# Interim Report January – March 2023 Summary of Results

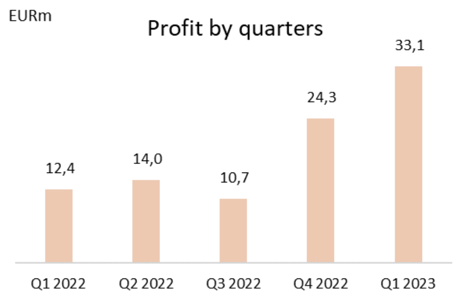
**Q1 2023 in comparison with Q4 2022**

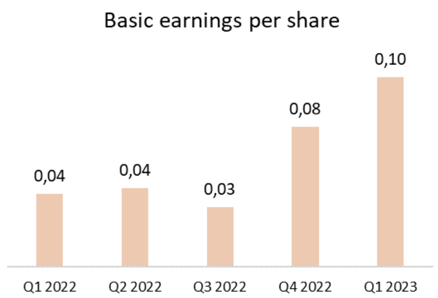
- Net profit EUR 33.1 m (EUR 24.3 m), of which EUR 32.7 m (EUR 24.1 m) is attributable to owners of the parent
- Earnings per share EUR 0.01 (EUR 0.08)
- Net income EUR 68.4 m (EUR 56.6 m)
- Operating expenses EUR 30.6 m (EUR 26.9 m)
- Loan and bond provisions EUR -1.6 m (EUR 0.3 m)
- Income tax expenses EUR 6.3 m (EUR 5.1 m)
- Return on equity 30.4% (24.0%)
- Capital adequacy 22.2% (20.8%)

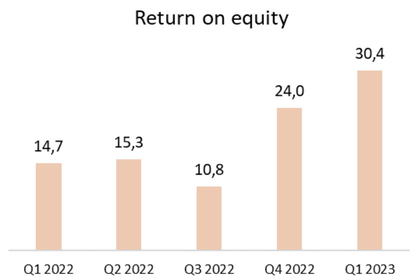
**Q1 2023 in comparison with Q1 2022**

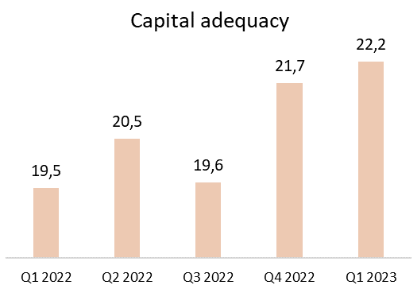
- Net profit EUR 33.1 m (EUR 12.4 m), of which EUR 32.7 m (EUR 11.9 m) is attributable to owners of the parent
- Earnings per share EUR 0.1 (EUR 0.04)
- Net income EUR 68.4 m (EUR 34.8 m)
- Operating expenses EUR 30.6 m (EUR 18.9 m)
- Loan and bond provisions EUR -1.6 m (EUR 0.7 m)
- Income tax expenses EUR 6.3 m (EUR 2.8 m)
- Return on equity 30.4% (14.7%)
- Capital adequacy 22.2% (19.5%)

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.



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# Summary of financial results

The Group's Q1 2023 consolidated net profit was EUR 33.1 million, which increased by EUR 8.7 million compared to Q4 2022 and by EUR 20.7 million compared to Q1 2022. The profit for the Group's shareholders was EUR 32.7 million in Q1 2023, which was EUR 8.6 million more than in Q4 2022.

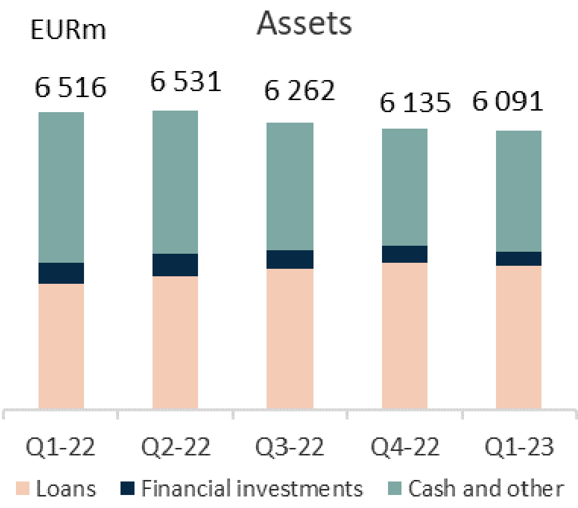
In Q1 2023, the Group's net interest income rose by 25% compared to Q4 2022 and stood at EUR 55.1 million (EUR 44.1 million in Q4 2022).

The Group's Q1 2023 consolidated net income was EUR 68.4 million, which increased by EUR 11.8 million compared to Q4 2022 and by EUR 33.6 million compared to Q1 2022. Operating expenses were EUR 30.6 million in Q1, which increased by EUR 3.7 million compared to Q4 2022 and by EUR 11.8 million compared to Q1 2022. Write-downs were reduced by EUR 1.6 million in Q1. Income tax expense on future disbursements of dividends by subsidiaries at the consolidated level was EUR 0.2 million in Q1.

Return on equity owned by LHV shareholders was 30.4% in Q1 2023, which increased by 6.3 percentage points from Q4 2022 (24.0%) and by 15.7 percentage points compared to Q1 2022 (14.7%).

The Group's consolidated net loan portfolio decreased by EUR 59 million during the quarter (EUR 114 million in Q4 2022) and consolidated deposits shrank by EUR 34 million (a decrease of EUR 268 million in Q4 2022). Deposits associated with payment intermediaries decreased by EUR 98 million (a decrease of EUR 241 million in Q4 2022). The Group's volume of deposits amounted to EUR 4,867 million at the end of Q1 (EUR 4,901 million in Q4 2022). Of that, EUR 4,340 million (EUR 4,645 million in Q4 2022) were call deposits and EUR 524 million (EUR 255 million in Q4) term deposits.The Group's loan volume decreased to EUR 3,149 million by the end of Q1 (EUR 3,209 million in Q4 2022), having decreased by 2% in the quarter. Compared to Q1 2022, the Group's deposit volume has decreased by 10% and the volume of loans has grown by 14%.

The bank's net profit at the consolidated level was EUR 37.3 million in Q1 2023, which is EUR 7.4 million more than the result in the previous quarter (EUR 29.9 million in Q4 2022) and EUR 22.5 million more than the net profit of Q1 2022. The number of the Bank's customers grew by 13,100 during the quarter (13,500 in Q4 2022) and the total number of the Bank's customers is 391,000.



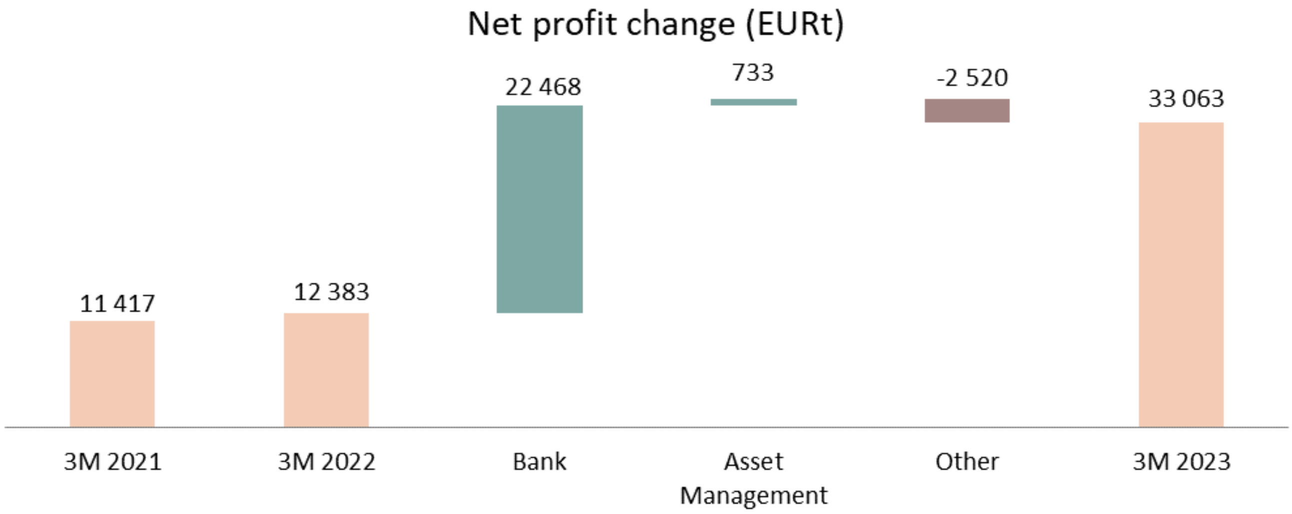

The Bank's loan portfolio decreas by EUR 60 million in Q1 due to two large loan repayments (EUR 92 million in Q4 2022), reaching EUR 3,127 million. Of loans, housing loans and refinancing loans grew the most.

The deposits of the Bank's customers decreased by EUR 38 million in Q1, with the payment intermediaries' deposit balance decreasing by EUR 98 million, while the deposits of the rest of the customers grew by EUR 60 million. The total volume of deposits was EUR 4,919 million at the end of Q1.

The net profit of LHV Varahaldus was EUR 0.1 million in Q1 2023 (EUR 0.5 million in Q4 2022). The service fee income of LHV Varahaldus was EUR 2.1 million, which is at the same level as in the previous quarter. The operating expenses of LHV Varahaldus amounted to EUR 1.3 million in Q1 2023 (EUR 1.2 million in Q4 2022). Expenses related to non-current assets (including depreciation on customer agreements) were EUR 0.4 million in Q1 2023, which is at the same level as in the previous quarter.

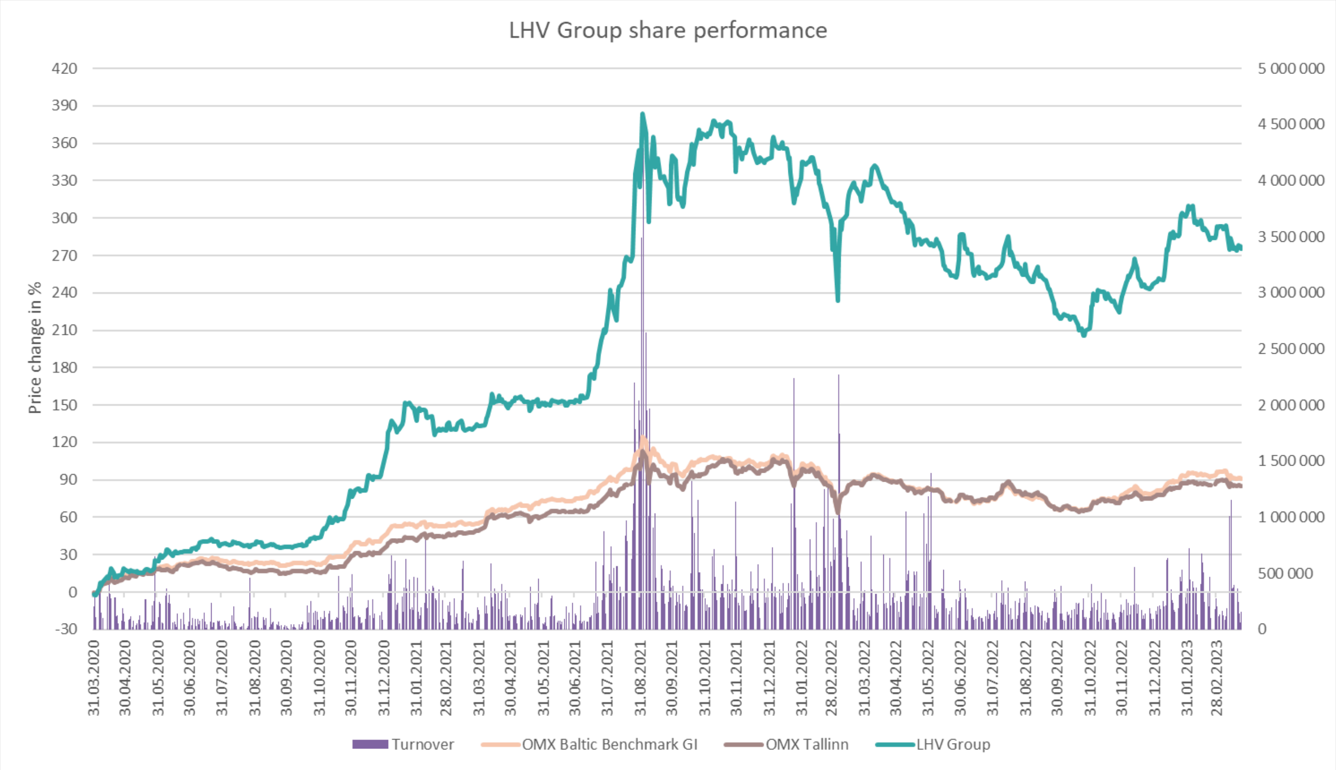
The total volume of funds managed by LHV grew by EUR 119 million in the quarter (a growth of EUR 66 million in Q4 2022). The number of active 2nd pillar customers decreased by 900 in a quarter (a growth of 1,700 in Q4 2022).

