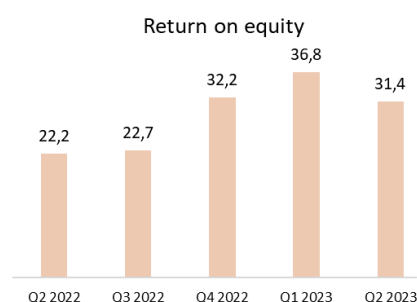
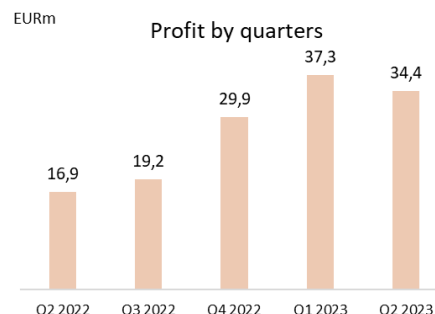


# Interim Report January – June 2023

## Summary of Results

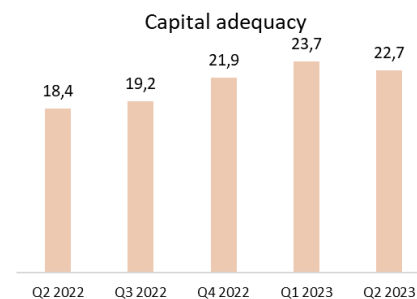
### Q2 2023 in comparison with Q1 2023

- Net profit EUR 34.4 m (37.3 m eurot), of which EUR 34.2 m (EUR 36.8 m) is attributable to owners of the parent
- Net income EUR 61.4 m (EUR 61.7 m)
- Operating expenses EUR 21.1 m (EUR 20.8 m)
- Loan and bond provisions EUR 0.6 m (EUR -1.6 m)
- Income tax expenses EUR 5.2 m (EUR 5.1 m)
- Return on equity 31.4% (36.8%)
- Capital adequacy 22.7% (23.7%)



### Q2 2023 in comparison with Q2 2022

- Net profit EUR 34.4 m (EUR 16.9 m), of which EUR 34.2 m (EUR 16.4 m) is attributable to owners of the parent
- Net income EUR 61.4 m (EUR 35.0 m)
- Operating expenses EUR 21.1 m (15.6 m)
- Loan and bond provisions EUR 0.6 m (EUR -0.3 m)
- Income tax expenses EUR 5.2 m (EUR 2.8 m)
- Return on equity 31.4% (22.2%)
- Capital adequacy 22.7% (18.4%)



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.

## Table of Contents

|   |           |
|---|-----------|
| <b>Business activities</b> .....  | <b>3</b>  |
| <b>Financial Summary</b> .....  | <b>4</b>  |
| <b>Liquidity and capitalisation</b> .....   | <b>6</b>  |
| <b>CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b> .....                                | <b>8</b>  |
| Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income ..... | 8         |
| Condensed Consolidated Interim Statement of Financial Position.....                             | 9         |
| Condensed Consolidated Interim Statement of Cash Flows.....                                     | 10        |
| Condensed Consolidated Interim Statement of Changes in Equity.....                              | 11        |
| Notes to the Condensed Consolidated Interim Financial Statements .....                          | 12        |
| NOTE 1 Accounting Policies .....  | 12        |
| NOTE 2 Breakdown of Financial Assets and Liabilities by Countries.....                          | 12        |
| NOTE 3 Breakdown of Assets and Liabilities by Contractual Maturity Dates .....                  | 13        |
| NOTE 4 Open Foreign Currency Positions.....   | 14        |
| NOTE 5 Breakdown of Loan Portfolio by Economic Sectors and by Stages .....                      | 15        |
| NOTE 6 Fair Value of Financial Assets and Liabilities .....                                     | 16        |
| NOTE 7 Net Interest Income.....   | 17        |
| NOTE 8 Net Fee and Commission Income .....  | 18        |
| NOTE 9 Operating Expenses.....  | 18        |
| NOTE 10 Balances with the Central Bank, Credit Institutions and Investment Companies .....      | 19        |
| NOTE 11 Deposits of Customers and Loans Received .....  | 19        |
| NOTE 12 Assets Under management .....   | 20        |
| NOTE 13 Contingent Liabilities .....  | 20        |
| <b>General information</b> .....  | <b>21</b> |

## Business activities

Over the quarter, the number of the bank's clients grew by 9 700. Client activity levels remained good. Deposits increased by EUR 213 million over the quarter, and loans increased by EUR 149 million.

Ordinary clients' deposits grew by EUR 110 million during the quarter and financial intermediaries' deposits decreased by EUR 174 million. In Q2, the growth in the households' deposit balance continued. Although the annual growth of companies' deposit balance is still positive, it has showed signs of decreasing in recent months. The active provision of interest on term deposits and addition of new clients have had a positive influence on deposits. In Q2, we almost doubled the balance of term deposits, which made up 20% of ordinary clients' deposits as of the end of June. We also activated the addition of platform deposits, and as of the end of the quarter the balance is EUR 278 million. Financial intermediaries with larger deposits have been impacted by the more modest activity on the market, volatility is down, but clients are diversifying their clients' deposits among different banks.

Loans to companies grew by EUR 53 million and retail loans grew by EUR 42 million, while the rest of the portfolio's growth stemmed from intragroup loans. While in Q1, we saw decline in the loan portfolio – partially due to the unstable economic environment and low sense of security among consumers, in Q2, we saw activity pick up somewhat, which again turned the portfolio toward growth. As regards individuals, the Green Home Loan campaign certainly contributed. In the course of the campaign, a 0%+EUR6 interest rate applies during the first year after a loan agreement is concluded for buying energy class A real estate and from there on, the usual Green Home Loan rate of 1.7%+EUR6. We extended the offer until the end of August and hope it will encourage clients to make sustainable decisions even in today's unstable environment.

Net profit for the quarter was EUR 34 million. The strong second-quarter result was positively influenced mainly by interest income. Due to higher interest income and lower write-downs, net profit exceeded the planned target by EUR 19 million by the end of Q2.

Service charge income and current expenses are as planned, and the higher than expected other expenses is due to increase in the instalment to the guarantee fund and reserves.

Loan impairments increased by EUR 0.6 million during the quarter. As the macroeconomic environment has changed a little compared to the previous quarter, we also made model-based forward-looking write-downs in Q2 that mainly affected the consumer loan portfolio. As a whole, the quality of the bank's loan portfolio has stayed strong and the share of overdue loans continues to be very low. We also see some growth in consumer loans and loans issued to small enterprises.

Ratings agency Moody's Investors Service approved ratings for AS LHV Group and AS LHV Pank at the same levels as before, but changed the previous stable outlook for the bank's long-term deposits to positive outlook.

The greatest focus during Q2 lay on deposits and we repeatedly increased interest rates offered on the term deposits in order to be the best bank for clients to save and grow their money. In April, we unveiled the Youth Bank 2.0 campaign, which represented an update of everything we offer. We garnered ideas for developing investing services from LHV Hackathon. We added a currency exchange option to the mobile app and started giving the Financial Portal a makeover. By the end of the quarter, the number of bank clients crossed the 400 000 mark, which confirms that we are on the right path and we are still committed to growth.

