**	**-1 763**	**181 469**
Cash flows from financing activities					
Paid in share capital (incl. share premium)		0	45 504	25 360	26 938
Dividends paid		0	-14 046	0	-10 458
Loans received		20 000	20 263	54	139 388
Prepayments of loans received		0	0	0	-40 000
Repayments of the principal of lease liabilities		-416	-1 423	-563	-1 254
Net cash flows from/used in financing activities		**19 584**	**50 298**	**24 851**	**114 614**
Effect of exchange rate changes on cash and cash equivalents	6	**-500**	**-441**	**-123**	**66**
Net increase/decrease in cash and cash equivalents		**-250 401**	**-1 496 413**	**214 765**	**1 577 728**
Cash and cash equivalents at the beginning of the period		2 684 000	3 930 012	3 715 370	2 352 284
Cash and cash equivalents at the end of the period	12	**2 433 599**	**2 433 599**	**3 930 012**	**3 930 012**

The Notes on pages 22 to 37 are an integral part of the condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	**Total equity attributable to owners of LHV Group**	Non-controlling interest	**Total equity**
Balance as at 01.01.2021	**28 819**	**71 468**	**4 713**	**3 409**	**128 385**	**236 794**	**8 482**	**245 276**
Paid in share capital	1 045	25 893	0	0	0	**26 938**	0	**26 938**
Dividends paid	0	0	0	0	-8 358	**-8 358**	-2 100	**-10 458**
Share options	0	0	0	1 276	1 458	**2 734**	0	**2 734**
Profit for the reporting period	*0*	*0*	*0*	*0*	*58 261*	**58 261**	2 002	***60 263***
Other comprehensive income/loss	0	0	0	48	0	**48**	0	**48**
Total profit and other comprehensive income for the reporting period	0	0	0	48	58 261	**58 309**	2 002	**60 311**
Balance as at 31.12.2021	**29 864**	**97 361**	**4 713**	**4 733**	**179 746**	**316 417**	**8 384**	**324 801**
Balance as at 01.01.2022	**29 864**	**97 361**	**4 713**	**4 733**	**179 746**	**316 417**	**8 384**	**324 801**
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	2 439	2 209	**4 648**	0	**4 648**
Profit for the reporting period	*0*	*0*	*0*	0	59 808	**59 808**	1 624	**61 432**
Other comprehensive income/loss	*0*	*0*	*0*	-1 489	0	**-1 489**	0	**-1 489**
Total profit and other comprehensive income for the reporting period	0	0	0	-1 489	59 808	**58 319**	1 624	**59 943**
Balance as at 31.12.2022	**31 542**	**141 186**	**4 713**	**5 683**	**229 817**	**412 941**	**7 908**	**420 849**

The Notes on pages 22 to 37 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.

Q4 2022	Retail banking	Corporate banking	Asset manage-ment	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	UK LHV Ltd	Other activities	Total
Interest income	21 242	23 008	0	3 634	588	14	226	1 058	49 770
Interest expense	2 729	-8 331	0	-754	4 044	-16	-66	-3 278	-5 672
Net interest income	**23 971**	**14 677**	**0**	**2 880**	**4 632**	**-2**	**160**	**-2 220**	**44 098**
Fee and commission income	2 225	685	2 015	228	10 194	397	0	-10	15 734
Fee and commission expense	-545	-12	0	-231	-3 973	0	0	576	-4 185
Net fee and commission income	**1 680**	**673**	**2 015**	**-3**	**6 221**	**397**	**0**	**566**	**11 549**
Other income	**0**	**46**	**0**	**0**	**13**	**-5**	**0**	**21**	**75**
Net income	**25 651**	**15 396**	**2 015**	**2 877**	**10 866**	**390**	**160**	**-1 633**	**55 722**

Net gains from financial assets	-249	0	136	0	0	4	5	940	836
Administrative and other operating expenses, staff costs	-6 008	-3 395	-1 610	-560	-5 748	-922	-5 268	-3 370	-26 881
Operating profit	**19 394**	**12 001**	**541**	**2 317**	**5 118**	**-528**	**-5 103**	**-4 063**	**29 677**
Impairment losses on loans and advances	-547	979	0	-856	-6	0	0	180	-250
Income tax	-2 366	-1 618	0	0	-748	0	0	-380	-5 113
Net profit	**16 481**	**11 362**	**541**	**1 461**	**4 364**	**-528**	**-5 103**	**-4 263**	**24 315**