The net loss of LHV Kindlustus was EUR 0.5 million in Q1 2023 (a loss of EUR 0.5 million in Q4 2022). The volume of gross premiums increased by EUR 1.7 million in the quarter, reaching EUR 7.7 million. Income from insurance activities at LHV Kindlustus increased by EUR 0.2 million in the quarter, to EUR 0.6 million.




As at the end of Q1 2023, the net loan portfolio of LHV UK amounted to EUR 23 million. The net loss of LHV UK was EUR 2.5 million in Q1 2023 (a loss of EUR 5.1 million in Q4 2022). The net income of LHV UK amounted to EUR 3.5 million in Q1 2023 (EUR 0.2 million in Q4 2022). Since March, LHV Pank and LHV UK started to share the income of UK Banking service customers, and now this income is reflected on the side of LHV UK.

By business units, AS LHV Pank's consolidated net profit amounted to EUR 37.3 million in Q1 and that of AS LHV Varahaldus amounted to EUR 0.1 million. AS LHV Kindlustus reported a net loss of EUR 0.5 million. The net loss of LHV UK was EUR 2.5 million. The net loss of EveryPay AS was EUR 0.2 million. Viewed separately, LHV Group earned a net profit of EUR 3.7 million.




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 275%, when comparison indexes have increased by 86% and 91% respectively.

Group share price was 3.605 euros in the end of Q1 and based on the stock price, LHV's market value was EUR 1 137 million. When monitooring the share price, it should be taken into account that a 1/10 share split was carried out in the middle of 2022.

| **Business volumes**<br>EUR million | **Q1 2023** | **Q4 2022** | **Quarter over quarter** | **Q1 2022** | **Year over year** |
|---|---|---|---|---|---|
| Loan portfolio | 3 149.2 | 3 208.6 | -2% | 2 752.5 | 14% |
| Financial investments | 297.0 | 373.6 | -21% | 475.8 | -38% |
| Deposits of customers | 4 866.9 | 4 900.5 | -1% | 5 410.4 | -10% |
| incl. deposits of financial intermediates | 1 435.6 | 1 500.4 | -4% | 1 096.5 | 31% |
| Equity (including minority interest) | 453.9 | 420.8 | 8% | 335.9 | 35% |
| Equity (owners' share) | 446.9 | 412.9 | 8% | 329.2 | 36% |
| Volume of funds managed | 1 451.0 | 1 332.2 | 9% | 1 362.0 | 7% |
| Client securities | 3 459.6 | 3 208.4 | 8% | 3 531.0 | -2% |

| **Income statement**<br>EUR million | **Q1 2023** | **Q4 2022** | **Quarter over quarter** | **Q1 2022** | **Year over year** | **3M 2023** | **3M 2022** | **Year over year** |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 55.11 | 44.10 | 25% | 25.79 | 114% | 55.11 | 25.79 | 114% |
| Net fee and commission income | 11.88 | 11.55 | 3% | 10.35 | 15% | 11.88 | 10.35 | 15% |
| Other financial income | 1.39 | 0.84 | 65% | -1.31 | NA | 1.39 | -1.31 | NA |
| Total net operating income | 68.38 | 56.49 | 21% | 34.83 | 96% | 68.38 | 34.83 | 96% |
| Other income | 0.01 | 0.08 | -88% | -0.04 | NA | 0.01 | -0.04 | NA |
| Operating expenses | -30.63 | -26.88 | 14% | -18.87 | 62% | -30.63 | -18.87 | 62% |
| Loan and bond portfolio gains/(-losses) | 1.58 | -0.25 | NA | -0.74 | NA | 1.58 | -0.74 | NA |
| Income tax expenses | -6.28 | -5.11 | 23% | -2.80 | 124% | -6.28 | -2.80 | 124% |
| Net profit | 33.06 | 24.33 | 36% | 12.38 | 167% | 33.06 | 12.38 | 167% |
| Including attributable to owners of the parent | 32.65 | 24.08 | 36% | 11.88 | 175% | 32.65 | 11.88 | 175% |

| **Ratios**<br>EUR million | **Q1 2023** | **Q4 2022** | **Quarter over quarter** | **Q1 2022** | **Year over year** | **3M 2023** | **3M 2022** | **Year over year** |
|---|---|---|---|---|---|---|---|---|
| Average equity<br>(attributable to owners of the parent) | 429.9 | 400.5 | 29.4 | 322.8 | 107.1 | 429.9 | 322.8 | 107.1 |
| Return on equity (ROE), % | 30.4 | 24.0 | 6.4 | 14.7 | 15.7 | 30.4 | 14.7 | 15.7 |
| Return on assets (ROA), % | 2.2 | 1.6 | 0.6 | 0.7 | 1.5 | 2.2 | 0.7 | 1.5 |
| Interest-bearing assets, average | 6 044.9 | 6 139.5 | -94.6 | 6 644.2 | -599.3 | 6 044.9 | 6 644.2 | -599.3 |
| Net interest margin (NIM) % | 3.65 | 2.87 | 0.78 | 1.55 | 2.1 | 3.65 | 1.55 | 2.1 |
| Price spread (SPREAD) % | 3.59 | 2.84 | 0.75 | 1.53 | 2.06 | 3.59 | 1.53 | 2.06 |
| Cost/income ratio % | 44.8 | 47.5 | -2.7 | 54.2 | -9.4 | 44.8 | 54.2 | -9.4 |
| Profit attributable to owners before income tax | 39.1 | 29.1 | 10.0 | 14.6 | 24.5 | 39.1 | 14.6 | 24.5 |

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

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

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

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

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

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

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

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

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

# Operating Environment

The last quarter of the year ushered in continuing economic contraction in Europe, Asia and America. The easing of inflation did not occur at the hoped-for pace, which has forced central banks to tighten up monetary policy increasingly and raise interest rates. For the business community, this meant uncertainty since loan servicing costs will become increasingly burdensome and the return on investments will decrease. The purchasing power of households, which is also encumbered by the drop in real wages and increased borrowing costs, will also decrease. As a result, demand has become more modest and overall economic activity is weaker. Purchasing Managers' Indices (PMI) around the world fell 50 points below the level that qualifies as an economic contraction. In the first months of this year, the indices have recovered slightly, since the most pessimistic scenarios were not realized at year's end. In April, the IMF forecasted that the global economy would grow by 2.9% but as of October the forecast was upgraded 0.2 percentage points. Eurozone economic growth this year is forecasted by the central bank to be 1% and it will increase to 1.6% over the next two years.

Similarly to the rest of the world, the European economy avoided the bleakest scenarios at the end of the year. Quarterly GDP growth slowed from 0.4% in Q3 to 0% in Q4. Overall, the Eurozone economy grew 3.5% last year. Of larger countries, Spain and France were positive surprises, as their economic growth pace was positive while the German and Italian economies shrank compared to the previous quarter. The first survey data from this year suggest that the reopening of the Chinese economy have made the Eurozone's business sector more optimistic and concerns related to availability of energy have been now resolved in the production sector thanks to sufficient supplies. As such, activity has staged a strong recovery, especially in the services sector, as demand for various services is still being supported by the lifting of pandemic restrictions last year.

Eurozone inflation peaked in October, when it reached 10.6% year-over-year. In recent months, growth rate has slowed markedly and in March, the average consumer basket increased year over year "only" 6.9%. In the last few months of 2022, the Eurozone had a deflationary environment – the average consumer basket become less expensive in monthly comparison, but in February and March, the price rise sped up again somewhat. A faster easing of price growth is prevented by the energy prices carrying over to other prices, something that shows up after a lag time and is only now peaking. This is particularly visible in food prices, which grew close to 18% in December. Country by country, rising prices are unevenly distributed – in Spain and Luxembourg, inflation was around 3% in March, while it was around 15% year-over-year in Estonia, Latvia, Lithuania and Luxembourg.

The European Central Bank continued tightening monetary policy at the start of 2023. In both February and March, all three monetary policy interest rates were hiked by 0.5%. Thus, the main refinancing operations reached 3.5%, and It is still a bit lower compared to other larger central banks. A moderate decrease of the asset purchasing programme was also launched. Starting in March, the reinvested part of repayments of principal from purchased securities will drop an average of 15 billion euros per month. The central bank´s decisions were not swayed by the fluctuations in the banking sector in mid-March, as the more heavily impacted banks were operating in the US and Switzerland – i.e., Eurozone banks were unscathed by this wave of shaken confidence.

Leading persons at the European Central Bank have maintained a tough line in their statements, emphasizing that interest hikes are still to come and, in any case, the outlook is for interest rates to remain high for some time to come. However, the events that impacted the banking sector affected market participants' expectations regarding further development of the interest rate curve. The market participants' expectations culminated at 4.5% in regard to the six-month Euribor but over a few weeks, they fell approximately a percentage point lower. The actual Euribor rate also fell by 0.5% over just a few days. The latest estimates are that the Euribor should peak at 3.5% in October of this year.

The Estonian economy shrank by 1.3% in 2022. The economic difficulties that started mid-year intensified in Q4 and drove the GDP for the year as a whole into a deeper decline than expected. In the last quarter, GDP dropped 4.1% compared to the same period a year earlier. For the year as a whole, half of the areas of activity managed to increase value added, but unfortunately, most of these areas have a small share of the economic structure. The greatest positive influence came from the HoReCa area of activity, which appears to finally have overcome the pandemic ills. The logistics and construction sector and various business services also grew. Growth was slowed by real estate activity and retail and, in something of a surprise, the agriculture and energy sector. One of the bulwarks of the economy, the processing industry, remained on par with the year before.

The worsening of the economic situation at the end of the year was certainly not a surprise. The development was consistent with all of the previously released economic indicators. The volume of industrial output and export of goods decreased 10% in Q4, construction decreased 9% and retail sales, 5%. The larger than expected economic contraction was largely due to technical reasons, however – Statistics Estonia adjusted retail statistics for the Q1 of 2022, with the volume of imported services being estimated at about 200 million euros higher; this worsened both the state's trade balance and the influence of net export on GDP.