At the end of April, LHV chose the new winner of the LHV New Composition Award Au-tasu: Ülo Krigul and his work Süntesaatorikontsert (Synthesizer Concerto). Late May brought the 36th annual May Run, which has been sponsored by LHV for many years now. It drew 13 000 runners. The 25 000-euro prize fund of the LHV Home Improvement Loan support competition "Kes teeb ära?" ("Who will get it done?") is being used to renovate the park terrace of the Kose-Uuemõisa Manor, which has a long history.

## Financial Summary

LHV Pank earned EUR 56.1 million in net interest income and EUR 5.5 million in net service fee income in Q2. Net loss on financial assets amounted to EUR 0.4 million in Q2. In total, the Bank's income was EUR 61.4 million and expenses were EUR 21.1 million. Net income rose by 75% and expenses increased by 35% over the year. The discounts of loans and bonds increased by EUR 0.6 million in Q2. We made forward-looking discounts and the volume of the portfolio grew. The proportion of debts continues to be small in the portfolio. We are keeping a very close eye on developments in the credit portfolio.

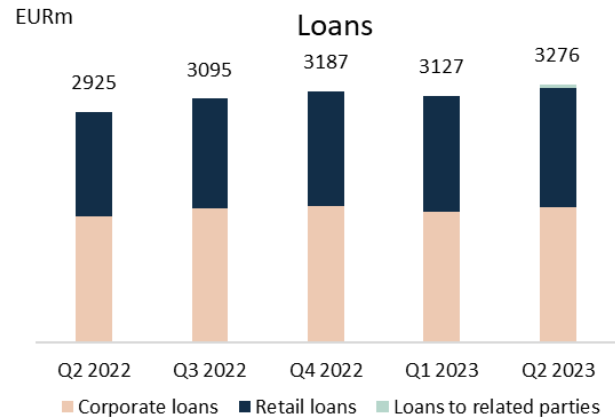
LHV Pank calculates and records as an expense a 14% advance income tax and the respective income tax expense was EUR 5.2 million in Q2. Income tax expense on future disbursements of dividends by subsidiaries at the consolidated level was EUR 0.1 million in Q2.

The Bank's Q2 profit amounted to EUR 34.4 million, which is 8% less than in Q1 2023 (37.3) and 103% more than in Q2 2022 (16.9).

Of the various service fees, income from currency exchange, settlements, cards and the receipt of card payments contributed the largest amount.

The total volume of the Bank's loan portfolio reached EUR 3,276 million by the end of Q2 (Q1 2023: EUR 3 127 million). The volume of the portfolio grew by 5% during the quarter. The volume of loans grew by EUR 149 million in Q2 (a decrease of EUR 60 million in Q1 2023). The net retail loan portfolio grew by 3% during the quarter, reaching EUR 1 508 million (Q1 2023: EUR 1 466

million). The net corporate loan portfolio grew by 3% during the quarter, reaching EUR 1 714 million (Q1 2023: EUR 1 661 million).



The volume of deposits at the Bank increased by EUR 213 million from the previous quarter and stood at EUR 5 133 million (Q1 2023: EUR 4 919 million). The volume of payment intermediaries' deposits dropped by EUR 174 million during the quarter. Of the deposits, EUR 4 074 million were call deposits, EUR 780 million term deposits and EUR 278 million platform deposits. The volume of the deposits of private customers amounted to EUR 1 466 million as at the end of the quarter, having grown by 28% in a quarter.

The Bank's expense-income ratio was 34.3% in Q2, decreasing by 10.3 percentage points from Q2 2022 (44.6%).

| Income statement<br>EUR million | Q2<br>2023 | Q1<br>2023 | Quarter<br>over<br>quarter | Q2<br>2022 | Year<br>over year |
|---------------------------------|------------|------------|----------------------------|------------|-------------------|
| Net interest income             | 56.09      | 52.90      | 6%                         | 27.23      | 106%              |
| Net fee and commission income   | 5.51       | 7.55       | -27%                       | 7.64       | -28%              |
| Other financial income          | -0.44      | 1.18       | NA                         | 0.08       | NA                |
| Total net operating income      | 61.17      | 61.63      | -1%                        | 34.95      | 75%               |
| Other income                    | 0.22       | 0.03       | 620%                       | 0.07       | 192%              |
| Operating expenses              | -21.08     | -20.78     | 1%                         | -15.64     | 35%               |
| Loan losses                     | -0.60      | 1.59       | NA                         | 0.34       | NA                |
| Income tax expenses             | -5.25      | -5.15      | 2%                         | -2.79      | 88%               |
| Net profit                      | 34.45      | 37.32      | -8%                        | 16.94      | 103%              |

**Business volumes**

| EUR million                              | 30.06.2023 | 31.12.2022 | Change |
|--|------------|------------|--------|
| Loan portfolio                           | 3 275.8    | 3 187.0    | 3%     |
| Financial investments                    | 323.0      | 364.6      | -11%   |
| Deposits of customers                    | 5 132.5    | 4 956.9    | 4%     |
| incl. deposits of financial institutions | 1 335.9    | 1 556.8    | -14%   |
| Equity (including minority interest)     | 458.2      | 388.2      | 18%    |
| Number of bank customers                 | 400 749    | 377 949    | 6%     |

| Ratios  | Q2      | Q1      | Quarter over quarter | Q2      | Year over year |
|---|---------|---------|----------------------|---------|----------------|
| EUR million                                     | 2023    | 2023    |                      | 2022    |                |
| Net profit                                      | 34.4    | 37.3    | -2.9                 | 16.9    | 17.5           |
| Net profit attributable to owners of the parent | 34.2    | 36.8    | -2.6                 | 16.4    | 17.8           |
| Average equity                                  | 434.9   | 399.7   | 35.3                 | 295.5   | 139.4          |
| Return on equity (ROE), %                       | 31.4    | 36.8    | -5.4                 | 22.2    | 9.2            |
| Return on assets (ROA), %                       | 2.25    | 2.48    | 0.23                 | 1.05    | 1.2            |
| Net interest income                             | 56.1    | 52.9    | 3.2                  | 27.2    | 28.9           |
| Interest-bearing assets, average                | 6 093.3 | 6 015.0 | 78.3                 | 6 478.2 | -384.9         |
| Net interest margin (NIM) %                     | 3.7     | 3.5     | 0.2                  | 1.68    | 2.0            |
| Price spread (SPREAD) %                         | 3.6     | 3.5     | 0.1                  | 1.65    | 1.9            |
| Cost/income ratio %                             | 34.3    | 33.7    | 0.6                  | 44.6    | -10.3          |

**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 153.8% as at the end of June (31 December 2022: 135.6%). In the second quarter, the bank raised 276 million euros from deposit platforms for additional financing. In the second quarter LHV Bank repaid the loan from ECB in the amount of EUR 50 000 thousand similar to first quarter.

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 298.8% (31.12.2022: 219.3%). The Bank recognises cash and bond portfolios as liquidity buffers. These accounted for 47% of the balance sheet (31.12.2022: 47%). The ratio of loans to deposits stood at 64% as at the end of the second quarter (31.12.2022: 64%).

LHV Bank includes as part of its own funds only that part of current year's profit, which the European Central Bank has given permission. Obtainment permission is done with the referrer, but is also applied to reported quarter afterwards, which is why the capitalization ratios will also change and bank reflects them in the next report.

Bank runs every year internal liquidity assessment process (ILAAP), which is done both on static 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 518,3 million (31.12.2022: 484.6 mln euro).

