

Interim Report January – June 2022

Summary of Results

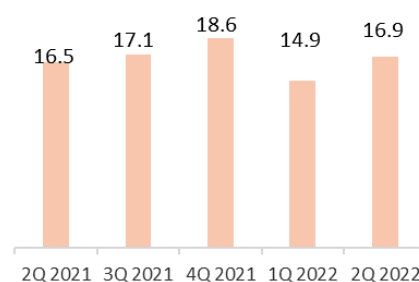
Q2 2022 in comparison with Q1 2022

- Net profit EUR 16.9 m (14.9 m eurot), of which EUR 16.4 m (EUR 14.2 m) is attributable to owners of the parent
- Net income EUR 35.0 m (EUR 32.3 m)
- Operating expenses EUR 15.6 m (EUR 14.4 m)
- Loan and bond provisions EUR -0.3 m (EUR 0.7 m)
- Income tax expenses EUR 2.8 m (EUR 2.3 m)
- Return on equity 22.2% (20.2%)
- Capital adequacy 17.78% (18.43%)

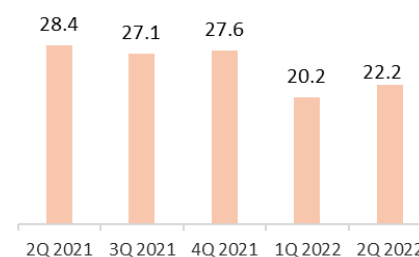
Q1 2022 in comparison with Q1 2021

- Net profit EUR 16.9 m (EUR 16.5 m), of which EUR 16.4 m (EUR 16.0 m) is attributable to owners of the parent
- Net income EUR 35.0 m (EUR 30.2 m)
- Operating expenses EUR 15.6 m (11.9 m)
- Loan and bond provisions EUR -0.3 m (EUR -0.8 m)
- Income tax expenses EUR 2.8 m (EUR 2.7 m)
- Return on equity 22.2% (28.4%)
- Capital adequacy 17.78% (18.0%)

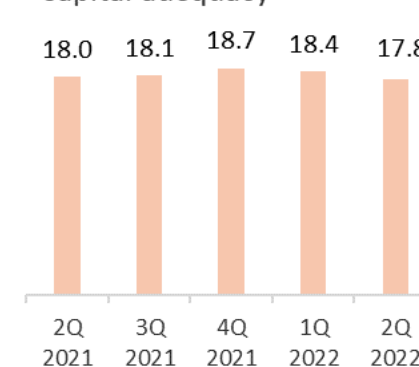
Profit by quarters



Return on equity



Capital adequacy



The return on equity ratio is based on the profit and equity attributed to the owners of AS LHV Pank and do not include any non-controlling interest.

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Business activities

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

Ordinary clients' deposits grew by 54 million euros during the quarter and financial intermediaries' deposits decreased by 94 million euros. Starting in the beginning of the year, significant changes have taken place in the dynamics of deposits and ordinary clients' deposits have grown at the planned rate. Financial intermediaries are impacted by the more modest level of activity on the market, volatility has abated and volumes of deposits remain stable at a lower level.

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

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

Loan write-downs decreased by 0.4 million euros during the quarter. Although the macroeconomic environment has changed

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

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

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

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

Financial Summary

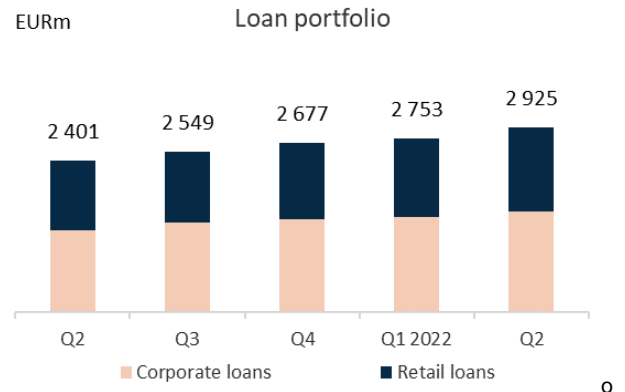
Q2 was successful with regard to the growth of business volumes and revenue. LHV Pank earned EUR 27.2 million in net interest income and EUR 7.6 million in net service fee income in Q2. In total, the Bank's revenue amounted to EUR 35.0 million and expenses to EUR 15.6 million. Net operating expenses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

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

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

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

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



of retail loans grew 6% in a quarter, reaching EUR 1,321 million (EUR 1,242 million in Q1 2022). The net portfolio of corporate loans also grew by 6% in a quarter, reaching EUR 1,604 million (EUR 1,511 million in Q1 2022).

The Bank's volume of deposits remained largely at the same level as in the previous quarter, amounting to EUR 5,425 million at the end of the quarter (EUR 5,437 million in Q1 2022). The volume of the deposits on payment intermediaries decreased by EUR 94 million in a quarter. Of the deposits, EUR 5,277 million were call deposits and EUR 148 million term deposits. The volume of the deposits of private persons amounted to EUR 1,112 million as at the end of the quarter, having grown by 1.4% in a quarter.