The rapid growth of consumer prices has started slowing, little by little, both in Estonia and Europe. In Estonia, the average consumer basket rose 15.3% in March; by 6.9% in Europe. The inflation figures are still high and reflect the leap in price seen in the first half of the last year. Prices have developed in quite a stable fashion since then – compared to August 2022, the CPI has risen only 1.9% in Estonia. True, price increase from one month to the next has been somewhat faster than at year's end. Transport costs for March remained at the same level as a year ago, and the rise in housing costs slowed similarly to previous months. Modest optimism can be seen in the fact that even the rise in food prices seems to have peaked already – inflation is slowing in this category of goods. Unfortunately, base inflation has not shown signs of slackening, as characterized by the fact that the consumer basket minus the more volatile categories of foodstuffs and fuels has increased in price.

The recently released economic forecasts for the Estonian economy also point to a small contraction this year. Depending on the source, the contraction may be around 1% (-0.6% according to Eesti Pank; -1.5% according to the Ministry of Finance). The contraction is largely due to the weak second half of 2022, which led to an exceptionally low starting point for this year. Comparing the quarters of the current year, economic conditions should improve. Hopefully the contraction will not be keenly felt for most, since forecasts suggest unemployment will not increase significantly, wages will rise an average of 10% and measured in euros, the economy will grow 6-7%.

# The Group's Liquidity, Capitalisation and Asset Quality

As at 31 March 2023, the Group's own funds stood at EUR 495.6 million (31 December 2022: EUR 495.0 million). LHV Group own funds are calculated based on regulative requirements.

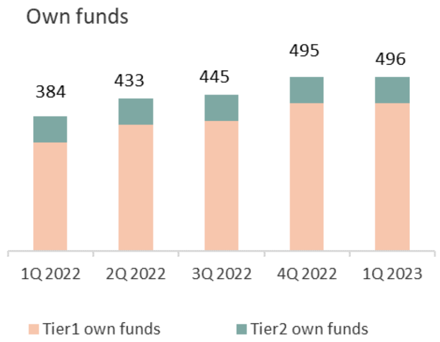
Compared to Group's internal capital adequacy ratio target 19.2%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio is an all-time high, amounting to 22.2% (31 December 2022: 21.7%). In addition to total capital adequacy targets the Group has 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 2022 by the Group's Supervisory Board, after the completion of the annual supervisory assessment by the Financial Supervision Authority.

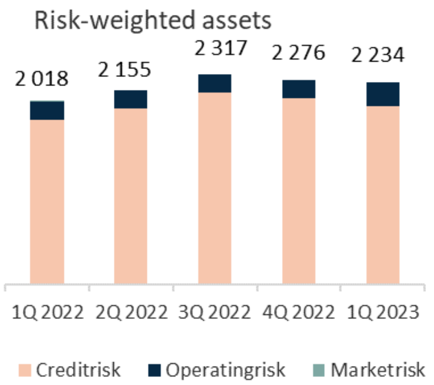
The minimum requirement for own funds and eligible liabilities (MREL) is a building block of the resolution plan and LHV has to maintain sufficient own funds and qualifying liabilities which can be used to cover losses in resolution planning. On 21st of June 2021 Estonian FSA set two separate MREL ratios 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 current interim targets are 19.08% (MREL-TREA) and 5.91% (MREL-LRE). LHV Group issued EUR 100 milion of MREL eligible bonds in September 2021 in order to fulfil the MREL target ratios. 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 146.2% as at the end of March (31 December 2022: 139.7%). Financial intermediates' deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 260.8% (31.12.2022: 231.5%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 47% of the balance sheet (31 December 2022: 46%). The ratio of loans to deposits stood at 61% as at the end of the fourth quarter (31 December 2022: 61%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of March, provisions for estimated loan losses amounted to EUR 18.4 million in the balance sheet, i.e. approximately 0.6% of the loan portfolio (31 December 2022: EUR 20.6 million, 0.7%). Estimated loan losses make up 1 771.1% (31 December 2022: 1 399.4%) of the portfolio of loans overdue for more than 90 days.

In the first quarter 2023 LHV Pank repaid the TLTRO loan taken from European Central Bank ahead of schedule in the amount of EUR 50 000 thousand.



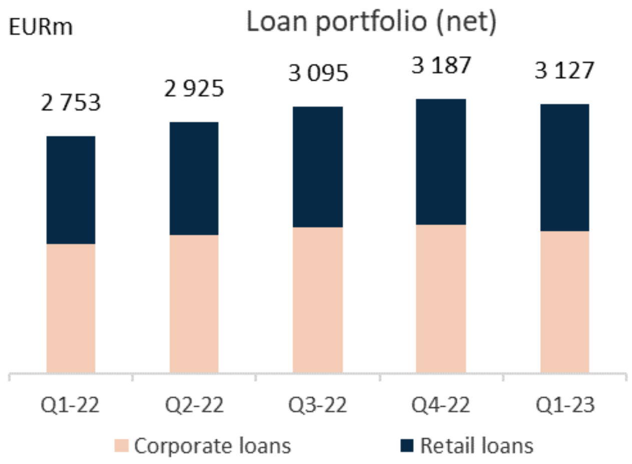



| EUR thousand | 31.03.2023 | Proportion | 31.12.2022 | Proportion |
|---|---|---|---|---|
| Loans to customers | 3 167 568 | | 3 229 214 | |
| including overdue loans: | 21 546 | 0.7% | 22 023 | 0.6% |
| 1-30 days | 17 727 | 0.6% | 17 770 | 0.5% |
| 31-60 days | 2 225 | 0.1% | 2 207 | 0.1% |
| 61-90 days | 555 | 0.0% | 570 | 0.0% |
| 91 and more days | 1 038 | 0.0% | 1 475 | 0.0% |
| Impairment of loans | -18 384 | -0.6% | -20 642 | -0.7% |
| Impairment % of loans overdue for more than 90 days | 1 771.1% | | 1 399.4% | |

| Capital base | 31.03.2023 | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| Paid-in share capital | 31 542 | 31 542 | 29 864 |
| Share premium | 141 186 | 141 186 | 97 361 |
| Statutory reserves transferred from net profit | 4 713 | 4 713 | 4 713 |
| Other reserves | -1 145 | -1 441 | 47 |
| Retained earnings | 229 664 | 216 189 | 179 746 |
| Intangible assets (subtracted) | -23 322 | -23 333 | -14 473 |
| Net profit for the reporting period (COREP) | 0 | 0 | 0 |
| Other adjustments | -287 | -369 | -128 |
| CET1 capital elements or deductions | -13 629 | 0 | -12 209 |
| CET1 instruments of financial sector entities where the institution has a significant investment | -2 917 | -3 351 | -4 328 |
| CET1 instruments of financial sector entities where the institution has not a significant investment | -180 | -180 | -5 236 |
| **Tier 1 capital** | **365 625** | **364 956** | **275 357** |
| Additional Tier 1 capital | 55 000 | 55 000 | 35 000 |
| **Total Tier 1 capital** | **420 625** | **419 956** | **310 357** |
| Subordinated debt | 75 000 | 75 000 | 75 000 |
| **Total Tier 2 capital** | **75 000** | **75 000** | **75 000** |
| **Net own funds for capital adequacy** | **495 625** | **494 956** | **385 357** |
| **Capital requirements** | | | |
| Central governments and central bank under standard method | 0 | 0 | 0 |
| Credit institutions and investment companies under standard method | 8 852 | 11 553 | 10 465 |
| Companies under standard method | 1 086 750 | 1 204 523 | 1 141 853 |
| Retail claims under standard method | 239 130 | 219 031 | 212 860 |
| Public sector under standard method | 0 | 0 | 6 |
| Housing real estate under standard method | 531 754 | 513 483 | 291 338 |
| Overdue claims under standard methods | 8 242 | 8 004 | 19 332 |
| Investment funds' shares under standard method | 187 | 186 | 190 |
| Other assets under standard method | 93 536 | 102 697 | 93 939 |
| **Total capital requirements for covering the credit risk and counterparty credit risk** | **1 968 451** | **2 059 477** | **1 769 983** |
| Capital requirement against foreign currency risk under standard method | 4 272 | 18 324 | 3 489 |
| Capital requirement against interest position risk under standard method | 0 | 0 | 0 |
| Capital requirement against equity portfolio risks under standard method | 1 385 | 740 | 2 079 |
| Capital requirement against credit valuation adjustment risks under standard method | 2 203 | 2 228 | 1 211 |
| Capital requirement for operational risk under base method | 259 437 | 197 920 | 152 778 |
| **Total capital requirements for adequacy calculation** | **2 235 748** | **2 278 689** | **1 929 540** |
| | | | |
| **Capital adequacy (%)** | **22,17** | **21.72** | **19.97** |
| **Tier 1 capital ratio (%)** | **18,81** | **18.43** | **16.08** |
| **Core Tier 1 capital ratio (%)** | **16,35** | **16.02** | **14.27** |

# Overview of AS LHV Pank Consolidation Group

- Net profit EUR 37.3 million
- Dream Employer




| EUR million | Q1 2023 | Q4 2022 | Change % | Q1 2022 | Change % | From the beginning of 2023 | From the beginning of 2022 | Change % |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 52.90 | 44.39 | 19% | 25.88 | 104% | 52.90 | 25.88 | 104% |
| Net fee and commission income | 7.55 | 8.26 | -9% | 7.79 | -3% | 7.55 | 7.79 | -3% |
| Other financial income | 1.18 | 0.69 | 71% | -1.42 | NA | 1.18 | -1.42 | NA |
| Total net operating income | 61.63 | 53.34 | 16% | 32.25 | 91% | 61.63 | 32.25 | 91% |
| Other income | 0.03 | 0.10 | -70% | -0.02 | NA | 0.03 | -0.02 | NA |
| Operating expenses | -20.78 | -18.10 | 15% | -14.37 | 45% | -20.78 | -14.37 | 45% |
| Loan and bond portfolio gains/(-losses) | 1.59 | -0.43 | NA | -0.74 | NA | 1.59 | -0.74 | NA |
| Income tax expenses | -5.15 | -4.99 | 3% | -2.27 | 127% | -5.15 | -2.27 | 127% |
| Net profit | 37.32 | 29.92 | 25% | 14.85 | 151% | 37.32 | 14.85 | 151% |
| Loan portfolio | 3 127 | 3 187 | -2% | 2 753 | 14% | | | |
| Financial investments | 281 | 365 | -23% | 467 | -40% | | | |
| Deposits of customers | 4 919 | 4 957 | -1% | 5 437 | -10% | | | |
| incl. deposits of financial entities | 1 488 | 1 557 | -4% | 1 850 | -20% | | | |
| Subordinated liabilities | 114 | 114 | 0% | 104 | 10% | | | |
| Equity | 423 | 388 | 9% | 293 | 44% | | | |

Q1 was successful in terms of income and net profit. In Q1, LHV Pank earned net interest income of EUR 52.9 million and EUR 7.5 million in net service fee income. Financial income amounted to EUR 1.2 million in Q1. In total, the Bank's income was EUR 61.7 million and expenses were EUR 20.8 million. Net income rose by 91% and expenses increased by 45% over the year. The discounts of loans and bonds decreased by EUR 1.6 million. We made forward-looking discounts, although their impact was reduced by a decrease in the volume of the portfolio and the strong position of customers, as the share of arrears in the loan portfolio continues to be low. 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 5.5 million in Q1. Income tax expense on future disbursements of dividends by subsidiaries at the consolidated level was EUR 0.1 million in Q1.

The Bank's Q1 profit amounted to EUR 37.3 million, which is 25% more than in Q4 2022 (29.9) and 151% more than in Q1 2022 (14.9).