Bank is adequately capitalized at end of the reporting period, capital adequacy was 22.71% (31.12.2022: 21.86%), calculated according to CRR IV directive. Banks capital adequacy exceeds internal capital targets, which is 18.9%.

Both AS LHV Bank 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.

| <b>Capital base</b> (in thousands of euros)                        | <b>30.06.2023</b> | <b>31.12.2022</b> |
|--|-------------------|-------------------|
| Paid-in share capital  | 141 500           | 141 500           |
| Legal reserves transferred from net profit                         | 12 669            | 8 736             |
| Accumulated profit   | 222 187           | 147 685           |
| Intangible assets (subtracted)                                     | -3 254            | -2 881            |
| Net profit for the reporting period (COREP)                        | 32 014            | 78 656            |
| Deductions   | -358              | -2 643            |
| <b>Total Tier 1 capital</b>  | <b>404 758</b>    | <b>371 053</b>    |
| Subordinated debt  | 53 000            | 53 000            |
| <b>Total Tier 1 capital</b>  | <b>457 758</b>    | <b>424 053</b>    |
| Subordinated debt  | 60 500            | 60 500            |
| <b>Total Tier 2 capital</b>  | <b>60 500</b>     | <b>60 500</b>     |
| <b>Net own funds for capital adequacy</b>                          | <b>518 258</b>    | <b>484 553</b>    |
| <b>Capital requirements</b>  |                   |                   |
| Central governments and central bank under standard method         | 0                 | 0                 |
| Credit institutions and investment companies under standard method | 22 882            | 11 355            |
| Companies under standard method                                    | 1 161 471         | 1 202 058         |
| Retail claims under standard method                                | 227 187           | 218 342           |

|   |                  |                  |
|---|------------------|------------------|
| Public sector under standard method   | 0                | 0                |
| Housing real estate under standard method   | 541 015          | 506 767          |
| Overdue claims under standard methods   | 9 317            | 8 004            |
| Particularly high risk exposures  | 42 653           | 47 032           |
| Other assets under standard method  | 37 772           | 39 247           |
| <b>Total capital requirements for covering the credit risk and counterparty credit risk</b> | <b>2 042 297</b> | <b>2 032 805</b> |
| Capital requirement against foreign currency risk under standard method                     | 627              | 7 167            |
| Capital requirement against interest position risk under standard method                    | 0                | 0                |
| Capital requirement against equity portfolio risks under standard method                    | 785              | 740              |
| Capital requirement against credit valuation adjustment risks under standard method         | 2 091            | 2 888            |
| Capital requirement for operational risk under base method                                  | 236 380          | 173 468          |
| <b>Total capital requirements for adequacy calculation</b>                                  | <b>2 282 180</b> | <b>2 216 408</b> |
| <b>Capital adequacy (%)</b>   | <b>22.71</b>     | <b>21.86</b>     |
| <b>Tier 1 capital ratio (%)</b>   | <b>20.06</b>     | <b>19.13</b>     |
| <b>Core Tier 1 capital ratio (%)</b>  | <b>17.74</b>     | <b>16.74</b>     |

# 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<br>2023     | 6M<br>2023     | Q2<br>2022     | 6M<br>2022     |
|---|------|----------------|----------------|----------------|----------------|
| Interest income   |      | 71 737         | 133 385        | 33 493         | 66 343         |
| Interest expense  |      | -15 643        | -24 391        | -6 261         | -13 236        |
| Net interest income   | 7    | 56 094         | 108 994        | 27 232         | 53 107         |
| Fee and commission income   |      | 11 192         | 23 672         | 13 065         | 26 133         |
| Fee and commission expense  |      | -5 681         | -10 613        | -5 422         | -10 700        |
| <b>Net fee and commission income</b>  | 8    | <b>5 511</b>   | <b>13 059</b>  | <b>7 643</b>   | <b>15 433</b>  |
| Net gains/losses from financial assets measured at fair value               |      | -493           | -813           | 66             | -1 04          |
| Foreign exchange gains/losses   |      | 54             | 1 555          | 9              | 163            |
| <b>Net gains from financial assets</b>                                      |      | <b>-439</b>    | <b>742</b>     | <b>75</b>      | <b>-1 341</b>  |
| Other income  |      | 216            | 246            | 74             | 56             |
| <b>Total other income</b>   |      | <b>216</b>     | <b>246</b>     | <b>74</b>      | <b>56</b>      |
| Staff costs   |      | -10 410        | -21 707        | -9 185         | -17 638        |
| Administrative and other operating expenses                                 |      | -10 674        | -20 163        | -6 451         | -12 375        |
| <b>Total expenses</b>   | 9    | <b>-21 084</b> | <b>-41 870</b> | <b>-15 636</b> | <b>-30 013</b> |
| <b>Profit before impairment losses on loans and advances</b>                |      | <b>40 298</b>  | <b>81 171</b>  | <b>19 388</b>  | <b>37 242</b>  |
| Income tax expense  |      | -5 248         | -10 395        | -2 792         | -5 061         |
| Impairment losses on loans and bonds  |      | -603           | 989            | 341            | -394           |
| <b>Net profit for the reporting period</b>                                  |      | <b>34 447</b>  | <b>71 765</b>  | <b>16 937</b>  | <b>31 787</b>  |
| <b>Total profit and other comprehensive income for the reporting period</b> |      | <b>34 447</b>  | <b>71 765</b>  | <b>16 937</b>  | <b>31 787</b>  |
| <b>Total profit of the reporting period attributable to:</b>                |      |                |                |                |                |
| Owners of the parent  |      | 34 181         | 70 932         | 16 410         | 30 583         |
| Non-controlling interest  |      | 266            | 833            | 527            | 1 204          |
| <b>Total profit for the reporting period</b>                                |      | <b>34 447</b>  | <b>71 765</b>  | <b>16 937</b>  | <b>31 787</b>  |
| <b>Total comprehensive income attributable to:</b>                          |      |                |                |                |                |
| Owners of the parent  |      | 34 181         | 70 932         | 16 410         | 30 583         |
| Non-controlling interest  |      | 266            | 833            | 527            | 1 204          |
| <b>Total comprehensive income for the reporting period</b>                  |      | <b>34 447</b>  | <b>71 765</b>  | <b>16 937</b>  | <b>31 787</b>  |