12M 2022	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Insurance**	**UK LHV Ltd**	**Other activities**	**Total**
Interest income	53 531	74 998	0	12 945	8 276	26	226	2 411	152 413
Interest expense	0	-16 918	0	-2 521	0	-16	-164	-3 683	-23 302
Net interest income	**53 531**	**58 080**	**0**	**10 424**	**8 276**	**10**	**62**	**-1 272**	**129 111**
Fee and commission income	9 356	2 573	7 951	845	39 326	1 487	0	-43	61 495
Fee and commission expense	-2 361	-59	0	-830	-14 935	0	0	1 590	-16 595
Net fee and commission income	**6 995**	**2 514**	**7 951**	**15**	**24 391**	**1 487**	**0**	**1 547**	**44 900**
Other income	**8**	**105**	**0**	**0**	**-27**	**-5**	**0**	**45**	**126**
Net income	**60 534**	**60 699**	**7 951**	**10 439**	**32 640**	**1 492**	**62**	**320**	**174 137**
Net gains from financial assets	-357	0	-147	0	-24	-32	7	-41	-594
Administrative and other operating expenses, staff costs	-21 169	-12 574	-7 076	-2 241	-20 834	-3 153	-11 739	-10 852	-89 638
Operating profit	**39 008**	**48 125**	**728**	**8 198**	**11 782**	**-1 693**	**-11 670**	**-10 573**	**83 905**
Impairment gains/(-losses) on loans and bond portfolio	-1 467	-472	0	-910	-53	0	0	-5 150	-8 052
Income tax	-4 365	-4 871	-830	-1 107	-1 634	0	0	-1 614	-14 421
Net profit	**33 176**	**42 782**	**-102**	**6 181**	**10 095**	**-1 693**	**-11 670**	**-17 337**	**61 432**
Total assets 31.12.2022	**2 840 041**	**3 201 314**	**23 681**	**91 711**	**0**	**29 892**	**41 437**	**-93 074**	**6 135 002**
Total liabilities 31.12.2022	**3 702 964**	**482 009**	**590**	**72 792**	**1 485 722**	**24 814**	**5 750**	**-60 488**	**5 714 153**

Q4 2021	Retail banking	Corporate banking	Asset manage-ment	Hire-purchase and consumer finance in Estonia	Financial inter-mediates	Insurance	LHV UK Ltd	Other activities	Total
Interest income	10 079	17 070	0	2 788	2 159	4	0	3 743	35 843
Interest expense	-74	-2 694	0	-417	0	0	0	-4 495	-7 680
Net interest income	**10 005**	**14 376**	**0**	**2 371**	**2 159**	**4**	**0**	**-752**	**28 163**
Fee and commission income	2 878	1 346	4 542	188	9 731	68	0	504	19 257
Fee and commission expense	-491	-302	0	-174	-3 583	0	0	545	-4 005
Net fee and commission income	**2 387**	**1 044**	**4 542**	**14**	**6 148**	**68**	**0**	**1 049**	**15 252**
Other income	**4**	**153**	**0**	**0**	**11**	**0**	**0**	**10**	**178**
Net income	**12 396**	**15 573**	**4 542**	**2 385**	**8 318**	**72**	**0**	**307**	**43 593**
Net gains from financial assets	-52	0	236	0	-433	0	-2	-662	-913
Administrative and other operating expenses, staff costs	-4 152	-2 819	-1 777	-482	-4 607	-434	-1 406	-2 572	-18 249
Operating profit	**8 192**	**12 754**	**3 001**	**1 903**	**3 278**	**-362**	**-1 408**	**-2 927**	**24 431**
Impairment gains/(-losses) on loans and bond portfolio	264	-1 930	0	-7	-21	0	0	0	-1 694
Income tax	-1 078	-1 352	0	0	-563	-1	0	-401	-3 395
Net profit	**7 378**	**9 472**	**3 001**	**1 896**	**2 694**	**-363**	**-1 408**	**-3 328**	**19 342**

12M 2021	Retail banking	Corporate banking	Asset manage-ment	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	UK LHV Ltd	Other activities	Total
Interest income	36 226	59 564	0	11 577	5 107	4	0	12 163	124 641
Interest expense	-1 066	-10 172	-14	-1 791	0	0	0	-14 279	-27 322
Net interest income	**35 160**	**49 392**	**-14**	**9 786**	**5 107**	**4**	**0**	**-2 116**	**97 319**
Fee and commission income	10 003	2 515	11 374	768	34 647	919	0	598	60 824
Fee and commission expense	-1 831	-354	0	-667	-14 946	0	0	453	-17 348
Net fee and commission income	**8 172**	**2 161**	**11 374**	**101**	**19 701**	**919**	**0**	**1 051**	**43 479**