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

The growth of net interest income stems from the rise in interest rates. The total volume of the Bank's loan portfolio reached EUR 3,127 million by Q1 end (Q4 2022: EUR 3,187 million). The volume of the portfolio grew by 2% during the quarter. The volume of loans grew by EUR 60 million in Q1 (EUR 92 million in Q4 2022). The net retail loan portfolio grew by 1% during the quarter, reaching EUR 1,466 million (Q4 2022: EUR 1,456 million). The net corporate loan portfolio decreased by 4% during the quarter, amounting to EUR 1,661 million (Q4 2022: EUR 1,731 million).

The volume of deposits at the Bank decreased by EUR 38 million from the previous quarter and stood at EUR 4919 million (Q4 2022: EUR 4,957 million). The volume of payment intermediaries' deposits dropped by EUR 98 million during the quarter. Of the deposits, EUR 4,390 million were call deposits and EUR 527 million term deposits. The volume of individuals' deposits was EUR 1 148 million as at the end of the quarter, having grown by 1.7% since the previous quarter.

The Bank's expense-income ratio was 33.7% in Q1, decreasing by 10.9 percentage points from Q1 2022 (44.6%).

The corporate credit portfolio, which includes loans and guarantees, grew EUR 160.4 million over the year (+10%) with a quarter-over-quarter decrease of EUR 70.6 million (-4%). The greatest source of the growth was loans for real estate activities, which traditionally is the field that receives the most financing from commercial banks, growing EUR 96.4 million during the year (+15%). The bulk of the growth came from the financing of commercial real estate projects with a strong income stream. Next came loans to the agricultural, forestry and fishery sectors, which grew EUR 56.0 million from the year before (+247%) and loans issued to the power, gas, steam and conditioned air sector, which grew EUR 51.7 million (+97%) over the year.

Compared to Q4 2022, the corporate credit portfolio was at the beginning of the current year influenced by cautiousness with regard to the future of the business environment and the continued cooling of the Estonian economy. LHV's financial plan, published in February, took such trends into account and foresaw no significant growth at the beginning of the year. In Q2, the companies' interest in investments is already recovering, facilitated by the expected stabilisation of interest rates.

The majority of corporate loans were granted to the real estate sector, which makes up 43% of the Bank's corporate loan portfolio. Of 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 in the financing of new development projects in Tallinn made up about one-fifth at the end of Q1 2023. 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 51%.

After the real estate sector, the largest amount of credit has been issued to companies in the manufacturing industry (9%) and to companies engaged in financial and insurance activities (8%). Of sectors that usually run a higher credit risk, HoReCa made up 3%, construction 3% and transport and warehousing 1% of the total volume of the portfolio.

During the quarter, the number of the bank's customers grew by over 13,000. Client activity remained at a good level. Deposits decreased by EUR 38 million over the quarter and loans grew by EUR 60 million.

Ordinary clients' deposits grew by EUR 60 million during the quarter and financial intermediaries' deposits decreased by EUR 98 million. The high inflation economic environment has significantly changed the dynamics of deposits, but growth can again be noticed after the period of decline. The buffers of both individuals' and companies' deposits have started growing, and active engagement of new clients supports the more positive trend compared to the market. The active provision of interest on term deposits is changing the long-term trend in the direction of more stable deposits balance – over one quarter, the balance of term deposits has doubled and reached 14% of the ordinary clients' deposits base. Financial intermediaries with larger deposits are impacted by the more modest activity on the market, volatility has decreased but clients are diversifying their deposits among different banks.

Loans to companies grew by EUR 70 million and retail loans by EUR 10 million. The decrease in the loan portfolio is affected by the unstable economic environment and consumers' low confidence. The growth in the loan portfolio planned this year was modest and essentially meets Q1 expectations. We see that companies' interest in making investments is however increasing once again and individuals will follow through more often on home buying plans once interest rate levels stabilize. In late March, the Green Home Loan interest rate campaign began, during which a 0% + EUR6 interest rate will apply to loan agreements concluded for buying A energy class real estate for the first year and from that point on, the ordinary Green Home Loan interest rate of 1.7%+EUR6. The campaign will run until late May and we hope that the offer will encourage clients to make sustainable decisions in today's unstable environment.

Net profit for the quarter was EUR 37 million. The strong result for Q1 was influenced mainly by the higher interest income. Due to the higher interest income and lower write-downs, net profit for the

Q1 outstripped planned target by EUR 11.5 million. Service fee income and expenses were as planned.

Loan impairments dropped by EUR 1.6 million during Q1. Since the macroeconomic environment has changed somewhat compared to the last quarter, we made model-based forward-looking write-downs in Q1, but these were offset by the stronger position of clients in the portfolio and the on-time repayment of several larger loans. As a whole, the quality of the bank's loan portfolio has remained strong and the share of overdue loans continues to be very low. We see some growth in consumer loans and loans issues to small enterprises.

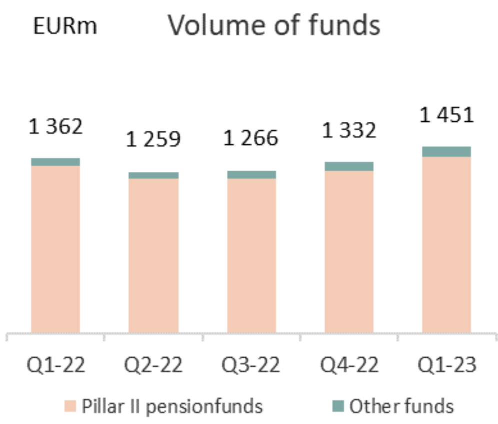
Although the Euribor has a positive impact on the bank's revenue base, we must curb our expectations in the changed macroeconomic environment. The very rapid and high inflation in the autumn has slackened, but the price level is expected to remain high. In addition, higher Euribor levels are now being reflected in loan agreements, and this has increased the size of clients' loan payments. Overall, both business people and consumers must factor in significantly higher expenditures, which will impact consumers' ability to make ends meet as well as the well-being of companies. Companies will adjust, but planned investments into energy performance will not give quick relief and expense on input prices cannot always be passed on fully to clients. The industrial sector is most impacted, and lay-offs have taken place. For now, unemployment remains at a reasonable level, and this is the best protection for individuals' loan portfolio.

Based on a cooperation agreement signed in early March between LHV UK Ltd and the Estonian bank, approximately 50 employees were transferred under the UK company and they will be engaged in providing daily service to clients in the Banking Services business area. This is the planned first step to move the Banking Services area to the incipient UK bank, with which we will share the income earned in this area.

LHV Pank was selected a Dream Employer and as a result of the annual assessment of customer service in the banking sector conducted by Dive Group, the bank with the best customer service. A recommendation index survey conducted each year by Kantar Emor resulted in LHV placing fifth overall (an improvement from 6th last year). In the banks category, we maintain a strong leader position with an NPS score of 47. With a recommendation index of 49 among internet banks, we placed first. In open comments, LHV was praised for good functioning, convenience and expertise.

# Overview of AS LHV Varahaldus

- Profit before income tax in Q1 – EUR 0.6 million
- Net profit – EUR 0.1 million, largely due to the EUR 0.5 million income tax expense paid on EUR 3 million dividends
- Number of active second-pillar customers at the end of the quarter – 130 thousand
- Volume of assets in second-pillar funds – more than EUR 1.4 billion, increase of EUR 113 million in a quarter
- Third-pillar net assets continue to grow, an increase of EUR 6 million in three months




| EUR million | Q1 2023 | Q4 2022 | Change % | Q1 2022 | Change % | 3M 2023 | 3M 2022 | Change % |
|---|---|---|---|---|---|---|---|---|
| Net fee and commission income | 2.13 | 2.01 | 6% | 2.01 | 9% | 2.13 | 2.01 | 6% |
| Net financial income | 0.17 | 0.14 | 21% | 0.10 | 70% | 0.17 | 0.10 | 21% |
| Operating expenses | -1.32 | -1.21 | 9% | -1.35 | -2% | -1.32 | -1.35 | 9% |
| Depreciation of non-current assets | -0.40 | -0.40 | 0% | -0.53 | -25% | -0.40 | -0.53 | 0% |
| Profit | 0.58 | 0.54 | 7% | 0.18 | 222% | 0.58 | 0.18 | 7% |
| Financial investments | 8.0 | 8.0 | 0% | 8.0 | 0% | | | |
| Equity | 20.0 | 23.0 | -13% | 22.0 | -9% | | | |
| Assets under management | 1 451.0 | 1 332.0 | 9% | 1 362.0 | 7% | | | |

In Q1, LHV Varahaldus had operating income of EUR 2.1 million, financial income EUR 0.2 million, a profit before income tax of EUR 0.6 million. Net profit was affected by the dividend payment in March and the related income tax expense. The results largely correspond to the financial plan – thanks to good results in January, the revenue was somewhat higher than expected thanks to higher fund volumes and the management fees charged on that, while the cost base has been positively influenced by lower than expected personnel expenses. Compared to the last quarter of the previous year, both the operating income and the profit before income tax have grown by EUR 0.1 million. The financial results continue to be affected by the amortisation of intangible assets caused by the exit from the 2nd pillar, although the expense is 10% smaller than a year ago.

Q1 was favourable for stock markets. After a very strong January, there was more volatility and uncertainty across sectors in February and March, but the quarter as a whole was positive. In euros, MSCI World, SP500 and Euro Stoxx 50 rose 5.8%, 5.5% and 14.2% in value, respectively. The main keywords continue to include inflation and the interest rate movements of central banks, a strong labour market in the US and Europe, as well as the fear of a potential economic decline.

LHV's largest actively managed pension funds showed stable positive results throughout the three months. The values of M, L and XL shares grew in Q1 by 1.5%, 2.0% and 2.3%, respectively. Primarily on the backdrop of the strong January, the quarter was positive for pension funds with a higher equity risk – LHV pension fund Index grew by 4.3% and LHV pension fund Green by 5.0%. The conservative funds S and XS rose by 1.1% and 1.0%, respectively. Growth in social tax revenue – which serves as a comparison index – saw rapid growth in Q1, remaining more than 10% higher than the same period in the previous year in each month. The labour market continues to be very strong also in Estonia, with Eesti Pank forecasting a slight increase in unemployment, but a salary growth of nearly 11% compared to the previous year.

There were no major changes in the portfolios in Q1. Across sectors, we continue to invest more in precious metals and energy, and in the growing interest rate environment we increasingly look at the bonds of strong listed companies as a good-yield alternative to share market.

LHV's number of active second-pillar customers at the quarter's end was slightly more than 130 thousand, having dropped by slightly less than a thousand in the three months. The drop was caused by the customers who withdrew from the 2nd pillar at the beginning of January – of LHV's pension fund customers, nearly 1900 customers left as a result of exiting the 2nd pillar. The market share did not change much in terms of customers, still around 25%. March also marked the end of the four-month period for submitting applications for leaving the second pillar; the disbursements will be in September. For the third consecutive season, the number of withdrawals as well as the amount paid out remained lower than the organic addition of customers and the customers' contributions in four months, with LHV's second-pillar funds growing organically again. The volume of assets managed by LHV Varahaldus was EUR 1450 million at the end of the quarter, with the growth in the volume of assets strongly influenced by the state's compensation of the temporarily suspended second-pillar payments together with the yield in the second half of January. The effect of the compensation of the suspended payments on the volumes of the second-pillar funds was EUR 73 million.

The portfolio of all actively managed funds and distribution of asset classes largely correspond to the long-term goal, where M, L and XL portfolio are mainly invested in unlisted asset classes less dependent on stock markets. We keep a close eye on developments on the stock market and are prepared to quickly adjust our positions depending on the conditions. We also devote extra attention to liquidity to ensure capability to more aggressively invest and naturally make disbursements to customers if they change or exit funds.