## Condensed Consolidated Interim Statement of Financial Position

| <i>(in thousands of euros)</i>                             | Note | 30.06.2023       | 31.12.2022       |
|--|------|------------------|------------------|
| <b>Assets</b>  |      |                  |                  |
| Due from central bank                                      | 10   | 2 469 376        | 2 390 964        |
| Due from credit institutions                               | 10   | 115 273          | 84 885           |
| Due from investment companies                              | 10   | 8 414            | 3 391            |
| Financial assets at fair value through profit or loss      | 6    | 1 008            | 407              |
| Financial assets measured at amortised cost                | 6    | 321 996          | 364 230          |
| Loans and advances to customers                            | 5    | 3 275 833        | 3 186 989        |
| Receivables from customers                                 |      | 9 017            | 9 253            |
| Other financial assets                                     |      | 124              | 124              |
| Other assets   |      | 3 162            | 2 866            |
| Tangible assets  |      | 11 377           | 10 960           |
| Intangible assets  |      | 3 253            | 2 881            |
| <b>Total assets</b>  |      | <b>6 218 833</b> | <b>6 056 950</b> |
| <b>Liabilities</b>   |      |                  |                  |
| Loans received from Central Banks (TLTRO)                  | 11   | 49 972           | 147 841          |
| Deposits of customers                                      | 11   | 5 132 519        | 4 956 931        |
| Loans received and debt securities in issue                | 11   | 387 478          | 384 149          |
| Financial liabilities at fair value through profit or loss | 6    | 558              | 3 850            |
| Accounts payable and other liabilities                     |      | 76 038           | 61 901           |
| Subordinated debt  |      | 114 033          | 114 056          |
| <b>Total liabilities</b>                                   |      | <b>5 760 598</b> | <b>5 668 728</b> |
| <b>Owner's equity</b>                                      |      |                  |                  |
| Share capital  |      | 141 500          | 141 500          |
| Statutory reserve capital                                  |      | 12 669           | 8 736            |
| Retained earnings  |      | 298 277          | 231 805          |
| <b>Total equity attributable to owners of the parent</b>   |      | <b>452 446</b>   | <b>382 041</b>   |
| Non-controlling interest                                   |      | 5 789            | 6 181            |
| <b>Total equity</b>  |      | <b>458 235</b>   | <b>388 222</b>   |
| <b>Total liabilities and equity</b>                        |      | <b>6 218 833</b> | <b>6 056 950</b> |

## Condensed Consolidated Interim Statement of Cash Flows

| <i>(in thousands of euros)</i>   | Note      | Q2 2023          | 6M 2023          | Q2 2022          | 6M 2022          |
|--|-----------|------------------|------------------|------------------|------------------|
| <b>Cash flow from operating activities</b>   |           |                  |                  |                  |                  |
| Interest received  |           | 70 505           | 130 327          | 33 259           | 66 014           |
| Interest paid  |           | -9 087           | -14 198          | -6 389           | -12 592          |
| Fees and commissions received  |           | 11 192           | 23 672           | 13 065           | 26 133           |
| Fees and commissions paid  |           | -5 681           | -10 613          | -5 422           | -10 700          |
| Other income   |           | 216              | 246              | 74               | 56               |
| Staff costs paid   |           | -9 633           | -19 129          | -7 903           | -15 063          |
| Administrative and other operating expenses paid   |           | -9 366           | -17 590          | -5 282           | -10 164          |
| Income tax   |           | -5 516           | -10 817          | 0                | -4 066           |
| <b>Cash flow from operating activities before change in operating assets and liabilities</b> |           | <b>42 630</b>    | <b>81 898</b>    | <b>21 402</b>    | <b>31 093</b>    |
| <b>Net increase/decrease in operating assets:</b>  |           |                  |                  |                  |                  |
| Net acquisition/disposal of trading portfolio  |           | 1 799            | -602             | -3 355           | -3 464           |
| Loans and advances to customers  |           | -150 380         | -79 460          | -170 919         | -247 288         |
| Mandatory reserve at central bank  |           | -1 674           | -1 925           | 359              | 3 935            |
| Security deposits  |           | 0                | 0                | 0                | 2 112            |
| Other assets   |           | -132             | -301             | 278              | 3 675            |
| <b>Net increase/decrease in operating liabilities:</b>                                       |           |                  |                  |                  |                  |
| Demand deposits of customers   |           | -317 924         | -627 539         | 3 082            | -411 252         |
| Term deposits of customers   |           | 526 283          | 796 230          | -15 158          | -11 463          |
| Repayments of loans received   |           | -49 065          | -97 656          | -50 258          | -50 479          |
| Financial liabilities at fair value through profit and loss                                  |           | -3 143           | -3 292           | 0                | 0                |
| Financial liabilities held for trading at fair value through profit and loss                 |           | 0                | 0                | 258              | 134              |
| Other liabilities  |           | 18 175           | 8 433            | 44 413           | 98 071           |
| <b>Net cash generated from/used in operating activities</b>                                  |           | <b>66 569</b>    | <b>75 786</b>    | <b>-169 898</b>  | <b>-576 401</b>  |
| <b>Cash flow from investing activities</b>   |           |                  |                  |                  |                  |
| Purchase of current and non-current assets   |           | -1 681           | -2 518           | -2 579           | -4 317           |
| Net change of investments at fair value through profit or loss                               |           | 0                | 0                | 0                | -340 818         |
| Net change of investments at amortized cost  |           | -44 389          | 41 421           | -9 678           | -9 678           |
| <b>Net cash flow from investing activities</b>   |           | <b>-46 070</b>   | <b>38 903</b>    | <b>-12 257</b>   | <b>-354 813</b>  |
| <b>Cash flow from financing activities</b>   |           |                  |                  |                  |                  |
| Subordinated loan received   |           | 0                | 0                | 0                | 15 000           |
| Repayment of subordinated loan   |           | 0                | 0                | -6 000           | -6 000           |
| Dividends paid   |           | 0                | -3 500           | -3 900           | -6 000           |
| Repayment of principal of lease liabilities  |           | -426             | -845             | -380             | -744             |
| <b>Net cash from financing activities</b>  |           | <b>-426</b>      | <b>-4 345</b>    | <b>-10 280</b>   | <b>2 256</b>     |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                          |           | <b>54</b>        | <b>1 555</b>     | <b>9</b>         | <b>163</b>       |
| <b>Net decrease/increase in cash and cash equivalents</b>                                    |           | <b>20 127</b>    | <b>111 899</b>   | <b>-192 426</b>  | <b>-928 795</b>  |
| Cash and cash equivalents at the beginning of the period                                     |           | 2 522 323        | 2 430 551        | 3 193 266        | 3 929 635        |
| <b>Cash and cash equivalents at the end of the period</b>                                    | <b>10</b> | <b>2 542 450</b> | <b>2 542 450</b> | <b>3 000 840</b> | <b>3 000 840</b> |

## 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   |
|--|----------------|---------------------------|--|-------------------------------------|--------------------------|----------------|
| <b>Balance as at 01.01.2022</b>                                      | <b>111 500</b> | <b>5 648</b>              | <b>156 745</b>                         | <b>273 893</b>                      | <b>6 066</b>             | <b>279 959</b> |
| Paid in share capital  | 30 000         | 0                         | 0                                      | 30 000                              | 0                        | 30 000         |
| 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                         | 3 390                                  | 3 390                               | 0                        | 3 390          |
| <i>Profit for the year</i>   | <i>0</i>       | <i>0</i>                  | <i>78 658</i>                          | <i>78 658</i>                       | <i>2 215</i>             | <i>80 873</i>  |
| Total profit and other comprehensive income for the reporting period | 0              | 0                         | 78 658                                 | 78 658                              | 2 215                    | 80 873         |
| <b>Balance as at 31.12.2022</b>                                      | <b>141 500</b> | <b>8 736</b>              | <b>231 805</b>                         | <b>382 041</b>                      | <b>6 181</b>             | <b>388 222</b> |
| <b>Balance as at 01.01.2023</b>                                      | <b>141 500</b> | <b>8 736</b>              | <b>231 805</b>                         | <b>382 041</b>                      | <b>6 181</b>             | <b>388 222</b> |
| Paid in share capital  | 0              | 3 933                     | -3 933                                 | 0                                   | 0                        | 0              |
| Dividends paid   | 0              | 0                         | -2 275                                 | -2 275                              | -1 225                   | -3 500         |
| Share options  | 0              | 0                         | 1 748                                  | 1 748                               | 0                        | 1 748          |
| <i>Profit for the year</i>   | <i>0</i>       | <i>0</i>                  | <i>70 932</i>                          | <i>70 932</i>                       | <i>833</i>               | <i>71 765</i>  |
| Total profit and other comprehensive income for the reporting period | 0              | 0                         | 70 932                                 | 70 932                              | 833                      | 71 765         |
| <b>Balance as at 30.06.2023</b>                                      | <b>141 500</b> | <b>12 669</b>             | <b>298 277</b>                         | <b>452 446</b>                      | <b>5 789</b>             | <b>458 235</b> |