Other income	**15**	**397**	**0**	**0**	**96**	**0**	**0**	**22**	**530**
Net income	**43 347**	**51 950**	**11 360**	**9 887**	**24 904**	**923**	**0**	**-1 043**	**141 328**
Net gains from financial assets	-97	0	591	0	-436	0	4	-1 008	-946
Administrative and other operating expenses, staff costs	-15 788	-9 853	-10 015	-1 868	-14 732	-1 895	-2 995	-8 039	-65 185
Operating profit	**27 462**	**42 097**	**1 936**	**8 019**	**9 736**	**-972**	**-2 991**	**-10 090**	**75 197**
Impairment losses on loans and advances	-475	-3 110	0	-293	-43	0	0	-27	-3 948
Income tax	-3 120	-4 544	-1 241	-1 184	-1 670	-1	0	774	-10 986
Net profit	**23 867**	**34 443**	**695**	**6 542**	**8 023**	**-973**	**-2 991**	**-9 343**	**60 263**
Total assets 31.12.2021	**2 885 760**	**3 905 861**	**28 185**	**69 089**	**0**	**14 859**	**9 009**	**-67 830**	**6 844 933**
Total liabilities 31.12.2021	**3 297 057**	**711 642**	**544**	**50 417**	**2 520 127**	**8 212**	**143**	**-68 010**	**6 520 132**

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.

The escalated conflict in Ukraine in early 2022, did not have direct impact to LHV credit portfolio, because of historical restrictive lending to customers exposed to risks outside EU. However, increasing energy prices need to be considered, when issuing credits both to corporates and retail clients going forward. For example, some business models need to change and both commercial and residential buildings need to become more energy efficient.

During the second half of the year 2022, the Estonian economy has entered a mild recession. So far, the cooling economy has had no negative impact on the credit portfolio quality. As opposite, both the forborne and the overdue portfolio have been continuously shrinking throughout the year 2022. LHV is continuously monitoring credit portfolio quality and is in close dialog with customers, so that in case of a need, potential risks could be mitigated.

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

31.12.2022	**Estonia**	**Germany**	**Other EU**	**USA**	**UK**	**Other**	**Total**
Due from banks and investment companies	1 938 118	0	329 496	24 727	189 847	101	**2 482 288**
Financial assets at fair value	244 845	4 973	123 735	21	3	6	**373 584**
Loans and advances to customers	3 161 803	612	17 867	622	22 974	4 694	**3 208 572**
Receivables from customers	21 019	0	0	0	0	0	**21 019**
Other financial assets	24	0	0	100	0	0	**124**

Total financial assets	**5 365 809**	**5 585**	**471 098**	**25 470**	**212 823**	**4 801**	**6 085 587**
Loans received from Central Banks (TLTRO)	147 841	0	0	0	0	0	**147 841**
Deposits of customers and loans received	3 617 636	5 292	794 100	14 890	439 714	28 883	**4 900 515**
Loans received and bonds issued	438 642	0	0	0	0	0	**438 642**
Subordinated debt	130 843	0	0	0	0	0	**130 843**
Financial liabilities at fair value	3 850	0	0	0	0	0	**3 850**
Accounts payable and other financial liabilities	84 125	0	0	0	0	0	**84 125**
Total financial liabilities	**4 422 937**	**5 292**	**794 100**	**14 890**	**439 714**	**28 883**	**5 705 816**

Unused loan commitments in the amount of EUR 601 093 thousand are for the residents of Estonia.

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

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

31.12.2022	**On demand**	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities by contractual maturity dates						
Loans received from Centrral Banks (TLTRO)	0	0	0	150 082		**150 082**
Deposits from customers	4 643 310	95 807	143 740	18 082	0	**4 900 939**
Loans received and bonds issued	0	0	2 000	452 250	0	**454 250**
Subordinated debt	0	2 406	46694	105538	0	**154 638**
Accounts payable and other financial liabilities	0	84 125	0	0	0	**84 125**
Unused loan commitments	0	601 093	0	0	0	**601 093**
Financial guarantees by contractual amounts	0	52 577	0	0	0	**52 577**
Foreign exchange derivatives (gross settled)	0	171 694	0	0	0	**171 694**
Financial liabilities at fair value	0	3 850	0	0	0	**3 850**
Total liabilities	**4 643 310**	**1 011 552**	**192 434**	**725 952**	**0**	**6 573 248**

Financial assets by contractual maturity dates						
Due from banks and investment companies	2 428 288	0	0	0	0	**2 428 288**
Financial assets at fair value (debt securities)	0	236 130	4 966	123 519	471	**365 086**
Loans and advances to customers	0	186 547	487 298	2 115 010	1 258 430	**4 047 285**
Receivables from customers	0	21 019	0	0	0	**21 019**
Foreign exchange derivatives (gross settled)	0	171 694	0	0	0	**171 694**
Other financial assets	124	0	0	0	0	**124**
Total financial assets	**2 428 412**	**615 390**	**492 264**	**2 238 529**	**1 258 901**	**7 033 496**
Maturity gap from financial assets and liabilities	**-2 214 898**	**-396 162**	**299 830**	**1 512 577**	**1 258 901**	**460 248**