# Overview of AS LHV Kindlustus

AS LHV Kindlustus continued to grow the volumes of its insurance portfolio in Q1 2023. Gross insurance premiums grew by 27.9% and net earned premiums by 44.6% compared to Q4 2022. During the quarter, 39.3 thousand new insurance contracts were concluded, with premiums totalling EUR 9.0 million. The volume of insurance premiums from the health insurance production solution launched in cooperation with Confido in Q4 2022 was EUR 2.6 million in Q1. The number of insurance contracts and the volume of premiums continues to grow across insurance products in all the sales channels. The company is exceeding the goals for growth set in the 2023 financial plan.

The company continued to develop an insurance information system and introduced a number of new functionalities that help make the contract management process more efficient. Preparations also continued to introduce new claims handling software.

As at 31 March 2023, LHV Kindlustus had 220 thousand valid insurance contracts and 155 thousand customers.

The volume of gross insurance premiums was EUR 7 711.8 thousand and the net earned insurance premiums totalled EUR 4498.5 thousand in Q1. Vehicle and motor TPL insurance made up 50.9% and health insurance 33.3% of the volume of insurance premiums in Q1.

During Q1, 8 233 new loss events were registered and claims adjustment was completed for 7 537 events. As at the end of the quarter, a total of 2 279 claim files were open. The net losses incurred in the period together with indirect claims adjustment costs were EUR 3 508.6 thousand. Loss provisions stood at EUR 2 973.9 thousand at the end of the period.

As is characteristic of winter months, vehicle and motor TPL insurance events were more frequent in Q1. There was also one big home insurance fire loss. The company suffered a loss of EUR 450.1 thousand. The result falls short of the financial forecast primarily due to the accumulation of losses in March and the big fire claim. The company’s volume of operating expenses met expectations.

| EUR thousand | **Q1 2023** | **Q4 2022** | **Change %** | **Q1 2022** | **Change %** |
|---|---|---|---|---|---|
| Gross insurance premiums | 7 712 | 6 028 | 28% | 1 748 | 341% |
| Net earned insurance premiums | 4 499 | 3 111 | 45% | 1 263 | 256% |
| Net losses incurred | 3 509 | 2 428 | 45% | 1 030 | 241% |
| Total net operating expenses | 1 505 | 1 212 | 24% | 731 | 106% |
| Underwriting result | -515 | -529 | -3% | -498 | 3% |
| Net profit | -450 | -527 | -15% | -497 | -9% |
| Actuarial reserves at the end of the period | 15 613 | 12 564 | 24% | 4 976 | 214% |
| Equity at the end of the period | 4 403 | 5 078 | -13% | 6 159 | -29% |

As of the end of Q1, 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 | Q1 2023 | 3M 2023 | Q1 2022 | 3M 2022 |
|---|---|---|---|---|---|
| Interest income | | 64 477 | 64 477 | 32 850 | 32 850 |
| Interest expense | | -9 369 | -9 369 | -7 063 | -7 063 |
| **Net interest income** | 9 | **55 108** | **55 108** | **25 787** | **25 787** |
| Fee and commission income | | 15 644 | 15 644 | 14 815 | 14 815 |
| Fee and commission expense | | -3 767 | -3 767 | -4 468 | -4 468 |
| **Net fee and commission income** | 10 | **11 877** | **11 877** | **10 347** | **10 347** |
| Net gains from financial assets measured at fair value | | -115 | -115 | -1 467 | -1 467 |
| Foreign exchange rate gains/losses | | 1 500 | 1 500 | 153 | 153 |
| **Net gains from financial assets** | | **1 385** | **1 385** | **-1 314** | **-1 314** |
| Other income | | 20 | 20 | 55 | 55 |
| Other expense | | -7 | -7 | -90 | -90 |
| **Total other income** | | **13** | **13** | **-35** | **-35** |
| Staff costs | | -15 667 | -15 667 | -10 248 | -10 248 |
| Administrative and other operating expenses | | -14 955 | -14 955 | -8 618 | -8 618 |
| **Total expenses** | 11 | **-30 622** | **-30 622** | **-18 866** | **-18 866** |
| **Profit before impairment losses** | | **37 761** | **37 761** | **15 919** | **15 919** |
| Impairment losses on loans and bonds | 21 | 1 583 | 1 583 | -735 | -735 |
| **Profit before income tax** | | **39 344** | **39 344** | **15 184** | **15 184** |
| Income tax expense | | -6 281 | -6 281 | -2 801 | -2 801 |
| **Net profit for the reporting period** | 2 | **33 063** | **33 063** | **12 383** | **12 383** |
| **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 | | 296 | 296 | -44 | -44 |
| **Total profit and other comprehensive income for the reporting period** | | **33 359** | **33 359** | **12 339** | **12 339** |
| **Total profit of the reporting period attributable to:** | | | | | |
| Owners of the parent | | 32 654 | 32 654 | 11 880 | 11 880 |
| Non-controlling interest | | 409 | 409 | 503 | 503 |
| **Total profit for the reporting period** | 2 | **33 063** | **33 063** | **12 383** | **12 383** |
| **Total profit and other comprehensive income attributable to:** | | | | | |
| Owners of the parent | | 32 950 | 32 950 | 11 836 | 11 836 |
| Non-controlling interest | | 409 | 409 | 503 | 503 |
| **Total profit and other comprehensive income for the reporting period** | | **33 359** | **33 359** | **12 339** | **12 339** |
| Basic earnings per share (in euros) | 16 | 0.10 | 0.10 | 0.04 | 0.04 |
| Diluted earnings per share (in euros) | 16 | 0.10 | 0.10 | 0.04 | 0.04 |

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statement of Financial Position

| *(in thousands of euros)* | **Note** | **31.03.2023** | **31.12.2022** |
|---|---|---|---|
| **Assets** | | | |
| Due from central bank | 4, 5, 6, 12 | 2 464 384 | 2 390 964 |
| Due from credit institutions | 4, 5, 6, 12 | 105 445 | 87 933 |
| Due from investment companies | 4, 6, 12 | 4 348 | 3 391 |
| Financial assets at fair value through profit or loss | 4, 6, 7 | 14 391 | 9 354 |
| Financial assets at amortized cost | 7 | 282 622 | 364 230 |
| Loans and advances to customers | 4, 6, 8, 21 | 3 149 183 | 3 208 572 |
| Receivables from customers | | 19 737 | 21 019 |
| Other financial assets | | 124 | 124 |
| Other assets | | 8 311 | 6 775 |
| Financial investment | | 1 180 | 1 180 |
| Tangible assets | 19 | 16 258 | 16 859 |
| Intangible assets | 19 | 13 809 | 13 853 |
| Goodwill | | 10 748 | 10 748 |
| **Total assets** | 2 | **6 090 540** | **6 135 002** |
| **Liabilities** | | | |
| Loans received from Central Banks (TLTRO) | 13 | 99 144 | 147 841 |
| Deposits of customers | 13 | 4 866 899 | 4 900 515 |
| Loans received and debt securities in issue | 13 | 440 859 | 438 642 |
| Financial liabilities at fair value through profit or loss | 7 | 3 701 | 3 850 |
| Accounts payable and other liabilities | 14 | 94 979 | 92 462 |
| Subordinated debt | 6, 20 | 131 070 | 130 843 |
| **Total liabilities** | 2 | **5 636 652** | **5 714 153** |
| **Owner's equity** | | | |
| Share capital | | 31 542 | 31 542 |
| Share premium | | 141 186 | 141 186 |
| Statutory reserve capital | | 4 713 | 4 713 |
| Other reserves | | 7 120 | 5 683 |
| Retained earnings | | 262 318 | 229 817 |
| **Total equity attributable to owners of the parent** | | **446 879** | **412 941** |
| Non-controlling interest | | 7 009 | 7 908 |
| **Total equity** | | **453 888** | **420 849** |
| **Total liabilities and equity** | | **6 090 540** | **6 135 002** |

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statement of Cash Flows

| *(in thousands of euros)* | Note | Q1 2023 | 3M 2023 | Q1 2022 | 3M 2022 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Interest received | | 62 652 | 62 652 | 32 755 | 32 755 |
| Interest paid | | -5 732 | -5 732 | -6 291 | -6 291 |
| Fees and commissions received | | 15 646 | 15 646 | 14 940 | 14 940 |
| Fees and commissions paid | | -3 767 | -3 767 | -4 468 | -4 468 |
| Other income received | | -323 | -323 | -170 | -170 |
| Staff costs paid | | -13 563 | -13 563 | -8 719 | -8 719 |
| Administrative and other operating expenses paid | | -12 122 | -12 122 | -6 896 | -6 896 |
| Income tax | | -6 801 | -6 801 | -4 896 | -4 896 |
| **Cash flows from operating activities before change in operating assets and liabilities** | | **35 990** | **35 990** | **16 255** | **16 255** |
| **Net increase/decrease in operating assets:** | | | | | |
| Net increase/(decrease) in financial assets at fair value through profit or loss | | -2 401 | -2 401 | -109 | -109 |
| Loans and advances to customers | | 70 363 | 70 363 | -76 369 | -76 369 |
| Mandatory reserve at central bank | | -251 | -251 | 3 576 | 3 576 |
| Security deposits | | 0 | 0 | 2 112 | 2 112 |
| Other assets | | -6 560 | -6 560 | 4 851 | 4 851 |
| **Net increase/decrease in operating liabilities:** | | | | | |
| Demand deposits of customers | | -305 383 | -305 383 | -401 565 | -401 565 |
| Term deposits of customers | | 269 947 | 269 947 | 3 695 | 3 695 |
| Loans received | | -48 591 | -48 591 | 0 | 0 |
| Prepayments of loans received | | 0 | 0 | -221 | -221 |
| Financial liabilities held for trading at fair value through profit and loss | | -149 | -149 | -124 | -124 |
| Other liabilities | | 1 220 | 1 220 | 58 195 | 58 195 |
| **Net cash generated from/used in operating activities** | | **14 185** | **14 185** | **-389 704** | **-389 704** |
| **Cash flows from investing activities** | | | | | |
| Purchase of non-current assets | | -1 288 | -1 288 | -2 399 | -2 399 |
| Net changes of investment securities at fair value through profit or loss and of investment securities at amortized cost | | -78 873 | -78 873 | -341 346 | -341 346 |
| **Net cash flows from/used in investing activities** | | **77 585** | **77 585** | **-343 745** | **-343 745** |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | | -1 225 | -1 225 | -2 100 | -2 100 |
| Repayments of the principal of lease liabilities | | -523 | -523 | -364 | -364 |
| **Net cash flows from/used in financing activities** | | **-1 748** | **-1 748** | **-2 464** | **-2 464** |
| **Effect of exchange rate changes on cash and cash equivalents** | 6 | **1 616** | **1 616** | **97** | **97** |
| **Net increase/decrease in cash and cash equivalents** | | **91 638** | **91 638** | **-735 816** | **-735 816** |
| Cash and cash equivalents at the beginning of the period | | 2 433 599 | 2 433 599 | 3 930 012 | 3 930 012 |
| **Cash and cash equivalents at the end of the period** | 12 | **2 525 237** | **2 525 237** | **3 194 196** | **3 194 196** |