## 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 in European Union. The interim financial statements should be read in conjunction with the group's annual financial statements as at 31 December 2022. 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

| 30.06.2023                                       | Estonia          | Germany        | Other EU       | USA           | UK             | Other         | Total            |
|--|------------------|----------------|----------------|---------------|----------------|---------------|------------------|
| Due from banks and investment companies          | 2 133 894        | 0              | 314 806        | 30 959        | 113 404        | 0             | 2 593 063        |
| Financial assets at fair value                   | 642              | 11             | 321            | 30            | 2              | 2             | 1 008            |
| Financial assets at amortized cost               | 162 922          | 4 988          | 154 086        | 0             | 0              | 0             | 321 996          |
| Loans and advances to customers                  | 3 193 810        | 933            | 20 823         | 564           | 55 072         | 4 631         | 3 275 833        |
| Receivables from customers                       | 9 017            | 0              | 0              | 0             | 0              | 0             | 9 017            |
| Other financial assets                           | 24               | 0              | 0              | 100           | 0              | 0             | 124              |
| <b>Total financial assets</b>                    | <b>5 500 309</b> | <b>5 932</b>   | <b>490 036</b> | <b>31 653</b> | <b>168 478</b> | <b>4 633</b>  | <b>6 201 041</b> |
| Loans received from Central Banks (TLTRO)        | 49 972           | 0              | 0              | 0             | 0              | 0             | 49 972           |
| Deposits of customers                            | 3 815 978        | 135 495        | 815 957        | 28 796        | 255 337        | 80 956        | 5 132 519        |
| Loans received and debt securities in issue      | 387 478          | 0              | 0              | 0             | 0              | 0             | 387 478          |
| Subordinated debt                                | 114 033          | 0              | 0              | 0             | 0              | 0             | 114 033          |
| Financial liabilities at fair value              | 558              | 0              | 0              | 0             | 0              | 0             | 558              |
| Accounts payable and other financial liabilities | 67 591           | 0              | 0              | 0             | 0              | 0             | 67 591           |
| <b>Total financial liabilities</b>               | <b>4 435 610</b> | <b>135 495</b> | <b>815 957</b> | <b>28 796</b> | <b>255 337</b> | <b>80 956</b> | <b>5 752 151</b> |

Unused loan commitments in the amount of EUR 478 761 thousand are for the residents of Estonia.

| 31.12.2022                                       | Estonia          | Germany      | Other EU       | USA           | UK             | Other         | Total            |
|--|------------------|--------------|----------------|---------------|----------------|---------------|------------------|
| Due from banks and investment companies          | 1 935 474        | 0            | 329 496        | 24 727        | 189 442        | 101           | 2 479 240        |
| Financial assets at fair value                   | 62               | 7            | 308            | 21            | 3              | 6             | 407              |
| Financial assets at amortized cost               | 236 130          | 4 966        | 123 134        | 0             | 0              | 0             | 364 230          |
| Loans and advances to customers                  | 3 162 295        | 612          | 17 867         | 622           | 900            | 4 693         | 3 186 989        |
| Receivables from customers                       | 9 253            | 0            | 0              | 0             | 0              | 0             | 9 253            |
| Other financial assets                           | 24               | 0            | 0              | 100           | 0              | 0             | 124              |
| <b>Total financial assets</b>                    | <b>5 343 238</b> | <b>5 585</b> | <b>470 805</b> | <b>25 470</b> | <b>190 345</b> | <b>4 800</b>  | <b>6 040 243</b> |
| Loans received from Central Banks (TLTRO)        | 147 841          | 0            | 0              | 0             | 0              | 0             | 147 841          |
| Deposits of customers                            | 3 656 847        | 5 292        | 794 101        | 14 891        | 452 415        | 33 385        | 4 956 931        |
| Loans received and debt securities in issue      | 384 149          | 0            | 0              | 0             | 0              | 0             | 384 149          |
| Subordinated debt                                | 114 056          | 0            | 0              | 0             | 0              | 0             | 114 056          |
| Financial liabilities at fair value              | 3 850            | 0            | 0              | 0             | 0              | 0             | 3 850            |
| Accounts payable and other financial liabilities | 54 838           | 0            | 0              | 0             | 0              | 0             | 54 838           |
| <b>Total financial liabilities</b>               | <b>4 361 581</b> | <b>5 292</b> | <b>794 101</b> | <b>14 891</b> | <b>452 415</b> | <b>33 385</b> | <b>5 661 665</b> |

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

## NOTE 3 Breakdown of Assets and Liabilities by Contractual Maturity Dates

| 30.06.2023  | On demand         | 0-3 months      | 3-12 months     | 1-5 years        | Over 5 years     | Total            |
|---|-------------------|-----------------|-----------------|------------------|------------------|------------------|
| <b>Liabilities by contractual maturity dates</b>          |                   |                 |                 |                  |                  |                  |
| Loans received from Central Banks (TLTRO)                 | 0                 | 50 400          | 0               | 0                | 0                | 50 400           |
| Deposits from customers and loans received                | 4 074 314         | 294 360         | 739 044         | 44 041           | 0                | 5 151 759        |
| Loans received and debt securities in issue               | 0                 | 690             | 6 100           | 403 180          | 0                | 409 970          |
| Subordinated debt   | 0                 | 2 311           | 57 608          | 73 545           | 0                | 133 464          |
| Accounts payable and other financial liabilities          | 0                 | 67 591          | 0               | 0                | 0                | 67 591           |
| Unused loan commitments                                   | 0                 | 478 761         | 0               | 0                | 0                | 478 761          |
| Financial guarantees by contractual amounts               | 0                 | 54 073          | 0               | 0                | 0                | 54 073           |
| Foreign exchange derivatives (gross settled)              | 0                 | 152 704         | 0               | 0                | 0                | 152 704          |
| Financial liabilities at fair value                       | 0                 | 558             | 0               | 0                | 0                | 558              |
| <b>Total liabilities</b>                                  | <b>4 074 314</b>  | <b>898 344</b>  | <b>802 752</b>  | <b>520 766</b>   | <b>0</b>         | <b>6 499 280</b> |
| <b>Financial assets by contractual maturity dates</b>     |                   |                 |                 |                  |                  |                  |
| Due from banks and investment companies                   | 2 593 063         | 0               | 0               | 0                | 0                | 2 593 063        |
| Financial assets at fair value (debt securities)          | 0                 | 71 416          | 171 978         | 78 682           |                  | 322 076          |
| Loans and advances to customers                           | 0                 | 169 635         | 478 024         | 2 304 203        | 1 529 907        | 4 481 769        |
| Receivables from customers                                | 0                 | 9 017           | 0               | 0                | 0                | 9 017            |
| Foreign exchange derivatives (gross settled)              | 0                 | 152 704         | 0               | 0                | 0                | 152 704          |
| Other financial assets                                    | 124               | 0               | 0               | 0                | 0                | 124              |
| <b>Total financial assets</b>                             | <b>2 593 187</b>  | <b>403 772</b>  | <b>650 002</b>  | <b>2 382 885</b> | <b>1 529 907</b> | <b>7 558 753</b> |
| <b>Maturity gap from financial assets and liabilities</b> | <b>-1 481 127</b> | <b>-495 572</b> | <b>-152 750</b> | <b>1 862 119</b> | <b>1 529 907</b> | <b>1 059 473</b> |