31.12.2021	**On demand**	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities by contractual maturity dates						
Loans received from Centrral Banks (TLTRO)	0	0	0	197 000	0	**197 000**
Deposits from customers	5 648 302	55 271	101 784	2 288	0	**5 807 645**
Loans received and bonds issued	0	0	1 140	352 538	0	**353 678**
Subordinated debt	0	1 903	5 727	124 341	0	**131 971**
Accounts payable and other financial liabilities	0	49 262	0	0	0	**49 262**
Unused loan commitments	0	679 579	0	0	0	**679 579**
Financial guarantees by contractual amounts	0	49 409	0	0	0	**49 409**
Foreign exchange derivatives (gross settled)	0	101 848	0	0	0	**101 848**
Financial liabilities at fair value	0	157	0	0	0	**157**
Total liabilities	**5 648 302**	**937 429**	**108 651**	**676 167**	**0**	**7 370 549**
Financial assets by contractual maturity dates						
Due from banks and investment companies	3 987 341	0	0	0	0	**3 987 341**
Financial assets at fair value (debt securities)	0	46 047	3 387	77 915	155,481	**127 504**
Loans and advances to customers	0	173 534	431 582	1 661 341	924 419	**3 190 876**
Receivables from customers	0	9 752	0	0	0	**9 752**
Foreign exchange derivatives (gross settled)	2 236	0	0	0	0	**2 236**
Other financial assets)	0	101 848	0	0	0	**101 848**
Total financial assets	**3 989 577**	**331 181**	**434 969**	**1 739 256**	**924 574**	**7 419 557**
Maturity gap from financial assets and liabilities	**-1 658 725**	**-606 248**	**326 318**	**1 063 089**	**924 574**	**49 008**

It is possible to take a short-term loan from the central bank against the security of the majority of instruments in the bond portfolio.
All cashflows from financial assets and –liabilities except derivatives include all contractual cash flows.

NOTE 6 Open Foreign Currency Positions

31.12.2022	**EUR**	**CHF**	**GBP**	**SEK**	**USD**	**Other**	**Total**
Assets bearing currency risk							
Due from banks and investment companies	2 255 128	1 466	197 580	2 538	17 806	7 769	**2 482 288**
Financial assets at fair value	373 514	0	2	1	26	42	**373 584**
Loans and advances to customers	3 180 499	74	22 306	385	5 068	241	**3 208 572**
Receivables from customers	25 865	5	751	241	-4 512	-1 330	**21 019**
Other financial assets	124	0	0	0	0	0	**124**
Total assets bearing currency risk	**5 835 130**	**1 545**	**220 639**	**3 164**	**18 388**	**6 721**	**6 085 587**
Liabilities bearing currency risk							
Loans received from Central Banks (TLTRO)	147 841	0	0	0	0	0	**147 841**

Deposits from customers	4 533 633	5 323	193 442	10 968	148 058	9 089	**4 900 515**
Loans received and bonds issued	438 642	0	0	0	0	0	**438 642**
Financial liabilities at fair value	0	0	0	0	3 849	1	**3 850**
Accounts payable and other financial liabilities	65 099	19	9 757	172	8 987	91	**84 125**
Subordinated debt	130 843	0	0	0	0	0	**130 843**
Total liabilities bearing currency risk	**5 316 058**	**5 343**	**203 199**	**11 140**	**160 895**	**9 182**	**5 705 817**
Open gross position derivative assets at contractual value	9 403	3 757	0	8 001	148 162	2 371	**171 694**
Open gross position derivative liabilities at contractual value	162 291	0	0	0	9 403	0	**171 694**
Open foreign currency position	**366 183**	**-40**	**17 440**	**25**	**-3 748**	**-89**	**379 770**

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

NOTE 7 Fair Value of Financial Assets and Liabilities

The Management Board of the Group has determined the fair value of assets and liabilities recognised at amortised cost in the balance sheet. To determine the fair value, future cash flows are discounted based on the market interest curve.

The below table provides an overview of the assessment techniques, which depend on the hierarchy of assets and liabilities measured at fair value:

	Level 1	**Level 2**	**Level 3**	**31.12.2022**	**Level 1**	**Level 2**	**Level 3**	**31.12.2021**
Financial assets at fair value through profit and loss								
Shares and fund units*	1 075	7 474	0	**8 549**	727	7 620	0	**8 347**
Bonds at fair value through profit and loss	765	0	0	**765**	127 504	0	0	**127 504**
Interest rate swaps and foreign exchange forwards	0	40	0	**40**	0	4	0	**4**
Total financial assets	**1 840**	**7 514**	**0**	**9 354**	**128 231**	**7 624**	**0**	**135 855**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	3 850	0	3 850	0	157	0	**157**
Total financial liabilities	**0**	**3 850**	**0**	**3 850**	**0**	**157**	**0**	**157**

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 474 (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.

As of December 31, 2022, the liquidity portfolio in the amount of EUR 364 230 thousand is reflected in the amortised cost and the loss from the revaluation of the portfolio is refleced in the income statement in the line Impairment losses on loans and bonds in the amount of EUR 91 thousand.