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

Income statement	Q2	Q1	Quarter	Q2	Year
EUR million	2022	2022	over	2021	over
			quarter		year
Net interest income	27.23	25.88	5%	23.31	17%
Net fee and commission income	7.64	7.79	-2%	6.82	12%
Other financial income	0.08	-1.42	NA	0.11	-32%
Total net operating income	34.95	32.25	8%	30.24	16%
Other income	0.07	-0.02	NA	0.12	-36%
Operating expenses	-15.64	-14.37	9%	-11.93	31%
Loan losses	0.34	-0.74	NA	0.79	-57%
Income tax expenses	-2.79	-2.27	23%	-2.68	4%
Net profit	16.94	14.85	14%	16.53	2%

Business volumes	30.06.2022	31.12.2021	Change
EUR million			
Loan portfolio	2 924.7	2 677.2	9%
Financial investments	484.1	127.7	279%
Deposits of customers	5 424.6	5 846.6	-7%

incl. deposits of financial institutions	2 004.8	2 527.1	-19%
Equity (including minority interest)	307.4	280.0	10%
Assets managed by bank	350 640	321 424	9%

Ratios EUR million	Q2 2022	Q1 2022	Quarter over quarter	Q2 2021	Year over year
Net profit	16.9	14.9	2.0	16.5	0.4
Net profit attributable to owners of the parent	16.4	14.2	2.2	16.0	0.4
Average equity	295.5	281.3	14.2	224.9	70.6
Return on equity (ROE), %	22.2	20.2	2.0	28.4	-6.2
Return on assets (ROA), %	1.05	0.89	0.16	1.15	-0.1
Net interest income	27.2	25.9	1.3	23.3	3.9
Interest-bearing assets, average	6 478.2	6 642.8	-164.6	5 742.5	735.70
Net interest margin (NIM) %	1.68	1.56	0.12	1.62	0.06
Price spread (SPREAD) %	1.65	1.53	0.12	1.60	0.05
Cost/income ratio %	44.6	44.6	0.0	39.3	5.33

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

Liquidity and capitalisation

The Bank's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 138.5% as at the end of June (31 December 2021: 140.6%). In the second quarter, the bank continued reducing high-interest deposits from deposit platforms among funding sources with deposits amounting EUR 1.9 million by the end of quarter. The bank prematurely repaid the TLTRO loan taken from the central bank in the amount of EUR 50 million.

The bank has a significant amount of financial intermediary deposits, which are fully covered by liquid assets and result in 100% in the LCR calculation. Thus, such deposits bring the LCR arithmetically lower without changing the actual liquidity situation. Excluding the financial intermediates' deposits the LCR is 218.1% (31.12.2021: 245.8%). The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 55% of the balance sheet (31.12.2021: 60%). The ratio of loans to deposits stood at 54% as at the end of the fourth quarter (31.12.2021: 46%).

Bank runs every year internal liquidity assesment process (ILAAP), which is done both on statical and dynamical balance sheet modelling.

In assessment bank follows both regulative and internal liquidity ratios dynamics and fulfillment of limits. In dynamic assessment bank is following its own risk scenario.

Banks own funds based on CAD calculations at the end of June were EUR 377.8 million (31.12.2021: 352.8 mln eurot).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 17.78% (31.12.2021: 18.66%), calculated according to CRR IV directive. Banks capital adequacy exceeds internal capital targets, which is 16%.

Both AS LHV Pank and its subsidiary AS LHV Finance are included into capital adequacy calculation.

Bank uses standard methodology for calculating credit and market risk capital charges and basic indicator approach calculating operational risk capital requirement. Bank has fulfilled all capital requirements in current reporting period.

Each year, an internal capital adequacy assessment process (ICAAP) is performed, the goal of which is to identify potential capital needs in addition to regulatory capital requirements.

Capital base (in thousands of euros)	30.06.2022	31.12.2021
Paid-in share capital	111 500	111 500
Statutory reserves paid in from net profit	8 736	5 648
Accumulated profit/deficit	147 685	91 126
Intangible assets (subtracted)	-2 275	-1 243
Net profit for the reporting period (COREP)	14 173	61 761
Other adjustments	-480	-4 028
Total Tier 1 capital	279 339	264 764
Subordinated debt	38 000	38 000
Total Tier 1 capital	317 339	302 764
Subordinated debt	60 500	50 072
Total Tier 2 capital	60 500	50 072
Net own funds for capital adequacy	377 839	352 836
Capital requirements		
Central governments and central bank under standard method	0	0
Credit institutions and investment companies under standard method	12 025	10 390
Companies under standard method	1 271 277	1 141 853
Retail claims under standard method	233 506	221 860
Public sector under standard method	1	6
Housing real estate under standard method	326 812	291 338
Overdue claims under standard methods	11 342	19 331