| 31.12.2022  | On demand         | 0-3 months      | 3-12 months    | 1-5 years        | Over 5 years     | Total            |
|---|-------------------|-----------------|----------------|------------------|------------------|------------------|
| <b>Liabilities by contractual maturity dates</b>          |                   |                 |                |                  |                  |                  |
| Loans received from Central Banks (TLTRO)                 | 0                 | 0               | 0              | 150 082          | 0                | 150 082          |
| Deposits from customers                                   | 4 699 726         | 95 807          | 143 740        | 18 082           | 0                | 4 957 355        |
| Loans received  | 0                 | 0               | 6 790          | 396 890          | 0                | 403 680          |
| Subordinated debt   | 0                 | 2 311           | 16 932         | 118 843          | 0                | 138 086          |
| Accounts payable and other financial liabilities          | 0                 | 54 838          | 0              | 0                | 0                | 54 838           |
| 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            |
| <b>Total liabilities</b>                                  | <b>4 699 726</b>  | <b>810 476</b>  | <b>167 462</b> | <b>683 897</b>   | <b>0</b>         | <b>6 533 255</b> |
| <b>Financial assets by contractual maturity dates</b>     |                   |                 |                |                  |                  |                  |
| Due from banks and investment companies                   | 2 479 240         | 0               | 0              | 0                | 0                | 2 479 240        |
| Financial assets at fair value (debt securities)          | 0                 | 236 130         | 4 966          | 123 225          |                  | 364 321          |
| Loans and advances to customers                           | 0                 | 186 547         | 487 298        | 2 095 373        | 1 258 430        | 4 027 648        |
| Receivables from customers                                | 0                 | 9 253           | 0              | 0                | 0                | 9 253            |
| Foreign exchange derivatives (gross settled)              | 0                 | 171 694         | 0              | 0                | 0                | 171 694          |
| Other financial assets                                    | 124               | 0               | 0              | 0                | 0                | 124              |
| <b>Total financial assets</b>                             | <b>2 479 364</b>  | <b>603 624</b>  | <b>492 264</b> | <b>2 218 598</b> | <b>1 258 430</b> | <b>7 052 280</b> |
| <b>Maturity gap from financial assets and liabilities</b> | <b>-2 220 362</b> | <b>-206 852</b> | <b>324 802</b> | <b>1 534 701</b> | <b>1 258 430</b> | <b>519 025</b>   |

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

| 30.06.2023  | EUR              | CHF          | GBP            | SEK           | USD            | Other         | Total            |
|---|------------------|--------------|----------------|---------------|----------------|---------------|------------------|
| <b>Assets bearing currency risk</b>                             |                  |              |                |               |                |               |                  |
| Due from banks and investment companies                         | 2 440 782        | 1 557        | 129 556        | 3 313         | 8 994          | 8 860         | <b>2 593 063</b> |
| Financial assets at fair value and amortized cost               | 322 427          | 0            | 2              | 1             | 34             | 540           | <b>323 004</b>   |
| Loans and advances to customers                                 | 3 215 195        | 31           | 53 362         | 126           | 6 876          | 242           | <b>3 275 833</b> |
| Receivables from customers                                      | 324              | 3            | 3 351          | 0             | 4 800          | 539           | <b>9 017</b>     |
| Other financial assets  | 124              | 0            | 0              | 0             | 0              | 0             | <b>124</b>       |
| <b>Total assets bearing currency risk</b>                       | <b>5 978 852</b> | <b>1 592</b> | <b>186 272</b> | <b>3 440</b>  | <b>20 704</b>  | <b>10 181</b> | <b>6 201 041</b> |
| <b>Liabilities bearing currency risk</b>                        |                  |              |                |               |                |               |                  |
| Loans received from Central Banks (TLTRO)                       | 49 972           | 0            | 0              | 0             | 0              | 0             | <b>49 972</b>    |
| Deposits from customers   | 4 734 520        | 6 906        | 170 105        | 9 376         | 152 998        | 9 442         | <b>5 083 347</b> |
| Loans received and debt securities in issue                     | 387 478          | 0            | 0              | 0             | 0              | 0             | <b>387 478</b>   |
| Swaps   | 558              | 0            | 0              | 0             | 0              | 0             | <b>558</b>       |
| Accounts payable and other financial liabilities                | 42 822           | 0            | 16 379         | 759           | 6 162          | 1 478         | <b>67 601</b>    |
| Subordinated debt   | 114 033          | 0            | 0              | 0             | 0              | 0             | <b>114 033</b>   |
| <b>Total liabilities bearing currency risk</b>                  | <b>5 329 383</b> | <b>6 907</b> | <b>186 484</b> | <b>10 135</b> | <b>159 160</b> | <b>10 920</b> | <b>5 702 989</b> |
| Open gross position derivative assets at contractual value      | 604              | 5 309        | 0              | 6 754         | 139 126        | 911           | 152 704          |
| Open gross position derivative liabilities at contractual value | 152 100          | 0            | 0              | 0             | 0              | 604           | 152 704          |
| <b>Open foreign currency position</b>                           | <b>497 973</b>   | <b>-6</b>    | <b>-212</b>    | <b>59</b>     | <b>670</b>     | <b>-432</b>   | <b>498 052</b>   |

| 31.12.2022  | EUR              | CHF          | GBP            | SEK           | USD            | Other        | Total            |
|---|------------------|--------------|----------------|---------------|----------------|--------------|------------------|
| <b>Assets bearing currency risk</b>                             |                  |              |                |               |                |              |                  |
| Due from banks and investment companies                         | 2 252 513        | 1 466        | 197 147        | 2 538         | 17 806         | 7 769        | <b>2 479 240</b> |
| Financial assets at fair value                                  | 364 567          | 0            | 2              | 1             | 26             | 42           | <b>364 637</b>   |
| Loans and advances to customers                                 | 3 180 990        | 74           | 232            | 385           | 5 068          | 241          | <b>3 186 989</b> |
| Receivables from customers                                      | 14 099           | 5            | 751            | 241           | -4 512         | -1 330       | <b>9 253</b>     |
| Other financial assets  | 124              | 0            | 0              | 0             | 0              | 0            | <b>124</b>       |
| <b>Total assets bearing currency risk</b>                       | <b>5 812 293</b> | <b>1 545</b> | <b>198 132</b> | <b>3 164</b>  | <b>18 388</b>  | <b>6 721</b> | <b>6 040 243</b> |
| <b>Liabilities bearing currency risk</b>                        |                  |              |                |               |                |              |                  |
| Loans received from Central Banks (TLTRO)                       | 147 841          | 0            | 0              | 0             | 0              | 0            | <b>147 841</b>   |
| Deposits from customers   | 4 590 049        | 5 323        | 193 442        | 10 968        | 148 058        | 9 089        | <b>4 956 931</b> |
| Loans received  | 384 149          | 0            | 0              | 0             | 0              | 0            | <b>384 149</b>   |
| Accounts payable and other financial liabilities                | 0                | 0            | 0              | 0             | 3 849          | 1            | <b>3 850</b>     |
| Swaps   | 41 563           | 19           | 4 006          | 172           | 8 987          | 91           | <b>54 838</b>    |
| Subordinated debt   | 114 056          | 0            | 0              | 0             | 0              | 0            | <b>114 056</b>   |
| <b>Total liabilities bearing currency risk</b>                  | <b>5 277 658</b> | <b>5 343</b> | <b>197 448</b> | <b>11 140</b> | <b>160 895</b> | <b>9 181</b> | <b>5 661 665</b> |
| 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          |
| <b>Open foreign currency position</b>                           | <b>381 747</b>   | <b>-40</b>   | <b>684</b>     | <b>25</b>     | <b>-3 748</b>  | <b>-89</b>   | <b>378 578</b>   |