Hierarchy levels:

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

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

As at 31.12.2022 the fair value of corporate loans and overdraft is EUR 37 846 thousand (2.11%) 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 31 December 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 20 000 thousand were received in 2022, 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

31.12.2022	Stage 1	Stage 2	Stage 3	Provision	Total	%
Individuals	1 127 636	115 433	5 446	-3 157	1 245 358	38.8%
Agriculture	76 817	2 743	0	-112	79 448	2.5%
Mining and Quarrying	1 038	519	122	-49	1 630	0.1%
Manufacturing	126 670	28 626	81	-1 308	154 069	4.8%
Energy	92 186	1 305	0	-321	93 170	2.9%
Water and sewerage	29 314	90	0	-275	29 129	0.9%
Construction	106 356	5 243	58	-1 716	109 941	3.4%
Wholesale and retail trade	144 586	6 599	69	-924	150 330	4.7%
Transportation and storage	15 198	10 323	1	-691	24 831	0.8%
Accommodation and catering	11 844	23 446	44	-1 531	33 803	1.1%
Information and communication	10 839	3 004	1	-34	13 810	0.4%
Financial activities	119 436	9 337	0	-823	127 950	4.0%

Real estate activities	757 443	34 577	1 558	-3 269	790 309	24.6%
Professional, scientific and technical activities	68 001	7 313	30	-171	75 173	2.3%
Administrative and support service activities	115 072	4 563	32	-3 116	116 551	3.6%
Local municipalities	79 272	0	0	-127	79 145	2.5%
Education	5 151	596	0	-302	5 445	0.2%
Health care	14 312	541	0	-86	14 767	0.5%
Arts and entertainment	27 619	30 225	15	-2 588	55 271	1.7%
Other service activities	6 970	1 503	11	-42	8 442	0.3%
Total	**2 935 760**	**285 986**	**7 468**	**-20 642**		
Provision	-10 938	-7 632	-2 072			
Total loan portfolio	**2 924 822**	**278 354**	**5 396**		**3 208 572**	**100%**

31.12.2021	Stage 1	Stage 2	Stage 3	Provision	Total	%
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%
Total	**2 365 745**	**314 499**	**15 965**	**-19 049**		
Provision	-9 472	-7 444	-2 133			
Total loan portfolio	**2 356 273**	**307 055**	**13 832**		**2 677 160**	**100%**

NOTE 9 Net Interest Income

Interest income	Q4 2022	12M 2022	Q4 2021	12M 2021
From balances with credit institutions and investment	1 588	3 668	86	281
From central bank	6 828	8 594	511	2 283
From debt securities	239	-210	-101	-349
Leasing	1 963	6 407	1 507	6 000
Leverage loans and lending of securities	365	1 629	476	1 742
Consumer loans	2 763	9 607	1 992	8 156
Hire purchase	871	3 338	796	3 409

Corporate loans	24 421	79 130	17 950	62 213
Credit card loans	228	836	190	834
Mortgage loans	9 471	28 144	6 190	21 441
Private loans	721	2 450	588	2 299
Other loans	312	8 820	5 658	16 332
Total	**49 770**	**152 413**	**35 843**	**124 641**
Interest expense				
Deposits of customers and loans received	-2 379	-5 965	-1 252	-5 323
Balances with the central bank	0	-7 661	-4 309	-14 170
Subordinated liabilities	-3 293	-9 676	-2 119	-7 829
including loans between related parties	-87	-331	-81	-323
Total	**-5 672**	**-23 302**	**-7 680**	**-27 322**
Net interest income	**44 098**	**129 111**	**28 163**	**97 319**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	**Q4 2022**	**12M 2022**	**Q4 2021**	**12M 2021**
Estonia	40 894	140 140	35 347	122 426
UK	221	221	0	0
Total	**41 115**	**140 361**	**35 347**	**122 426**

NOTE 10 Net Fee and Commission Income

Fee and commission income	**Q4 2022**	**12M 2022**	**Q4 2021**	**12M 2021**
Security brokerage and commissions paid	949	4 329	2 349	6 159
Asset management and similar fees	3 496	13 581	6 488	16 540
Currency exchange fees conversion revenues	2 003	8 462	2 357	8 618
Fees from cards and payments	7 644	27 580	6 731	23 635
Other fee and commission income	1 642	7 543	1 332	5 872
Total	**15 734**	**61 495**	**19 257**	**60 824**
Fee and commission expense				
Security brokerage and commissions paid	-513	-2 340	-432	-1 785
Expenses related to cards	-1 764	-6 216	-1 084	-5 734
Expenses related to acquiring	-1 931	-7 344	-1 917	-7 104
Other fee and commission expense	23	-695	-572	-2 722
Total	**-4 185**	**-16 595**	**-4 005**	**-17 345**
Net fee and commission income	**11 549**	**44 900**	**15 252**	**43 479**