Particularly high risk exposures	46 280	46 494
Other assets under standard method	32 113	36 016
Total capital requirements for covering the credit risk and counterparty credit risk	1 933 356	1 758 288
Capital requirement against foreign currency risk under standard method	3 464	3 489
Capital requirement against interest position risk under standard method	0	0
Capital requirement against equity portfolio risks under standard method	11 512	2 079
Capital requirement against credit valuation adjustment risks under standard method	2 918	1 211
Capital requirement for operational risk under base method	173 469	125 728
Total capital requirements for adequacy calculation	2 124 719	1 890 796
Capital adequacy (%)	17.78	18.66
Tier 1 capital ratio (%)	14.94	16.01

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

<i>(in thousands of euros)</i>	Note	Q2 2022	6M 2022	Q2 2021	6M 2021
Interest income		33 493	66 343	29 748	56 784
Interest expense		-6 261	-13 236	-6 434	-12 714
Net interest income	7	27 232	53 107	23 314	44 070
Fee and commission income		13 065	26 133	10 944	21 669
Fee and commission expense		-5 422	-10 700	-4 129	-8 488
Net fee and commission income	8	7 643	15 433	6 815	13 181
Net gains/losses from financial assets measured at fair value		66	-1 04	22	-530
Foreign exchange gains/losses		9	163	88	140
Net gains from financial assets		75	-1 341	110	-390
Other income/ Other expense		74	56	115	177
Total other income		74	56	115	177
Staff costs		-9 185	-17 638	-6 839	-13 217
Administrative and other operating expenses		-6 451	-12 375	-5 092	-10 162
Total expenses	9	-15 636	-30 013	-11 931	-23 379
Profit before impairment losses on loans and advances		19 388	37 242	18 423	33 659
Income tax expense		-2 792	-5 061	-2 680	-4 555
Impairment losses on loans and advances		341	-394	791	-810
Net profit for the reporting period		16 937	31 787	31 787	28 294
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
Revaluation of available-for-sale financial assets		0	0	0	0
Total profit and other comprehensive income for the reporting period		16 937	31 787	16 534	28 294
Total profit of the reporting period attributable to:					
Owners of the parent		16 410	30 583	15 988	27 278
Non-controlling interest		527	1 204	546	1 016
Total profit for the reporting period		16 937	31 787	16 534	28 294
Total comprehensive income attributable to:					
Owners of the parent		16 410	30 583	15 988	27 278
Non-controlling interest		527	1 204	546	1 016
Total comprehensive income for the reporting period		16 937	31 787	16 534	28 294

Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	30.06.2022	31.12.2021
Assets			
Due from central bank	10	2 925 391	3 874 284
Due from credit institutions	10	123 726	106 461
Due from investment companies	10	5 086	6 188
Financial assets at fair value through profit or loss	6	3 836	127 720
Financial assets at amortized cost		480 241	0
Loans and advances to customers	5	2 924 699	2 677 160
Receivables from customers		2 559	2 970
Other financial assets		124	2 236
Other assets		1 877	2 446
Tangible assets		9 959	8 139
Intangible assets		2 275	1 243
Total assets		6 479 773	6 808 847
Liabilities			
Loans received from Central Banks (TRTLO)	11	147 354	197 461
Deposits of customers	11	5 424 627	5 846 602
Loans received and debt securities in issue	11	348 638	349 063
Financial liabilities at fair value through profit or loss		291	157
Accounts payable and other liabilities		152 475	46 616
Subordinated debt		99 008	88 989
Total liabilities		6 172 393	6 528 888
Owner's equity			
Share capital		111 500	111 500
Statutory reserve capital		8 736	5 648
Retained earnings		181 975	156 745
Total equity attributable to owners of the parent		302 211	273 893
Non-controlling interest		5 169	6 066
Total equity		307 380	279 959
Total liabilities and equity		6 479 773	6 808 847

Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q2 2022	6M 2022	Q2 2021	6M 2021
Cash flow from operating activities					
Interest received		33 259	66 014	29 854	56 404
Interest paid		-6 389	-12 592	-7 492	-13 426
Fees and commissions received		13 065	26 133	10 944	21 669
Fees and commissions paid		-5 422	-10 700	-4 129	-8 488
Other income		74	56	115	177
Staff costs paid		-7 903	-15 063	-5 989	-11 542
Administrative and other operating expenses paid		-5 282	-10 164	-4 470	-8 946
Income tax		0	-4 066	-1 578	-4 755
Cash flow from operating activities before change in operating assets and liabilities		21 402	39 618	17 255	31 093
Net increase/decrease in operating assets:					
Net acquisition/disposal of trading portfolio		-3 355	-3 464	-612	-980
Loans and advances to customers		-170 919	-247 288	-96 335	-193 434
Mandatory reserve at central bank		359	3 935	-1 525	-8 045
Security deposits		0	2 112	28	-62
Other assets		278	3 675	439	1 284
Net increase/decrease in operating liabilities:					
Demand deposits of customers		3 082	-411 252	379 170	1 027 394
Term deposits of customers		-15 158	-11 463	-197 428	-220 863
Repayments of loans received		-50 258	-50 479	-2 834	-2 834
Non-preferred senior bonds		0	0	0	40 000
Financial liabilities held for trading at fair value through profit and loss		258	134	-1	-216
Other liabilities		44 413	98 071	-14 743	29 843
Net cash generated from/used in operating activities		-169 898	-576 401	83 414	703 180
Cash flow from investing activities					
Purchase of current and non-current assets		-2 579	-4 317	-758	-1 553
Net change of investments at fair value through profit or loss		0	-340 818	63 917	244 174
Net change of investments at amortized cost		-9 678	-9 678	0	0
Net cash flow from investing activities		-12 257	-354 813	63 159	242 621
Cash flow from financing activities					
Subordinated loan received		0	15 000	0	0
Repayment of subordinated loan		-6 000	-6 000	0	0
Dividends paid		-3 900	-6 000	0	-6 000
Repayment of principal of lease liabilities		-380	-744	-111	-266
Net cash from financing activities		-10 280	2 256	-111	-6 266
Effect of exchange rate changes on cash and cash equivalents		9	163	88	140
Net decrease/increase in cash and cash equivalents		-192 426	-928 795	146 550	939 675
Cash and cash equivalents at the beginning of the period		3 193 266	3 929 635	3 145 130	2 352 005
Cash and cash equivalents at the end of the period	10	3 000 840	3 000 840	3 291 680	3 291 680

Condensed Consolidated Interim Statement of Changes in Equity

<i>(in thousands of euros)</i>	Share capital	Statutory reserve capital	Accumulated deficit/retained earnings	Total equity attributable to owners	Non-controlling interest	Total equity
Balance as at 01.01.2021	106 500	4 022	98 285	208 807	5 875	214 682
Paid in share capital	5 000	0	0	5 000	0	5 000
Transfer to statutory reserve capital	0	1 626	-1 626	0	0	0
Dividends paid	0	0	-3 900	-3 900	-2 100	-6 000
Share options	0	0	2 227	2 227	0	2 227
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>61 759</i>	<i>61 759</i>	<i>2 291</i>	<i>64 050</i>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total profit and other comprehensive income for the reporting period	0	0	61 759	61 759	2 291	64 050
Balance as at 31.12.2021	111 500	5 648	156 745	273 893	6 066	279 959
Balance as at 01.01.2022	111 500	5 648	156 745	273 893	6 066	279 959
Transfer to statutory reserve capital	0	3 088	-3 088	0	0	0
Dividends paid	0	0	-3 900	-3 900	-2 100	-6 000
Share options	0	0	1 634	1 634	0	1 634
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>30 583</i>	<i>30 583</i>	<i>1 204</i>	<i>31 787</i>
<i>Other comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total profit and other comprehensive income for the reporting period	0	0	30 583	30 583	1 204	31 787
Balance as at 30.06.2022	111 500	8 736	181 975	302 211	5 169	307 380

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Accounting Policies

The interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting", as adopted in the European Union and accordance with International Financial Reporting Standards as adopted by European Union. The interim financial statements should be read in conjunction with the group's annual financial statements as at 31 December 2021. The accounting

policies adopted are consistent with those of the previous financial year.

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

NOTE 2 Breakdown of Financial Assets and Liabilities by Countries

30.06.2022	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	1 863 701	0	940 333	24 235	225 340	594	3 054 203
Financial assets at fair value	3 836	0	0	0	0	0	3 836
Financial assets at amortized cost	387 953	5 003	87 248	29	2	6	480 241
Loans and advances to customers	2 901 327	628	16 632	695	976	4 441	2 924 699
Receivables from customers	2 559	0	0	0	0	0	2 559
Other financial assets	24	0	0	100	0	0	124
Total financial assets	5 159 400	5 631	1 044 213	25 059	226 318	5 041	6 465 662
Loans received from Central Banks (TRTLO)	147 354	0	0	0	0	0	147 354
Deposits of customers	3 635 797	50 206	1 144 468	25 478	524 329	44 349	5 424 627
Loans received and debt securities in issue	348 638	0	0	0	0	0	348 638
Subordinated debt	99 008	0	0	0	0	0	99 008
Financial liabilities at fair value	291	0	0	0	0	0	291
Accounts payable and other financial liabilities	145 637	0	0	0	0	0	145 637
Total financial liabilities	4 376 725	50 206	1 144 468	25 478	524 329	44 349	6 165 555