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements

# Condensed Consolidated Interim Statement of Changes in Equity

| *(in thousands of euros)* | Share capital | Share premium | Statutory reserve capital | Other reserves | Retained earnings | **Total equity attributable to owners of LHV Group** | Non-controlling interest | **Total equity** |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 01.01.2022** | **29 864** | **97 361** | **4 713** | **4 733** | **179 746** | **316 417** | **8 384** | **324 801** |
| Paid in share capital | 0 | 0 | 0 | 0 | 0 | 0 | -2 100 | **-2 100** |
| Dividends paid | 0 | 0 | 0 | 904 | 0 | 904 | 0 | **904** |
| Share options | *0* | *0* | *0* | *0* | *11 880* | *11 880* | *503* | ***12 383*** |
| *Profit for the reporting period* | *0* | *0* | *0* | *-44* | *0* | *-44* | *0* | ***-44*** |
| *Other comprehensive income/loss* | 0 | 0 | 0 | -44 | 11 880 | 11 836 | 503 | **12 339** |
| Total profit and other comprehensive income for the reporting period | **29 864** | **97 361** | **4 713** | **5 593** | **191 626** | **329 157** | **6 787** | **335 944** |
| **Balance as at 31.03.2022** | **29 864** | **97 361** | **4 713** | **4 733** | **179 746** | **316 417** | **8 384** | **324 801** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 01.01.2023** | **31 542** | **141 186** | **4 713** | **5 683** | **229 817** | **412 941** | **7 908** | **420 849** |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | **0** | -1 225 | **-1 225** |
| Share options | 0 | 0 | 0 | 1 141 | 0 | **1 141** | 0 | **1 141** |
| *Profit for the reporting period* | *0* | *0* | *0* | 0 | *32 654* | **32 654** | 409 | **33 063** |
| *Other comprehensive income/loss* | *0* | *0* | *0* | *296* | 0 | **296** | 0 | **296** |
| Total profit and other comprehensive income for the reporting period | 0 | 0 | 0 | 296 | 32 654 | **32 950** | 409 | **33 359** |
| **Balance as at 31.03.2023** | **31 542** | **141 186** | **4 713** | **7 120** | **262 318** | **446 879** | **7 009** | **453 888** |

The Notes on pages 21 to 36 are an integral part of the condensed consolidated interim financial statements

# Notes to the Condensed Consolidated Interim Financial Statements

## NOTE 1 Accounting Policies

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

The accounting policies and methods of computation used in the preparation of the interim report are the same as the accounting policies and methods of computation used in the annual report for the year ended 31 December 2022, 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 2022, 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.

| Q1 2023 | 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 | 17 410 | 27 518 | 0 | 3 795 | -2 209 | 25 | 2 832 | 15 106 | 64 477 |
| Interest expense | 11 270 | -11 551 | 0 | -1 246 | 7 094 | -26 | -69 | -14 841 | -9 369 |
| **Net interest income** | **28 681** | **15 967** | **0** | **2 549** | **4 884** | **-1** | **2 763** | **265** | **55 108** |
| Fee and commission income | 7 424 | 1 295 | 2 125 | 246 | 3 481 | 552 | 724 | -203 | 15 644 |
| Fee and commission expense | -3 809 | -702 | 0 | -184 | -241 | 0 | -24 | 1 193 | -3 767 |
| **Net fee and commission income** | **3 616** | **593** | **2 125** | **62** | **3 239** | **552** | **700** | **989** | **11 877** |
| **Other income** | **-1** | **3** | **0** | **0** | **0** | **-3** | **0** | **14** | **13** |
| **Net income** | **32 295** | **16 563** | **2 125** | **2 611** | **8 124** | **548** | **3 463** | **1 269** | **66 998** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Net gains from financial assets | -37 | 0 | 172 | 0 | 1 | 33 | -1 | 1 218 | 1 385 |
| Administrative and other operating expenses, staff costs | -9 722 | -4 426 | -1 722 | -942 | -3 978 | -1 031 | -5 964 | -2 837 | -30 622 |
| **Operating profit** | **22 537** | **12 137** | **575** | **1 669** | **4 146** | **-450** | **-2 502** | **-351** | **37 761** |
| Impairment losses on loans and advances | -263 | 2 739 | 0 | -829 | 0 | 0 | -9 | -55 | 1 583 |
| Income tax | -1 766 | -2 113 | -488 | -166 | -104 | 0 | 0 | -1 644 | -6 281 |
| **Net profit** | **20 508** | **12 762** | **87** | **674** | **4 042** | **-450** | **-2 511** | **-2 049** | **33 063** |

| **3M 2023** | **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 | 17 410 | 27 518 | 0 | 3 795 | -2 209 | 25 | 2 832 | 15 106 | 64 477 |
| Interest expense | 11 270 | -11 551 | 0 | -1 246 | 7 094 | -26 | -69 | -14 841 | -9 369 |
| **Net interest income** | **28 681** | **15 967** | **0** | **2 549** | **4 884** | **-1** | **2 763** | **265** | **55 108** |
| Fee and commission income | 7 424 | 1 295 | 2 125 | 246 | 3 481 | 552 | 724 | -203 | 15 644 |
| Fee and commission expense | -3 809 | -702 | 0 | -184 | -241 | 0 | -24 | 1 193 | -3 767 |
| **Net fee and commission income** | **3 616** | **593** | **2 125** | **62** | **3 239** | **552** | **700** | **989** | **11 877** |
| **Other income** | **-1** | **3** | **0** | **0** | **0** | **-3** | **0** | **14** | **13** |
| **Net income** | **32 295** | **16 563** | **2 125** | **2 611** | **8 124** | **548** | **3 463** | **1 269** | **66 998** |
| Net gains from financial assets | -37 | 0 | 172 | 0 | 1 | 33 | -1 | 1 218 | 1 385 |
| Administrative and other operating expenses, staff costs | -9 722 | -4 426 | -1 722 | -942 | -3 978 | -1 031 | -5 964 | -2 837 | -30 622 |
| **Operating profit** | **22 537** | **12 137** | **575** | **1 669** | **4 146** | **-450** | **-2 502** | **-351** | **37 761** |
| Impairment gains/(-losses) on loans and bond portfolio | -263 | 2 739 | 0 | -829 | 0 | 0 | -9 | -55 | 1 583 |
| Income tax | -1 766 | -2 113 | -488 | -166 | -104 | 0 | 0 | -1 644 | -6 281 |
| **Net profit** | **20 508** | **12 762** | **87** | **674** | **4 042** | **-450** | **-2 511** | **-2 049** | **33 063** |
| **Total assets 31.03.2023** | **2 559 201** | **3 280 893** | **21 469** | **93 140** | **0** | **35 159** | **39 847** | **60 831** | **6 090 540** |
| **Total liabilities 31.03.2023** | **3 624 712** | **551 628** | **1 156** | **77 009** | **1 342 054** | **30 756** | **6 318** | **3 019** | **5 636 652** |

| Q1 2022 | 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 | 8 945 | 16 984 | 0 | 2 866 | 3 457 | 0 | 0 | 598 | 32 850 |
| Interest expense | -1 783 | -3 621 | 0 | -473 | -2 480 | 0 | 0 | 1 294 | -7 063 |
| **Net interest income** | **7 162** | **13 364** | **0** | **2 393** | **976** | **0** | **0** | **1 892** | **25 787** |
| Fee and commission income | 6 517 | 1 186 | 1 959 | 198 | 5 150 | 142 | 0 | -337 | 14 815 |
| Fee and commission expense | -3 521 | -1 033 | 0 | -183 | -528 | 0 | 0 | 797 | -4 468 |
| **Net fee and commission income** | **2 996** | **154** | **1 959** | **15** | **4 622** | **142** | **0** | **460** | **10 347** |
| **Other income** | **-83** | **31** | **0** | **0** | **1** | **0** | **0** | **16** | **-35** |
| **Net income** | **10 074** | **13 548** | **1 959** | **2 408** | **5 599** | **142** | **0** | **2 368** | **36 099** |
| Net gains from financial assets | -47 | 2 | 102 | 0 | 1 | 1 | -1 | -1 372 | -1 314 |
| Administrative and other operating expenses, staff costs | -7 268 | -3 942 | -1 877 | -683 | -2 922 | -641 | -1 637 | 104 | -18 866 |
| **Operating profit** | **2 759** | **9 608** | **184** | **1 725** | **2 678** | **-498** | **-1 638** | **1 100** | **15 919** |
| Impairment gains/(-losses) on loans and bond portfolio | -102 | -851 | 0 | 220 | 0 | 0 | 0 | -2 | -735 |
| Income tax | -629 | -860 | -830 | -132 | -216 | 0 | 0 | -133 | -2 801 |
| **Net profit** | **2 028** | **7 897** | **-646** | **1 813** | **2 462** | **-498** | **-1 638** | **965** | **12 383** |

| 3M 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 | 8 945 | 16 984 | 0 | 2 866 | 3 457 | 0 | 0 | 598 | 32 850 |
| Interest expense | -1 783 | -3 621 | 0 | -473 | -2 480 | 0 | 0 | 1 294 | -7 063 |
| **Net interest income** | **7 162** | **13 364** | **0** | **2 393** | **976** | **0** | **0** | **1 892** | **25 787** |
| Fee and commission income | 6 517 | 1 186 | 1 959 | 198 | 5 150 | 142 | 0 | -337 | 14 815 |
| Fee and commission expense | -3 521 | -1 033 | 0 | -183 | -528 | 0 | 0 | 797 | -4 468 |
| **Net fee and commission income** | **2 996** | **154** | **1 959** | **15** | **4 622** | **142** | **0** | **460** | **10 347** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Other income** | **-83** | **31** | **0** | **0** | **1** | **0** | **0** | **16** | **-35** |
| **Net income** | **10 074** | **13 548** | **1 959** | **2 408** | **5 599** | **142** | **0** | **2 368** | **36 099** |
| Net gains from financial assets | -47 | 2 | 102 | 0 | 1 | 1 | -1 | -1 372 | -1 314 |
| Administrative and other operating expenses, staff costs | -7 268 | -3 942 | -1 877 | -683 | -2 922 | -641 | -1 637 | 104 | -18 866 |
| **Operating profit** | **2 759** | **9 608** | **184** | **1 725** | **2 678** | **-498** | **-1 638** | **1 100** | **15 919** |
| Impairment losses on loans and advances | -102 | -851 | 0 | 220 | 0 | 0 | 0 | -2 | -735 |
| Income tax | -629 | -860 | -830 | -132 | -216 | 0 | 0 | -133 | -2 801 |
| **Net profit** | **2 028** | **7 897** | **-646** | **1 813** | **2 462** | **-498** | **-1 638** | **965** | **12 383** |
| **Total assets 31.03.2022** | **2 610 710** | **3 726 218** | **23 494** | **72 656** | **0** | **15 997** | **7 575** | **59 768** | **6 516 418** |
| **Total liabilities 31.03.2022** | **3 405 739** | **647 847** | **1 492** | **58 959** | **2 105 755** | **9 838** | **369** | **-49 525** | **6 180 474** |

## 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 2022. 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

| 31.03.2023 | Estonia | Germany | Other EU | USA | UK | Other | Total |
|---|---|---|---|---|---|---|---|
| Due from banks and investment companies | 2 055 857 | 0 | 314 711 | 15 112 | 188 381 | 116 | **2 574 177** |
| Financial assets at fair value | 144 777 | 9 | 147 657 | 39 | 4 524 | 7 | **297 013** |
| Loans and advances to customers | 3 097 677 | 812 | 21 322 | 593 | 24 008 | 4 771 | **3 149 183** |
| Receivables from customers | 19 737 | 0 | 0 | 0 | 0 | 0 | **19 737** |
| Other financial assets | 24 | 0 | 0 | 100 | 0 | 0 | **124** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total financial assets** | **5 318 072** | **821** | **483 690** | **15 844** | **216 913** | **4 894** | **6 040 234** |
| Loans received from Central Banks (TLTRO) | 99 144 | 0 | 0 | 0 | 0 | 0 | **99 144** |
| Deposits of customers and loans received | 3 666 827 | 5 149 | 768 994 | 73 747 | 326 019 | 26 163 | **4 866 899** |
| Loans received and bonds issued | 440 859 | 0 | 0 | 0 | 0 | 0 | **440 859** |
| Subordinated debt | 131 070 | 0 | 0 | 0 | 0 | 0 | **131 070** |
| Financial liabilities at fair value | 3 701 | 0 | 0 | 0 | 0 | 0 | **3 701** |
| Accounts payable and other financial liabilities | 77 722 | 0 | 0 | 0 | 5 287 | 0 | **83 009** |
| **Total financial liabilities** | **4 419 323** | **5 149** | **768 994** | **73 747** | **331 306** | **26 163** | **5 624 682** |

Unused loan commitments in the amount of EUR 597 886 thousand are for the residents of Estonia.

| 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.