Fee and commission income by customer location:	**Q4 2022**	**12M 2022**	**Q4 2021**	**12M 2021**
Estonia	13 974	54 143	17 377	53 527
Great Britain	1 760	7 352	1 880	7 297
Total	**15 734**	**61 495**	**19 257**	**60 824**

NOTE 11 Operating Expenses

	Q4 2022	**12M 2022**	**Q4 2021**	**12M 2021**
Wages, salaries and bonuses	9 710	35 077	6 653	23 888
Social security and other taxes*	3 460	11 718	1 985	7 433
Total personnel expenses	**13 170**	**46 795**	**8 638**	**31 322**
IT expenses	2 770	8 232	1 286	4 467

Information services and bank services	328	1 356	351	1 343
Marketing expenses	1 091	3 273	792	2 511
Office expenses	632	1 934	377	1 030
Transportation and communication expenses	170	568	104	318
Staff training and business trip expenses	392	1 309	205	450
Other outsourced services	3 092	9 059	2 214	6 432
Other administrative expenses	2 730	8 513	2 090	7 654
Depreciation of non-current assets	3 009	7 378	1 909	8 204
Operational lease payments	-906	161	75	807
Other operating expenses	403	1 060	208	648
Total other operating expenses	**13 711**	**42 843**	**9 611**	**33 863**
Total operating expenses	**26 881**	**89 638**	**18 249**	**65 185**

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

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

	31.12.2022	**31.12.2021**
Demand and term deposits with maturity less than 3 months*	91 324	113 026
Statutory reserve capital with the central bank	48 689	57 298
Demand deposit from central bank*	2 342 275	3 816 986
Total	**2 482 288**	**3 987 310**
*Cash and cash equivalents in the Statement of Cash Flows	2 433 599	3 930 012

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 3 391 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 31 December 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	**Individuals**	**Financial entities**	**Non-financial entities**	**Public sector**	**31.12.2022**
Demand deposits	1 065 135	1 477 182	2 042 117	58 406	4 642 840
Term deposits	63 208	23 046	146 137	24 587	256 978
Accrued interest liability	336	192	156	13	697
Total	**1 128 679**	**1 500 420**	**2 188 410**	**83 006**	**4 900 515**

Deposits/loans by type	**Individuals**	**Financial entities**	**Non-financial entities**	**Public sector**	**31.12.2021**
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
Total	**1 045 251**	**2 488 115**	**2 090 152**	**184 099**	**5 807 617**

Loans received 31.12.2022	TLTRO	Covered bonds	Preferred senior bond	Total loans received and dept securities in issue
Loans received	150 000	249 284	188 672	437 956
Accrued interest liability	-2 159	141	545	686
Total	**147 841**	**249 425**	**189 217**	**438 642**

Loans received 31.12.2021	TLTRO	Covered bonds	Preferred senior bond	Total loans received and dept securities in issue
Loans received	200 000	248 980	100 000	348 980
Accrued interest liability	-2 539	140	26	166
Total	**197 461**	**249 120**	**100 026**	**349 146**

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 2021, 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 November 2022, LHV Group Carried out a tap issue of senior unsecured bonds with a maturity date in September 2025. As a result, LHV raised additional funds in the amount of EUR 88 million. The nominal value of the issued bonds increased by 100 million euros. Since it was an increase in the volume of previously issued bonds, the terms and conditions of the new bonds are identical to the previous issue.

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

Financial liabilities	**31.12.2022**	**31.12.2021**
Trade payables and payables to merchants	1 943	2 779
Other short-term financial liabilities	10 676	6 904
Lease liabilities	6 766	3 350
Payments in transit	40 101	27 202
Financial guarantee contracts issued	1 228	1 101
Liabilities from insurance services	23 411	7 926
Subtotal	**84 125**	**49 262**
Not financial liabilities		
Performance guarantee contracts issued	1 058	543
Tax liabilities	3 086	2 207
Payables to employees	3 457	2 545
Other short-term liabilities	736	816
Subtotal	**8 337**	**6 111**
Total	**92 462**	**55 373**

Payables to employees consist of unpaid salaries; bonus accruals and vacation pay accrual for the reporting period and the increase in liabilities is caused by the increase in the number of employees during the year. Payments in transit consist of foreign payments and payables to customers related to intermediation of securities transactions. All liabilities, except for financial guarantees, are payable within 12 months and are therefore recognised as current liabilities.

NOTE 15 Contingent Liabilities

Irrevocable transactions	Performance guarantees	Financial guarantees	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 31 December 2022	30 174	52 577	6 605	601 093	**690 449**
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.

	Q4 2022	12M 2022	Q4 2021*	12M 2021*
Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)	24 078	59 808	18 856	58 261
Weighted average number of shares (in thousands of units)	315 425	311 229	294 920	292 300
Basic earnings per share (EUR)	0.08	0.19	0.06	0.20
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	321 714	317 518	301 910	299 670
Diluted earnings per share (EUR)	0.07	0.19	0.06	0.19

* 2021 data is adjusted according to share split carried out in Q3 2022.