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

31.12.2021	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	3 611 388	0	76 010	29 900	269 593	42	3 986 933
Financial assets at fair value	47 814	6	79 709	30	2	159	127 720
Loans and advances to customers	2 652 960	781	17 292	903	849	4 375	2 677 160
Receivables from customers	2 970	0	0	0	0	0	2 970
Other financial assets	117	0	0	2 119	0	0	2 236
Total financial assets	6 315 249	787	173 011	32 952	270 444	4 576	6 797 019
Loans received from Central Banks (TRTLO)	197 461	0	0	0	0	0	197 461
Deposits of customers	3 488 788	113 798	1 484 106	62 541	631 356	66 013	5 846 602
Loans received and debt securities in issue	349 063	0	0	0	0	0	349 063
Subordinated debt	88 989	0	0	0	0	0	88 989
Financial liabilities at fair value	157	0	0	0	0	0	157
Accounts payable and other financial liabilities	41 155	0	0	0	0	0	41 155
Total financial liabilities	4 165 613	113 798	1 484 106	62 541	631 356	66 013	6 523 427

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

NOTE 3 Breakdown of Assets and Liabilities by Contractual Maturity Dates

30.06.2022	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Loans received from Central Banks (TRTLO)	0	0	0	147 750	0	147 750
Deposits from customers and loans received	5 276 776	48 119	92 161	5 638	100	5 422 794
Loans received and debt securities in issue	0	1 004	253	352 518	0	353 775
Subordinated debt	0	1 920	5 702	110 898	0	118 520
Accounts payable and other financial liabilities	0	145 637	0	0	0	145 637
Unused loan commitments	0	607 417	0	0	0	607 417
Financial guarantees by contractual amounts	0	53 334	0	0	0	53 334
Foreign exchange derivatives (gross settled)	0	150 069	0	0	0	150 069
Financial liabilities at fair value	0	291	0	0	0	291
Total liabilities	5 276 776	857 722	98 116	616 804	100	6 999 587
Financial assets by contractual maturity dates						
Due from banks and investment companies	3 054 203	0	0	0	0	3 054 203
Financial assets at fair value (debt securities)	0	156 983	236 498	90 716		484 197
Loans and advances to customers	0	189 824	415 069	1 974 671	1 216 834	3 796 398
Receivables from customers	0	2 559	0	0	0	2 559
Foreign exchange derivatives (gross settled)	0	150 069	0	0	0	150 069
Other financial assets	124	0	0	0	0	124
Total financial assets	3 054 327	499 435	651 567	2 065 387	1 216 834	7 487 550
Maturity gap from financial assets and liabilities	-2 222 449	-358 287	553 451	1 448 583	1 216 734	487 963

31.12.2021	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Loans received from Central Banks (TRTLO)	0	0	0	197 000	0	197 000
Deposits from customers	5 687 287	55 271	101 784	2 288	0	5 846 630
Loans received	0	0	1 140	352 538	0	353 678
Subordinated debt	0	1 748	10 208	95 810	0	107 766
Accounts payable and other financial liabilities	0	41 155	0	0	0	41 155
Unused loan commitments	0	679 579	0	0	0	679 579
Financial guarantees by contractual amounts	0	49 409	0	0	0	49 409
Foreign exchange derivatives (gross settled)	0	101 848	0	0	0	101 848
Financial liabilities at fair value	0	157	0	0	0	157
Total liabilities	5 687 287	929 167	113 132	647 636	0	7 377 222
Financial assets by contractual maturity dates						
Due from banks and investment companies	3 986 933	0	0	0	0	3 986 933
Financial assets at fair value (debt securities)	0	46 047	3 387	77 915		127 349
Loans and advances to customers	0	173 534	431 582	1 661 341	924 419	3 190 876
Receivables from customers	0	2 970	0	0	0	2 970
Foreign exchange derivatives (gross settled)	0	101 848	0	0	0	101 848
Other financial assets	2 236	0	0	0	0	2 236
Total financial assets	3 989 169	324 399	434 969	1 739 256	924 419	7 412 212
Maturity gap from financial assets and liabilities	-1 698 118	-604 767	321 837	1 091 620	924 419	34 990

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 4 Open Foreign Currency Positions

30.06.2022	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	2 795 156	1 516	235 253	2 124	13 968	6 185	3 054 203
Financial assets at fair value and amortized cost	480 578	1	2	1	35	3 461	484 077
Loans and advances to customers	2 915 220	70	309	475	8 352	272	2 924 699
Receivables from customers	1 123	4	-3 241	80	4 274	320	2 559
Other financial assets	124	0	0	0	0	0	124
Total assets bearing currency risk	6 192 201	1 591	232 322	2 680	26 629	10 239	6 465 662
Liabilities bearing currency risk							
Loans received from Central Banks (TRTLO)	147 354	0	0	0	0	0	147 354
Deposits from customers	5 040 627	6 099	220 952	10 218	136 467	10 264	5 424 627
Loans received and debt securities in issue	348 638	0	0	0	0	0	348 638
Swaps	0	0	0	0	289	2	291
Accounts payable and other financial liabilities	115 875	38	11 661	459	17 286	318	145 637
Subordinated debt	98 758	0	0	0	0	250	99 008
Total liabilities bearing currency risk	5 603 898	6 137	232 613	10 677	154 042	10 834	6 018 201
Open gross position derivative assets at contractual value	0	4 519	0	7 997	134 216	3 337	150 069
Open gross position derivative liabilities at contractual value	150 069	0	0	0	0	0	150 069
Open foreign currency position	438 234	-27	-291	0	6 803	2 742	447 461