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

| 31.03.2023 | 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 | 100 635 | | **100 635** |
| Deposits from customers | 4 340 929 | 231 214 | 259 103 | 41 113 | 0 | **4 872 359** |
| Loans received and bonds issued | 0 | 250 | 1 750 | 452 250 | 0 | **454 250** |
| Subordinated debt | 0 | 2 406 | 46 094 | 103 731 | 0 | 152 231 |
| Accounts payable and other financial liabilities | 0 | 83 009 | 0 | 0 | 0 | **83 009** |
| Unused loan commitments | 0 | 597 886 | 0 | 0 | 0 | **597 886** |
| Financial guarantees by contractual amounts | 0 | 46 808 | 0 | 0 | 0 | **46 808** |
| Foreign exchange derivatives (gross settled) | 0 | 166 526 | 0 | 0 | 0 | **166 526** |
| Financial liabilities at fair value | 0 | 3 701 | 0 | 0 | 0 | **3 701** |
| **Total liabilities** | **4 340 929** | **1 131 800** | **306 947** | **697 729** | **0** | **6 477 405** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Financial assets by contractual maturity dates** | | | | | | |
| Due from banks and investment companies | 2 574 177 | 0 | 0 | 0 | 0 | **2 574 177** |
| Financial assets at fair value (debt securities) | 0 | 0 | 139 932 | 145 512 | 466 | **285 910** |
| Loans and advances to customers | 0 | 160 885 | 462 404 | 2 196 807 | 1 374 798 | **4 194 894** |
| Receivables from customers | 0 | 19 737 | 0 | 0 | 0 | **19 737** |
| Foreign exchange derivatives (gross settled) | 0 | 166 526 | 0 | 0 | 0 | **166 526** |
| Other financial assets | 124 | 0 | 0 | 0 | 0 | **124** |
| **Total financial assets** | **2 574 301** | **347 148** | **602 336** | **2 342 319** | **1 375 264** | **7 241 368** |
| | | | | | | |
| **Maturity gap from financial assets and liabilities** | **-1 766 628** | **-784 652** | **295 389** | **1 644 590** | **1 375 264** | **763 963** |

| **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** |

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

| **31.03.2023** | **EUR** | **CHF** | **GBP** | **SEK** | **USD** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| **Assets bearing currency risk** | | | | | | | |
| Due from banks and investment companies | 2 358 450 | 1 654 | 195 605 | 3 344 | 8 388 | 6 736 | **2 574 177** |
| Financial assets at fair value | 292 442 | 1 | 4 524 | 1 | 43 | 2 | **297 013** |
| Loans and advances to customers | 3 119 719 | 30 | 23 324 | 520 | 5 375 | 216 | **3 149 183** |
| Receivables from customers | 13 530 | 2 | 549 | 198 | 4 736 | 722 | **19 737** |
| Other financial assets | 124 | 0 | 0 | 0 | 0 | 0 | **124** |
| **Total assets bearing currency risk** | **5 784 265** | **1 687** | **224 002** | **4 063** | **18 543** | **7 675** | **6 040 234** |
| | | | | | | | |
| **Liabilities bearing currency risk** | | | | | | | |
| Loans received from Central Banks (TLTRO) | 99 144 | 0 | 0 | 0 | 0 | 0 | **99 144** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Deposits from customers | 4 484 983 | 6 596 | 190 929 | 9 400 | 166 248 | 8 742 | **4 866 899** |
| Loans received and bonds issued | 440 859 | 0 | 0 | 0 | 0 | 0 | **440 859** |
| Financial liabilities at fair value | 3 701 | 0 | 0 | 0 | 0 | 0 | **3 701** |
| Accounts payable and other financial liabilities | 65 781 | -3 | 10 968 | 648 | 5 408 | 207 | **83 009** |
| Subordinated debt | 131 070 | 0 | 0 | 0 | 0 | 0 | **131 070** |
| **Total liabilities bearing currency risk** | **5 225 538** | **6 593** | **201 897** | **10 048** | **171 656** | **8 949** | **5 624 681** |
| Open gross position derivative assets at contractual value | 0 | 4 916 | 0 | 5 984 | 154 272 | 1 354 | **166 526** |
| Open gross position derivative liabilities at contractual value | 166 526 | 0 | 0 | 0 | 0 | 0 | **166 526** |
| **Open foreign currency position** | **392 201** | **10** | **22 104** | **-1** | **1 159** | **80** | **415 553** |

| **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 bond 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** |

## 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** | **31.03.2023** | **Level 1** | **Level 2** | **Level 3** | **31.12.2022** |
|---|---|---|---|---|---|---|---|---|
| **Financial assets at fair value through profit and loss** | | | | | | | | |
| Shares and fund units* | 1 064 | 7 666 | 0 | **8 730** | 1 075 | 7 474 | 0 | **8 549** |
| Bonds at fair value through profit and loss | 3 205 | 0 | 0 | **3 205** | 765 | 0 | 0 | **765** |
| Interest rate swaps and foreign exchange forwards | 0 | 2 456 | 0 | **2 456** | 0 | 40 | 0 | **40** |
| **Total financial assets** | **4 269** | **10 122** | **0** | **14 391** | **1 840** | **7 514** | **0** | **9 354** |
| **Financial liabilities at fair value through profit and loss** | | | | | | | | |
| Interest rate swaps and foreign exchange | 0 | 3 701 | 0 | 3 701 | 0 | 3 850 | 0 | 3 850 |
| **Total financial liabilities** | **0** | **3 701** | **0** | **3 701** | **0** | **3 850** | **0** | **3 850** |

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 666 (31.12.2022: 7 474) 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 March 31, 2023, the liquidity portfolio in the amount of EUR 282 622 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 total amount of EUR 71 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 31.03.2023 the fair value of corporate loans and overdraft is EUR 18 363 thousand (1.05%) higher than their carrying amount (31.12.2022: 37 846 thousand, 2.11% 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 March 2023 and 31 December 2022. 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

| 31.03.2023 | Stage 1 | Stage 2 | Stage 3 | Provision | Total | % |
|---|---|---|---|---|---|---|
| Individuals | 1 138 356 | 114 762 | 5 056 | -3 596 | 1 254 578 | 39.8% |
| Agriculture | 95 581 | 3 130 | 0 | -234 | 98 477 | 3.1% |
| Mining and Quarrying | 860 | 777 | 102 | -58 | 1 681 | 0.1% |
| Manufacturing | 117 700 | 40 475 | 37 | -1 237 | 156 975 | 5.0% |
| Energy | 49 021 | 1 373 | 0 | -121 | 50 273 | 1.6% |
| Water and sewerage | 28 440 | 313 | 0 | -308 | 28 445 | 0.9% |
| Construction | 116 910 | 4 984 | 527 | -1 907 | 120 514 | 3.8% |
| Wholesale and retail trade | 127 499 | 7 604 | 222 | -945 | 134 380 | 4.3% |
| Transportation and storage | 15 808 | 10 553 | 1 | -698 | 25 664 | 0.8% |
| Accommodation and catering | 11 626 | 23 362 | 164 | -1 492 | 33 660 | 1.1% |
| Information and communication | 12 596 | 1 350 | 41 | -32 | 13 955 | 0.4% |
| Financial activities | 108 075 | 9 406 | 0 | -611 | 116 870 | 3.7% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Real estate activities | 746 789 | 32 875 | 1 453 | -3 247 | 777 870 | 24.7% |
| Professional, scientific and technical activities | 81 022 | 5 692 | 24 | -218 | 86 520 | 2.7% |
| Administrative and support service activities | 87 049 | 3 039 | 27 | -438 | 89 677 | 2.8% |
| Local municipalities | 76 385 | 0 | 0 | -131 | 76 254 | 2.4% |
| Education | 5 006 | 557 | 0 | -317 | 5 246 | 0.2% |
| Health care | 14 379 | 816 | 0 | -90 | 15 105 | 0.5% |
| Arts and entertainment | 28 846 | 28 493 | 0 | -2 652 | 54 687 | 1.7% |
| Other service activities | 6 837 | 1 557 | 10 | -52 | 8 352 | 0.3% |
| **Total** | **2 868 785** | **291 118** | **7 664** | **-18 384** | | |
| Provision | -8 313 | -7 809 | -2 262 | | | |
| **Total loan portfolio** | **2 860 472** | **283 309** | **5 402** | | **3 149 183** | **100%** |

| **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%** |

## NOTE 9 Net Interest Income

| **Interest income** | **Q1 2023** | **3M 2023** | **Q1 2022** | **3M 2022** |
|---|---|---|---|---|
| From balances with credit institutions and investment | 1 839 | 1 839 | 263 | 263 |
| From central bank | 13 554 | 13 554 | 500 | 500 |
| From debt securities | 530 | 530 | -99 | -99 |
| Leasing | 2 344 | 2 344 | 1 440 | 1 440 |
| Leverage loans and lending of securities | 367 | 367 | 435 | 435 |
| Consumer loans | 2 892 | 2 892 | 2 058 | 2 058 |
| Hire purchase | 904 | 904 | 808 | 808 |

| | | | | |
|---|---|---|---|---|
| Corporate loans | 28 144 | 28 144 | 17 328 | 17 328 |
| Credit card loans | 232 | 232 | 195 | 195 |
| Mortgage loans | 12 428 | 12 428 | 5 531 | 5 531 |
| Private loans | 842 | 842 | 554 | 554 |
| Other loans | 404 | 404 | 3 837 | 3 837 |
| **Total** | **64 477** | **64 477** | **32 850** | **32 850** |
| **Interest expense** | | | | |
| Deposits of customers and loans received | -4 676 | -4 676 | -1 162 | -1 162 |
| Balances with the central bank | 0 | 0 | -3 786 | -3 786 |
| Other interest expense | -218 | -218 | 0 | 0 |
| Subordinated liabilities | -4 475 | -4 475 | -2 115 | -2 115 |
| including loans between related parties | -89 | -89 | -81 | -81 |
| **Total** | **-9 369** | **-9 369** | **-7 063** | **-7 063** |
| **Net interest income** | **55 108** | **55 108** | **25 787** | **25 787** |

| **Interest income on loans by customer location (interest on bank balances and bonds excluded):** | **Q1 2023** | **3M 2023** | **Q1 2022** | **3M 2022** |
|---|---|---|---|---|
| Estonia | 48 137 | 48 137 | 32 186 | 32 186 |
| UK | 417 | 417 | 0 | 0 |
| **Total** | **48 554** | **48 554** | **32 186** | **32 186** |