NOTE 17 Capital Management

The goal of the Group's capital management is to:

- ✓ ensure continuity of the Group's business and ability to generate return for its shareholders;
- ✓ maintain a strong capital base supporting the development of business;
- ✓ comply with capital requirements as established by supervision authorities.

The amount of capital that the Group managed as of 31.12.2022 was 473 931 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 minimumcapital (through minimizing risks and high transparency). On the other hand, the Group must strive towards sufficient and conservative capital reserve, which will ensure economic preservation even in the event of severe negative risk scenario;
- The risk appetite set by the Group is an important input to capital management planning and capital goal setting. Higher risk appetite requires marinating higher capital buffer.

Capital base	31.12.2022	31.12.2021
Paid-in share capital	31 542	29 864
Share premium	141 186	97 361
Reserves	4 713	4 713
Other reserves	-1 447	47
Accumulated loss	170,010	179 746
Intangible assets (subtracted)	-23 333	-14 473
Profit for the reporting period (COREP)	25,611	28 868
Other adjustments	-369	-128
CET1 capital elements or deductions	-456	-12 209
CET1 instruments of financial sector entities where the institution has a significant investment	-3 351	-4 328
CET1 instruments of financial sector entities where the institution has not a significant investment	-181	-5 236
Total Core Tier 1 capital	**343 931**	**275 357**
Additional Tier 1 capital	55 000	35 000
Total Tier 1 capital	**398 931**	**310 357**
Subordinated liabilities	75 000	75 000
Total Tier 2 capital	**75 000**	**75 000**
Total net own funds	**473 931**	**385 357**

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

NOTE 18 Transactions with related parties

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

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

Transactions	Q4 2022	12M 2022	Q4 2021	12M 2021
Interest income	**83**	**178**	**31**	**144**
incl. management	39	79	9	63
incl. shareholders that have significant influence	44	99	22	63
Fee and commission income	**74**	**88**	**1**	**12**
Incl. management	7	15	1	8
incl. shareholders that have significant influence	67	73	0	5
Interest expenses from deposits	**20**	**36**	**12**	**27**
incl. management	1	6	4	7
incl. shareholders that have significant influence	19	30	8	20
Interest expenses from subordinated loans	**87**	**331**	**81**	**323**
incl. management	2	9	3	9
incl. shareholders that have significant influence	85	322	78	314

Balances	31.12.2022	31.12.2021
Loans and receivables as at the year-end	**7 570**	**6 047**
incl. management	3 901	2 857
incl. shareholders that have significant influence	3 669	3 190
Deposits as at the year-end	**7 763**	**30 639**
incl. management	765	788
incl. shareholders that have significant influence	6 998	29 851
Subordinated loans as at the year-end	**4 434**	**4 134**
incl. management	148	148
incl. shareholders that have significant influence	4 286	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 Q4, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 781 thousand (Q4 2021: EUR 488 thousand), including all taxes. As at 31.12.2022, remuneration for December and accrued holiday pay in the amount of EUR 214 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 31.12.2022 and 31.12.2021 (pension liabilities, termination benefits, etc.). In Q4 2022, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 30 thousand (Q4 2021: EUR 30 thousand).

Management is related to the share-based compensation plan. In Q4 2022 the share-based compensation to management amounted to EUR 433 thousand (Q4 2021: EUR 286 thousand). The Group has signed contracts with the members of the Management Board, which do not provide for severance benefits upon termination of the contract. In any matters not regulated by the contract, the parties adhere to the procedure specified in the legislation of the Republic of Estonia.

NOTE 19 Tangible and intangible assets

(in thousands of euros)	Tangible assets	Right of use assets	Total tangible assets	Intangible assets	Costs incurred for the acquisition of customer contracts	Total intangible assets
Balance as at 31.12.2020						
Cost	6 763	5 446	12 209	9 457	15 964	25 421
Accumulated depreciation and amortisation	-3 983	-1 641	-5 624	-5 579	-4 695	-10 274
Carrying amount 31.12.2020	**2 780**	**3 805**	**6 585**	**3 878**	**11 269**	**15 147**
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
Balance as at 31.12.2021						
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
Carrying amount 31.12.2021	**4 432**	**4 042**	**8 474**	**3 764**	**8 061**	**11 825**
Purchase of non-current assets	6 527	5 642	12 169	3 745	0	3 745
Depreciation/amortisation charge	-1 431	-2 377	-3 808	-1 990	-1 503	-3 493