31.12.2021	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	3 686 878	1 367	277 043	1 075	18 433	2 137	3 986 933
Financial assets at fair value	127 677	0	1	0	37	4	127 720
Loans and advances to customers	2 669 321	18	463	396	6 616	346	2 677 160
Receivables from customers	1 036	0	491	226	167	1 050	2 970
Other financial assets	117	0	0	0	2 119	0	2 236
Total assets bearing currency risk	6 485 029	1 385	277 998	1 697	27 372	3 538	6 797 019
Liabilities bearing currency risk							
Loans received from Central Banks (TRTLO)	197 461	0	0	0	0	0	197 461
Deposits from customers	5 448 088	5 037	271 784	7 837	101 149	12 708	5 846 602
Loans received	349 063	0	0	0	0	0	349 063
Accounts payable and other financial liabilities	0	0	0	16	123	18	157
Swaps	28 269	218	6 456	217	5 676	319	41 155
Subordinated debt	88 989	0	0	0	0	0	88 989
Total liabilities bearing currency risk	6 111 870	5 254	278 240	8 070	106 948	13 045	6 523 427
Open gross position derivative assets at contractual value	0	3 872	0	6 454	82 496	9 026	101 848
Open gross position derivative liabilities at contractual value	101 848	0	0	0	0	0	101 848
Open foreign currency position	271 311	3	-242	81	2 920	-481	273 592

NOTE 5 Breakdown of Loan Portfolio by Economic Sectors and by Stages

30.06.2022	Stage 1	Stage 2	Stage 3	Provision	Total	%
Individuals	1 003 881	115 333	6 688	-2 129	1 123 773	38,42%
Agriculture	52 826	2 377	15	-133,64	55 083	1,88%
Mining and Quarrying	652	811	0	-31,14	1 432	0,05%
Manufacturing	135 647	23 092	215	-851,15	158 103	5,41%
Energy	41 338	749	0	-111,76	41 975	1,44%
Water and Utilities	28 066	252	0	-273,75	28 044	0,96%
Construction	93 633	4 380	186	-1 771	96 427	3,30%
Wholesale and retail	130 071	17 697	724	-1 523	146 969	5,03%
Transport and logistics	14 150	10 247	91	-632,70	23 855	0,82%
Hotels and Restaurants	7 674	24 609	39	-1 672	30 651	1,05%
Information and communication	11 918	379	1	-14,02	12 284	0,42%
Financial services	113 075	229	0	-582,68	112 722	3,85%
Real estate	651 465	84 534	1 850	-2 867	734 982	25,13%
Professional, scientific and technical activities	74 320	7 063	28	-159,23	81 251	2,78%
Administrative activities	112 138	4 037	39	-2 965	113 250	3,87%
Public management	88 351	297	0	-0,03	88 648	3,03%
Education	4 478	321	0	-179,11	4 620	0,16%
Health	10 855	899	0	-77,89	11 676	0,40%
Art and entertainment	28 878	24 940	30	-2 818	51 030	1,74%
Other servicing activities	6 763	1 179	26	-45,68	7 922	0,27%
Total	2 610 180	323 425	9 932	-18 838		
Provision	-9 136	-7 942	-1 760			
Total loan portfolio	2 601 044	315 483	8 172		2 924 699	100%

	Stage 1	Stage 2	Stage 3	Provision	31.12.2021	%
Individuals	886 127	114 863	11 328	-2 392	1 009 926	37.7%
Agriculture	63 843	4 809	21	-214	68 459	3.1%
Mining and Quarrying	923	1 114	0	-18	2 019	0.1%
Manufacturing	125 985	26 328	255	-930	151 638	6.9%
Energy	57 403	1 729	0	-627	58 505	2.6%
Water and Utilities	23 172	573	0	-240	23 505	1.1%
Construction	80 323	3 990	477	-1 778	83 012	3.8%
Wholesale and retail	126 082	5 186	848	-486	131 630	6.0%
Transport and logistics	25 730	3 057	101	-136	28 752	1.3%
Hotels and Restaurants	5 526	25 036	159	-2 041	28 680	1.3%
Information and communication	10 600	294	8	-24	10 878	0.5%
Financial services	85 481	327	0	-303	85 505	3.9%
Real estate	569 902	85 688	1 995	-3 260	654 325	29.6%
Professional, scientific and technical activities	39 062	5 344	482	-219	44 669	2.0%
Administrative activities	113 860	3 698	155	-3 268	114 445	5.2%
Public management	97 307	315	0	0	97 622	4.4%
Education	4 035	275	31	-14	4 327	0.2%
Health	9 766	3 441	3	-71	13 139	0.6%
Art and entertainment	24 155	27 576	64	-2 963	48 832	2.2%
Other servicing activities	16 463	856	38	-65	17 292	0.8%