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

| <b>30.06.2023</b>                                 | <b>Stage 1</b>   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Provision</b> | <b>Total</b>     | <b>%</b>    |
|---|------------------|----------------|----------------|------------------|------------------|-------------|
| Individuals                                       | 1 190 699        | 94 944         | 5 446          | -3 924           | 1 287 165        | 39.6%       |
| Agriculture                                       | 105 957          | 2 517          | 12             | -199             | 108 287          | 3.3%        |
| Mining and Quarrying                              | 1 050            | 779            | 82             | -107             | 1 804            | 0.1%        |
| Manufacturing                                     | 119 425          | 40 618         | 964            | -1 422           | 159 585          | 4.9%        |
| Energy  | 131 373          | 997            | 0              | -701             | 131 669          | 4.0%        |
| Water and Utilities                               | 28 037           | 275            | 0              | -302             | 28 010           | 0.9%        |
| Construction                                      | 121 374          | 4 895          | 103            | -1 822           | 124 550          | 3.8%        |
| Wholesale and retail                              | 145 360          | 7 033          | 187            | -1 059           | 151 521          | 4.6%        |
| Transport and logistics                           | 15 554           | 10 380         | 0              | -667             | 25 267           | 0.8%        |
| Hotels and Restaurants                            | 6 604            | 2 801          | 429            | -208             | 9 626            | 0.3%        |
| Information and communication                     | 12 640           | 1 430          | 29             | -51              | 14 048           | 0.4%        |
| Financial services                                | 158 633          | 5 920          | 0              | -1 033           | 163 520          | 5.0%        |
| Real estate                                       | 706 143          | 26 386         | 2 039          | -3 587           | 730 981          | 22.3%       |
| Professional, scientific and technical activities | 89 039           | 4 516          | 17             | -239             | 93 333           | 2.8%        |
| Administrative activities                         | 90 949           | 2 258          | 24             | -519             | 92 712           | 2.8%        |
| Public management                                 | 73 068           | 119            | 0              | -127             | 73 060           | 2.2%        |
| Education   | 4 876            | 553            | 0              | -323             | 5 106            | 0.2%        |
| Health  | 11 070           | 904            | 0              | -117             | 11 857           | 0.4%        |
| Art and entertainment                             | 29 525           | 27 676         | 0              | -2 475           | 54 726           | 1.7%        |
| Other servicing activities                        | 7 624            | 1 416          | 11             | -45              | 9 006            | 0.2%        |
| <b>Total</b>                                      | <b>3 049 000</b> | <b>236 417</b> | <b>9 343</b>   | <b>-18 927</b>   |                  |             |
| Provision   | -9 996           | -6 364         | -2 567         |                  |                  |             |
| <b>Total loan portfolio</b>                       | <b>3 039 004</b> | <b>230 053</b> | <b>6 776</b>   |                  | <b>3 275 833</b> | <b>100%</b> |

| <b>31.12.2022</b>                                 | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Provision</b> | <b>Total</b> | <b>%</b> |
|---|----------------|----------------|----------------|------------------|--------------|----------|
| Individuals                                       | 1 127 635      | 115 433        | 5 446          | -3 156           | 1 245 358    | 39.1%    |
| Agriculture                                       | 76 817         | 2 743          | 0              | -112             | 79 448       | 2.5%     |
| Mining and Quarrying                              | 1 039          | 519            | 122            | -50              | 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 Utilities                               | 29 314         | 90             | 0              | -275             | 29 129       | 0.9%     |
| Construction                                      | 104 812        | 5 243          | 58             | -1 712           | 108 401      | 3.4%     |
| Wholesale and retail                              | 142 811        | 6 599          | 69             | -919             | 148 560      | 4.7%     |
| Transport and logistics                           | 15 198         | 10 323         | 1              | -691             | 24 831       | 0.8%     |
| Hotels and Restaurants                            | 8 775          | 23 446         | 43             | -1 522           | 30 742       | 1.0%     |
| Information and communication                     | 11 330         | 3 004          | 1              | -34              | 14 301       | 0.4%     |
| Financial services                                | 119 435        | 9 337          | 0              | -822             | 127 950      | 4.0%     |
| Real estate                                       | 744 928        | 34 577         | 1 558          | -3 233           | 777 830      | 24.4%    |
| Professional, scientific and technical activities | 68 002         | 7 313          | 30             | -171             | 75 174       | 2.4%     |
| Administrative activities                         | 115 072        | 4 563          | 32             | -3 116           | 116 551      | 3.7%     |
| Public management                                 | 79 272         | 0              | 0              | -127             | 79 145       | 2.5%     |
| Education   | 5 151          | 596            | 0              | -302             | 5 445        | 0.2%     |
| Health  | 11 077         | 541            | 0              | -76              | 11 542       | 0.4%     |
| Art and entertainment                             | 27 619         | 30 225         | 15             | -2 588           | 55 271       | 1.7%     |
| Other servicing activities                        | 6 970          | 1 503          | 11             | -42              | 8 442        | 0.3%     |

|                             |                  |                |              |                |                  |             |
|-----------------------------|------------------|----------------|--------------|----------------|------------------|-------------|
| <b>Total</b>                | <b>2 914 113</b> | <b>285 986</b> | <b>7 467</b> | <b>-20 577</b> |                  |             |
| Provision                   | -10 874          | -7 632         | -2 071       |                |                  |             |
| <b>Total loan portfolio</b> | <b>2 903 239</b> | <b>278 354</b> | <b>5 396</b> |                | <b>3 186 989</b> | <b>100%</b> |

Loans to related parties were 30.06.2023 EUR 7 697 thousand (31.12.2022: 7 570). 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  | 30.06.2023   | Level 1    | Level 2      | Level 3  | 31.12.2022   |
|--|------------|------------|----------|--------------|------------|--------------|----------|--------------|
| <b>Financial assets at fair value through profit and loss</b>      |            |            |          |              |            |              |          |              |
| Shares and fund units  | 389        | 0          | 0        | <b>389</b>   | 367        | 0            | 0        | <b>367</b>   |
| Bonds at fair value through profit and loss                        | 0          | 0          | 0        | <b>0</b>     | 0          | 0            | 0        | <b>0</b>     |
| Interest rate swaps and foreign exchange forwards                  | 0          | 619        | 0        | <b>619</b>   | 0          | 40           | 0        | <b>40</b>    |
| <b>Total financial assets</b>                                      | <b>389</b> | <b>619</b> | <b>0</b> | <b>1 008</b> | <b>367</b> | <b>40</b>    | <b>0</b> | <b>407</b>   |
| <b>Financial liabilities at fair value through profit and loss</b> |            |            |          |              |            |              |          |              |
| Interest rate swaps and foreign exchange forwards                  | 0          | 558        | 0        | 558          | 0          | 3 850        | 0        | 3 850        |
| <b>Total financial liabilities</b>                                 | <b>0</b>   | <b>558</b> | <b>0</b> | <b>558</b>   | <b>0</b>   | <b>3 850</b> | <b>0</b> | <b>3 850</b> |

As of June 30, 2023, the liquidity portfolio in the amount of EUR 321 996 thousand is reflected in the amortised cost and the loss from the revaluation of the portfolio is reflected in the income statement in the line Impairment losses on loans and bonds in the amount of EUR 11 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.