## NOTE 10 Net Fee and Commission Income

| **Fee and commission income** | **Q1 2023** | **3M 2023** | **Q1 2022** | **3M 2022** |
|---|---|---|---|---|
| Security brokerage and commissions paid | 1 108 | 1 108 | 1 422 | 1 422 |
| Asset management and similar fees | 3 674 | 3 674 | 3 276 | 3 276 |
| Currency exchange fees conversion revenues | 1 429 | 1 429 | 2 304 | 2 304 |
| Fees from cards and payments | 7 461 | 7 461 | 6 644 | 6 644 |
| Other fee and commission income | 1 972 | 1 972 | 1 294 | 1 294 |
| **Total** | **15 644** | **15 644** | **14 815** | **14 815** |
| **Fee and commission expense** | | | | |
| Security brokerage and commissions paid | -604 | -604 | -639 | -639 |
| Expenses related to cards | -1 373 | -1 373 | -1 712 | -1 712 |
| Expenses related to acquiring | -1 703 | -1 703 | -1 643 | -1 643 |
| Other fee and commission expense | -87 | -87 | -474 | -474 |
| **Total** | **-3 767** | **-3 767** | **-4 468** | **-4 468** |
| **Net fee and commission income** | **11 877** | **11 877** | **10 347** | **10 347** |

| **Fee and commission income by customer location:** | **Q1 2023** | **3M 2023** | **Q1 2022** | **3M 2022** |
|---|---|---|---|---|
| Estonia | 13 858 | 13 858 | 12 972 | 12 972 |
| Great Britain | 1 786 | 1 786 | 1 843 | 1 843 |
| **Total** | **15 644** | **15 644** | **14 815** | **14 815** |

## NOTE 11 Operating Expenses

| | **Q1 2023** | **3M 2023** | **Q1 2022** | **3M 2022** |
|---|---|---|---|---|
| Wages, salaries and bonuses | 12 722 | 12 722 | 7 805 | 7 805 |
| Social security and other taxes* | 2 945 | 2 945 | 2 443 | 2 443 |
| **Total personnel expenses** | **15 667** | **15 667** | **10 248** | **10 248** |

| | | | | |
|---|---|---|---|---|
| IT expenses | 3 136 | 3 136 | 1 664 | 1 664 |
| Information services and bank services | 427 | 427 | 299 | 299 |
| Marketing expenses | 809 | 809 | 962 | 962 |
| Office expenses | 579 | 579 | 416 | 416 |
| Transportation and communication expenses | 148 | 148 | 132 | 132 |
| Staff training and business trip expenses | 351 | 351 | 255 | 255 |
| Other outsourced services | 2 715 | 2 715 | 2 195 | 2 195 |
| Other administrative expenses | 4 489 | 4 489 | 1 103 | 1 103 |
| Depreciation of non-current assets | 1 985 | 1 985 | 1 338 | 1 338 |
| Operational lease payments | 146 | 146 | 108 | 108 |
| Other operating expenses | 170 | 170 | 146 | 146 |
| **Total other operating expenses** | **14 955** | **14 955** | **8 618** | **8 618** |
| **Total operating expenses** | **30 622** | **30 622** | **18 866** | **18 866** |

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

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

| | 31.03.2023 | 31.12.2022 |
|---|---|---|
| Demand and term deposits with maturity less than 3 months* | 109 793 | 91 324 |
| Statutory reserve capital with the central bank | 48 940 | 48 689 |
| Demand deposit from central bank* | 2 415 444 | 2 342 275 |
| **Total** | **2 574 177** | **2 482 288** |
| *Cash and cash equivalents in the Statement of Cash Flows | 2 525 237 | 2 433 599 |

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 4 348 thousand (31 December 2022: EUR 3 391 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 31 March 2023 was 1% (31 December 2022: 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 | 31.03.2023 |
|---|---|---|---|---|---|
| Demand deposits | 975 236 | 1 402 477 | 1 914 766 | 44 956 | 4 337 435 |
| Term deposits | 171 729 | 32 488 | 303 722 | 18 987 | 526 926 |
| Accrued interest liability | 689 | 648 | 1 120 | 81 | 2 538 |
| **Total** | **1 147 654** | **1 435 613** | **2 219 608** | **64 024** | **4 866 899** |

| 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** |

| Loans received 31.03.2023 | TLTRO | Covered bonds | Preferred senior bond | Total loans received and dept securities in issue |
|---|---|---|---|---|
| Loans received | 100 000 | 249 356 | 190 325 | 439 681 |
| Accrued interest liability | -856 | 203 | 975 | 1 178 |
| **Total** | **99 144** | **249 559** | **191 300** | **440 859** |

| 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** |

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 2022, the Bank returned early loan of 50 million euros to the European Central Bank and the same amount was also returned in first quarter 2023.

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 | 31.03.2023 | 31.12.2022 |
|---|---|---|
| Trade payables and payables to merchants | 12 401 | 1 943 |
| Other short-term financial liabilities | 6 288 | 10 676 |
| Lease liabilities | 12 401 | 6 766 |
| Payments in transit | 31 414 | 40 101 |
| Financial guarantee contracts issued | 1 381 | 1 228 |
| Liabilities from insurance services | 29 832 | 23 411 |
| **Subtotal** | **83 009** | **84 125** |
| **Not financial liabilities** | | |
| Performance guarantee contracts issued | 1 575 | 1 058 |
| Tax liabilities | 4 420 | 3 086 |
| Payables to employees | 4 711 | 3 457 |
| Other short-term liabilities | 1 264 | 736 |
| **Subtotal** | **11 970** | **8 337** |
| **Total** | **94 979** | **92 462** |

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 March 2023 | 38 401 | 46 808 | 8 367 | 597 886 | **691 462** |
| Liability in the contractual amount as at 31 December 2022 | 30 174 | 52 577 | 6 605 | 601 093 | **690 449** |

## 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.

| | Q1 2023 | 3M 2023 | Q1 2022* | 3M 2022* |
|---|---|---|---|---|
| Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand) | 32 654 | 32 654 | 11 880 | 11 880 |
| Weighted average number of shares (in thousands of units) | 315 425 | 315 425 | 294 920 | 294 920 |
| Basic earnings per share (EUR) | 0,10 | 0,10 | 0,04 | 0,04 |
| Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units) | 321 411 | 321 411 | 301 740 | 301 740 |
| Diluted earnings per share (EUR) | 0,10 | 0,10 | 0,04 | 0,04 |

* 2022 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 31.03.2023 was 495 625 thousand euros (31.12.2022: 494 956 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 | 31.03.2023 | 31.12.2022 |
|---|---|---|
| Paid-in share capital | 31 542 | 31 542 |
| Share premium | 141 186 | 141 186 |
| Reserves | 4 713 | 4 713 |
| Other reserves | -1 145 | -1 447 |
| Accumulated loss | 229 664 | 170,010 |
| Intangible assets (subtracted) | -23 322 | -23 333 |
| Profit for the reporting period (COREP) | 0 | 49 179 |
| Other adjustments | -287 | -369 |
| CET1 capital elements or deductions | -13 629 | 0 |
| CET1 instruments of financial sector entities where the institution has a significant investment | -2 917 | -3 351 |
| CET1 instruments of financial sector entities where the institution has not a significant investment | -180 | -180 |
| **Total Core Tier 1 capital** | **365 625** | **364 956** |
| Additional Tier 1 capital | 55 000 | 55 000 |
| **Total Tier 1 capital** | **420 625** | **419 956** |
| Subordinated liabilities | 75 000 | 75 000 |
| **Total Tier 2 capital** | **75 000** | **75 000** |
| **Total net own funds** | **495 625** | **494 956** |

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 | Q1 2023 | 3M 2023 | Q1 2022 | 3M 2022 |
|---|---|---|---|---|
| **Interest income** | **81** | **81** | **31** | **31** |
| incl. management | 46 | 46 | 13 | 13 |
| incl. shareholders that have significant influence | 35 | 35 | 18 | 18 |
| **Fee and commission income** | **58** | **58** | **3** | **3** |
| Incl. management | 8 | 8 | 2 | 2 |
| incl. shareholders that have significant influence | 50 | 50 | 1 | 1 |
| **Interest expenses from deposits** | **22** | **22** | **4** | **4** |
| incl. management | 2 | 2 | 1 | 1 |
| incl. shareholders that have significant influence | 20 | 20 | 3 | 3 |
| **Interest expenses from subordinated loans** | **89** | **89** | **81** | **81** |
| incl. management | 2 | 2 | 3 | 3 |
| incl. shareholders that have significant influence | 87 | 87 | 78 | 78 |

| Balances | 31.03.2023 | 31.12.2022 |
|---|---|---|
| **Loans and receivables as at the year-end** | **7 655** | **7 570** |
| incl. management | 3 875 | 3 901 |
| incl. shareholders that have significant influence | 3 780 | 3 669 |
| **Deposits as at the year-end** | **7 401** | **7 763** |
| incl. management | 1 615 | 765 |
| incl. shareholders that have significant influence | 5 786 | 6 998 |
| **Subordinated loans as at the year-end** | **4 434** | **4 434** |
| incl. management | 148 | 148 |
| incl. shareholders that have significant influence | 4 286 | 4 286 |

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 Q1, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 690 thousand (Q1 2022: EUR 570 thousand), including all taxes. As at 31.03.2023, remuneration for March and accrued holiday pay in the amount of EUR 180 thousand (31.12.2022: EUR 214 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 31.03.2023 and 31.12.2022 (pension liabilities, termination benefits, etc.). In Q1 2023, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 30 thousand (Q1 2022: EUR 32 thousand).

Management is related to the share-based compensation plan. In Q1 2023 the share-based compensation to management amounted to EUR 482 thousand (Q1 2022: EUR 397 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 31.12.2021** | | | | | | |
| 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** |
| Purchase of non-current assets | 256 | 0 | 256 | 838 | 0 | 838 |
| Depreciation/amortisation charge | -374 | -534 | -908 | -702 | -375 | -1 077 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Recalculation of the accumulated | 43 | 50 | 93 | 537 | 0 | 537 |
| Write-off of on-current assets | -29 | -12 | -41 | 0 | 0 | 0 |
| Capitalised selling costs | 0 | 0 | 0 | 0 | 194 | 194 |
| **Balance as at 31.03.2023** | | | | | | |
| Cost | 16 114 | 12 215 | 28 329 | 16 796 | 17 789 | 34 585 |
| Accumulated depreciation and amortisation | -6 667 | -5 404 | -12 071 | -10 245 | -10 531 | -20 776 |
| **Carrying amount 31.03.2023** | **9 447** | **6 811** | **16 258** | **6 551** | **7 258** | **13 809** |

## 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 31.12.2022 | | 130 000 | | |
| Subordinated debt as at 31.03.2023 | | 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 31.03 |
|---|---|---|---|---|
| Corporate loans | -15 498 | -1 796 | 4 556 | -12 739 |
| Consumer loans | -2 108 | -1 042 | 667 | -2 482 |
| Investment financing | -13 | -6 | 2 | -17 |
| Leasing | -2 009 | -323 | 250 | -2 081 |
| Private loans | -1 014 | -262 | 212 | -1 064 |
| **Total 2023** | **-20 642** | **-3 429** | **5 688** | **-18 384** |

| 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** |

# 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 March 2023, AS LHV Group has 34 473 shareholders:**

- 146 598 764 shares (46.5%) were held by members of the Supervisory Board and Management Board, and related parties.
- 168 825 766 shares (53.5%) were held by Estonian entrepreneurs and investors, and related parties.

**Top ten shareholders as at 31 March 2023:**

| 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

**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 March 2023 period the condensed consolidated interim financial statements of AS LHV Group for the 3-months period ended 31 March 2023.

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.

**18.04.2023**

**Madis Toomsalu**

**Martti Singi**

**Meelis Paakspuu**

**Jüri Heero**