Tangible and intangible assets added by the acquisition of a subsidiary	23	0	23	896	0	896
Write-off of on-current assets	-13	0	-13	-366	0	-366
Capitalised selling costs	0	0	0	0	881	881
Balance as at 31.12.2022						
Cost	15 815	12 165	27 980	15 421	17 595	33 016
Accumulated depreciation and amortisation	-6 264	-4 858	-11 122	-9 006	-10 156	-19 162
Carrying amount 31.12.2022	**9 551**	**7 307**	**16 858**	**6 415**	**7 439**	**13 854**

NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)

	Year of issue	Amount	Interest rate	Maturity date
Subordinated Tier 2 liabilities	2018	20 000	6.0%	November 28 2028
Subordinated Tier 2 liabilities	2019	20 000	6.0%	November 28 2028
Subordinated Tier 2 liabilities	2020	35 000	6.0%	September 30 2030
Additional subordinated Tier 2 liabilites	2019	20 000	8.0%	Perpetual
Additional subordinated Tier 2 liabilites	2020	15 000	9.5%	Perpetual
Additional subordinated Tier 2 liabilites	2022	20 000	10.5%	Perpetual
Subordinated debt as at 31.12.2021		110 000		
Subordinated debt as at 31.12.2022		130 000		

NOTE 21 Changes in impairments

Changes in impairments	**Balance as at 01.01**	**Impairment provisions/reversals set up during the year**	**Written off during the reporting perion**	**Balance as at 31.12**
Corporate loans	-15 288	-5 426	5 216	-15 498
Consumer loans	-1 320	-2 092	1 303	-2 108
Investment financing	-130	-8	125	-13
Leasing	-1 250	-1 204	445	-2 009
Private loans	-1 061	-593	641	-1 014
Total 2022	**-19 049**	**-9 323**	**7 730**	**-20 642**

Changes in impairments	**Balance as at 01.01**	**Impairment provisions/reversals set up during the year**	**Written off during the reporting perion**	**Balance as at 31.12**
Corporate loans	-13 449	-9 706	7 867	-15 288
Consumer loans	-1 178	-1 318	1 176	-1 320
Investment financing	-25	-130	26	-129
Leasing	-1 385	-1 226	1 361	-1 250
Private loans	-821	-707	466	-1 062
Total 2021	**-16 858**	**-13 087**	**10 896**	**-19 049**

Shareholders of AS LHV Group

AS LHV Group has a total of 315 424 530 ordinary shares, with a nominal value of 0.1 euro.

As at 31 December 2022, AS LHV Group has 32 001 shareholders:

- 146 677 050 shares (46.5%) were held by members of the Supervisory Board and Management Board, and related parties.
- 168 747 480 shares (53.5%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 31 December 2022:

Number of	Participation	Name of shareholder
37 162 070	11.8%	AS Lõhmus Holdings
33 910 370	10.8%	Viisemann Investments AG
25 449 470	8.1%	Rain Lõhmus
12 265 090	3.9%	Ambient Sound Investments OÜ
11 310 000	3.6%	Krenno OÜ
10 875 280	3.5%	AS Genteel
10 828 210	3.4%	AS Amalfi
7 188 990	2.3%	SIA Krugmans
6 691 020	2.1%	Bonaares OÜ
6 037 590	1.9%	OÜ Meroona Systems

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 1 027 840 shares.
Martti Singi holds 775 980 shares and Unitas OÜ holds 77 540 shares.
Meelis Paakspuu holds 483 180 shares.
Jüri Heero holds 688 360 shares and Heero Invest OÜ holds 306 820 shares.
Rain Lõhmus holds 25 449 470 shares, AS Lõhmus Holdings 37 162 070 shares and OÜ Merona Systems 6 037 590 shares.
Andres Viisemann holds 545 840 shares. Viisemann Holdings OÜ holds 1 300 000 shares and Viisemann Investment AG holds 33 910 370 shares.
Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 10 828 210 shares.
Tiina Mõis holds 49 880 shares. AS Genteel holds 11 310 000 shares.
Heldur Meerits does not hold shares. AS Amalfi holds 10 875 280 shares.
Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 5 000 370 shares, Astrum OÜ holds 3 890 shares and Lame Maakera OÜ holds 480 120 shares.
Sten Tamkivi holds 4 000 shares. OÜ Seikatsu holds 159 390 shares and OÜ Notorious 172 240 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, Martti Singi, Meelis Paakspuu, Jüri Heero

AS LHV Varahaldus
Supervisory board: Madis Toomsalu, Andres Viisemann, Kadri Kiisel
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: Heidy Kütt (from 18.01.2023), Mari-Liis Stalde (till 18.01.2023)

AS LHV Kindlustus
Supervisory board: Madis Toomsalu, Erki Kilu, Veiko Poolgas, Jaan Koppel
Management board: Tarmo Koll, Martti-Sten Merilai

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 December 2022 period the condensed consolidated interim financial statements of AS LHV Group for the 12-months period ended 31 December 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.

07.02.2023

Madis Toomsalu

Martti Singi

Meelis Paakspuu

Jüri Heero