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

Loans to related parties were 30.06.2022 EUR 5 839 thousand (31.12.2021: 6 047). Loans have been given out on market terms.

NOTE 6 Fair Value of Financial Assets and Liabilities

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

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

	Level 1	Level 2	Level 3	30.06.2021	Level 1	Level 2	Level 3	31.12.2021
Financial assets at fair value through profit and loss								
Shares and fund units	377	0	0	377	367	0	0	367
Available-for-sale bonds and shares	0	0	0	0	0	0	0	0
Bonds at fair value through profit and loss	0	0	0	0	127 349	0	0	127 349
Interest rate swaps and foreign exchange forwards	0	3 459	0	3 459	0	4	0	4
Total financial assets	377	3 459	0	3 836	127 716	4	0	127 720
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange forwards	0	291	0	291	0	157	0	157
Total financial liabilities	0	291	0	291	0	157	0	157

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.

Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of loans does not materially differ from their carrying amount as at 30 June 2022 and 31 December 2021. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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

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

All the subordinated loans are received in 2016-2020. Subordinated loans were issued on market terms and considering the movements in loan and interest market, we can say that the market conditions are similar as they were when issuing the subordinated loans so that the fair value of the loans does not materially differ from their net book value. In determining the fair value of loans, considerable management judgements are used. Loans issued are thus categorised under hierarchy level 3.

NOTE 7 Net Interest Income

Interest income	Q2 2022	6M 2022	Q2 2021	6M 2021
Business loans	17 853	35 181	14 614	28 683
including loans between related parties	17	34	14	24
Hire purchase	807	1 615	838	1 749
Leasing	1 441	2 881	1 489	2 935
including loans between related parties	3	5	1	3
Leverage loans and lending of securities	428	863	429	784
Bonds	-249	-384	-79	-195
Creditcard loans	199	394	202	437
Consumer loans	2 245	4 303	2 034	4 080
Mortgage loans	6 186	11 717	5 234	10 021
including loans between related parties	9	19	8	17
Balances with credit institutions and investment companies	671	934	72	117
Balances with the central bank	488	988	233	483
Private loans	568	1 122	569	1 123
Other loans	2 856	6 693	4 113	6 567
including loans between related parties	1	3	2	4
Total	33 493	66 343	29 748	56 784
Interest expense				
Deposits of customers and loans received	-1 123	-2 223	-1 218	-2 789
Balances with the central bank	-2 946	-6 732	-3 372	-6 285
Subordinated liabilities	-2 192	-4 281	-1 844	-3 640
Total	-6 261	-13 236	-6 434	-12 714
Net interest income	27 232	53 107	23 314	44 070

Interest income on loans by customer location

(interest on bank balances and bonds excluded):	Q1 2022	6M 2022	Q2 2021	6M 2021
Estonia	32 186	64 769	29 522	56 379
Total	32 186	64 769	29 522	56 379

NOTE 8 Net Fee and Commission Income

Fee and commission income	Q2 2022	6M 2022	Q2 2021	6M 2021
Security brokerage and commissions paid	1 023	2 445	1 058	2 670
Asset management and similar fees	1 452	2 814	1 108	2 153
Currency conversion revenues	2 201	4 505	2 032	3 924
Fees from cards and payments	6 275	12 919	5 624	10 542
Other fee and commission income	2 114	3 450	1 122	2 380
Total	13 065	26 133	10 944	21 669
Fee and commission expense				
Security brokerage and commissions paid	-598	-1 237	-333	-819
Expenses related to cards	-1 907	-3 619	-1 379	-2 966
Expenses related to acquiring	-1 837	-3 480	-1 740	-3 366
Other fee and commission income	-1 080	-2 364	-677	-1 337
Total	-5 422	-10 700	-4 129	-8 488
Net fee and commission income	7 643	15 433	6 815	13 181

Fee and commission income by customer location:	Q2 2022	6M 2022	Q2 2021	6M 2021
Estonia	11 178	22 336	9 952	19 712
United Kingdom	1 887	3 797	992	1 957
Total	13 065	26 133	10 944	21 669

NOTE 9 Operating Expenses

	Q2 2022	6M 2022	Q2 2021	6M 2021
Wages, salaries and bonuses	7 103	13 624	5 263	10 164
Social security and other taxes*	2 082	4 014	1 576	3 053
Total personnel expenses	9 185	17 638	6 839	13 217
IT expenses	1 081	2 405	886	1 762
Information services and bank services	325	612	318	656
Marketing expenses	453	1 258	397	766
Office expenses	320	595	198	373
Transportation and communication expenses	119	241	64	121
Staff training and business trip expenses	279	504	58	93
Other outsourced services	1 394	2 723	715	1 547
Other administrative expenses	1 341	2 080	1 690	3 313
Depreciation of non-current assets	789	1 468	512	951
Operational lease payments	82	109	147	398
Other operating expenses	268	380	107	182
Total other operating expenses	6 451	12 375	5 092	10 162
Total operating expenses	15 636	30 013	11 931	23 379

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

NOTE 10 Balances with the Central Bank, Credit Institutions and Investment Companies

	30.06.2022	31.12.2021
Term deposits with maturity less than 3 months*	128 812	112 649
Legal reserve with the central bank	53 363	57 298
Other receivables from central bank*	2 872 028	3 816 986
Total	3 054 203	3 986 933
*Cash and cash equivalents in the Statement of Cash Flows	3 000 840	3 929 635

The breakdown of receivables by countries has been presented in Note 2. Demand deposits include receivables from investment companies in the total amount of EUR 5 086 thousand (31 December 2021: EUR 6 188 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 30 June 2022 was 1% (31 December 2021: 1%) of all financial resources (customer deposits and loans received). The reserve requirement is to be fulfilled as a monthly average in euros or in the foreign financial assets approved by the central bank.

NOTE 11 Deposits of Customers, Loans Received and Debt Securities in issue

	Non-financial				30.06.2022
	Individuals	Financial entities	entities	Public sector	
Demand deposits	1 080 692	2 030 130	2 008 761	157 740	5 277 323
Term deposits	31 432	15 467	81 834	19 087	147 820
Accrued interest liability	293	-796	-15	2	-516
Total	1 112 417	2 044 801	2 090 580	176 829	5 424 627

	Non-financial				31.12.2021
	Individuals	Financial entities	entities	Public sector	
Demand deposits	1 005 757	2 512 958	2 008 349	161 510	5 688 574
Term deposits	39 209	15 679	81 808	22 587	159 283
Accrued interest liability	285	-1 537	-5	2	-1 255
Total	1 045 251	2 527 100	2 090 152	184 099	5 846 602

30.06.2022	TRTLO	Mortgage bonds	Preferred senior bonds	Total loans received and debt securities in issue
Loans received	150 000	249 126	98 700	347 826
Accrued interest liability	-2 646	15	797	812
Total	147 354	249 141	99 497	348 638
31.12.2021	TRTLO	Mortgage bonds	EIF/NIB	Total loans received and debt Securities in issue
Loans received	200 000	248 980	99 633	348 613
Accrued interest liability	-2 539	140	310	450
Total	197 461	249 120	99 943	349 063

In 2020, LHV Pank issued EUR 250 million in five-year mortgage bonds in June. In the third quarter, a self-directed issue of EUR 100 million was added, which was used as collateral by the European Central Bank to raise funds from the TLTRO III program. During the reporting period, LHV Bank returned the loan received from the European Central Bank in the amount of 50 000 thousand euros.

As of 30.06.2022 the amount of loan received from European Central Bank (TLTRO) was EUR 150 000 (31.12.2021: 200 000) thousand.

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 12 Assets Under management

AS LHV Pank, operating as an account manager for its customers, has custody of or intermediates the following customer assets:

	30.06.2022	31.12.2021
Cash balance of customers	8 681	3 806
Securities of customers	3 285 642	3 599 285
<i>Incl. parent company</i>	217 779	206 700
<i>Incl. shareholders of the parent company and related entities</i>	592 212	660 351
Total	3 294 323	3 603 091

NOTE 13 Contingent Liabilities

Irrevocable transactions	Performance guarantees	Financial guarantees	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 30 June 2022	28 318	53 661	6 115	607 417	695 511
Liability in the contractual amount as at 31 December 2021	19 919	49 409	1 438	679 579	750 345

General information

Legal name	AS LHV Pank
Commercial Registry no	10539549
Legal address	Tartu mnt. 2, 10145 Tallinn
Phone	(372) 6800400
Fax	(372) 6800410
BIC / Swift	LHVBEE22
E-mail	lhv@lhv.ee
Web page	www.lhv.ee
Main activities	banking, security brokerage, finance lease and other lending
Auditor	OÜ KPMG Baltics
Supervisory board	Madis Toomsalu, Raivo Hein, Rain Lõhmus, Heldur Meerits, Tiina Mõis, Andres Viisemann
Management board	Kadri Kiisel, Jüri Heero, Andres Kitter, Indrek Nuume, Martti Singi, Meelis Paakspuu