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 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.

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 2018-2022. 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

| <b>Interest income</b>                                     | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
|--|----------------|----------------|----------------|----------------|
| Business loans   | 32 562         | 60 706         | 17 853         | 35 181         |
| including loans between related parties                    | 39             | 73             | 17             | 34             |
| Hire purchase  | 878            | 1 782          | 807            | 1 615          |
| Leasing  | 2 645          | 4 989          | 1 441          | 2 881          |
| including loans between related parties                    | 9              | 16             | 3              | 5              |
| Leverage loans and lending of securities                   | 312            | 679            | 428            | 863            |
| Bonds  | 2 537          | 3 067          | -249           | -384           |
| Creditcard loans   | 245            | 477            | 199            | 394            |
| Consumer loans   | 2 988          | 5 880          | 2 245          | 4 303          |
| Mortgage loans   | 15 196         | 27 625         | 6 186          | 11 717         |
| including loans between related parties                    | 37             | 66             | 9              | 19             |
| Balances with credit institutions and investment companies | 1 486          | 3 335          | 671            | 934            |
| Balances with the central bank                             | 11 394         | 22 116         | 488            | 988            |
| Private loans  | 904            | 1 746          | 568            | 1 122          |
| Other loans  | 580            | 983            | 2 856          | 6 693          |
| including loans between related parties                    | 12             | 23             | 1              | 3              |
| <b>Total</b>   | <b>71 737</b>  | <b>133 385</b> | <b>33 493</b>  | <b>66 343</b>  |

### Interest expense

|  |                |                |               |                |
|--|----------------|----------------|---------------|----------------|
| Deposits of customers and loans received | -11 588        | -16 174        | -1 123        | -2 223         |
| Balances with the central bank           | 0              | 0              | -2 946        | -6 732         |
| Other interest expenses                  | -92            | -310           | 0             | 0              |
| Subordinated liabilities                 | -3 963         | -7 907         | -2 192        | -4 281         |
| <b>Total</b>                             | <b>-15 643</b> | <b>-24 391</b> | <b>-6 261</b> | <b>-13 236</b> |
| <b>Net interest income</b>               | <b>56 094</b>  | <b>108 994</b> | <b>27 232</b> | <b>53 107</b>  |

### Interest income on loans by customer location

| <b>(interest on bank balances and bonds excluded):</b> | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
|--|----------------|----------------|----------------|----------------|
| Estonia  | 56 310         | 104 867        | 32 186         | 64 769         |
| <b>Total</b>   | <b>56 310</b>  | <b>104 867</b> | <b>32 186</b>  | <b>64 769</b>  |

## NOTE 8 Net Fee and Commission Income

| <b>Fee and commission income</b>        | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
|---|----------------|----------------|----------------|----------------|
| Security brokerage and commissions paid | 1 046          | 2 154          | 1 023          | 2 445          |
| Asset management and similar fees       | 1 656          | 3 255          | 1 452          | 2 814          |
| Currency conversion revenues            | 1 275          | 2 704          | 2 201          | 4 505          |
| Fees from cards and payments            | 5 418          | 11 782         | 6 275          | 12 919         |
| Other fee and commission income         | 1 797          | 3 777          | 2 114          | 3 450          |
| <b>Total</b>                            | <b>11 192</b>  | <b>23 672</b>  | <b>13 065</b>  | <b>26 133</b>  |
| <b>Fee and commission expense</b>       |                |                |                |                |
| Security brokerage and commissions paid | -626           | -1 230         | -598           | -1 237         |
| Expenses related to cards               | -2 461         | -4 299         | -1 907         | -3 619         |
| Expenses related to acquiring           | -2 040         | -3 743         | -1 837         | -3 480         |
| Other fee and commission income         | -554           | -1 341         | -1 080         | -2 364         |
| <b>Total</b>                            | <b>-5 681</b>  | <b>-10 613</b> | <b>-5 422</b>  | <b>-10 700</b> |
| <b>Net fee and commission income</b>    | <b>5 511</b>   | <b>13 059</b>  | <b>7 643</b>   | <b>15 433</b>  |

| <b>Fee and commission income by customer location:</b> | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
|--|----------------|----------------|----------------|----------------|
| Estonia  | 9 089          | 19 747         | 11 178         | 22 336         |
| United Kingdom   | 2 103          | 3 925          | 1 887          | 3 797          |
| <b>Total</b>   | <b>11 192</b>  | <b>23 672</b>  | <b>13 065</b>  | <b>26 133</b>  |

## NOTE 9 Operating Expenses

|   | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
|---|----------------|----------------|----------------|----------------|
| Wages, salaries and bonuses               | 7 906          | 16 719         | 7 103          | 13 624         |
| Social security and other taxes*          | 2 504          | 4 988          | 2 082          | 4 014          |
| <b>Total personnel expenses</b>           | <b>10 410</b>  | <b>21 707</b>  | <b>9 185</b>   | <b>17 638</b>  |
| IT expenses                               | 1 542          | 2 902          | 1 081          | 2 405          |
| Information services and bank services    | 381            | 785            | 325            | 612            |
| Marketing expenses                        | 754            | 1 364          | 453            | 1 258          |
| Office expenses                           | 375            | 806            | 320            | 595            |
| Transportation and communication expenses | 117            | 256            | 119            | 241            |
| Staff training and business trip expenses | 293            | 566            | 279            | 504            |
| Other outsourced services                 | 1 910          | 3 188          | 1 394          | 2 723          |
| Other administrative expenses             | 4 100          | 7 987          | 1 341          | 2 080          |
| Depreciation of non-current assets        | 881            | 1 727          | 789            | 1 468          |
| Operational lease payments                | 86             | 185            | 82             | 109            |
| Other operating expenses                  | 235            | 397            | 268            | 380            |
| <b>Total other operating expenses</b>     | <b>10 674</b>  | <b>20 163</b>  | <b>6 451</b>   | <b>12 375</b>  |
| <b>Total operating expenses</b>           | <b>21 084</b>  | <b>41 870</b>  | <b>15 636</b>  | <b>30 013</b>  |

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

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

|   | 30.06.2023       | 31.12.2022       |
|---|------------------|------------------|
| Term deposits with maturity less than 3 months*           | 123 689          | 88 276           |
| Legal reserve with the central bank                       | 50 613           | 48 689           |
| Other receivables from central bank*                      | 2 418 763        | 2 342 275        |
| <b>Total</b>  | <b>2 593 063</b> | <b>2 479 240</b> |
| *Cash and cash equivalents in the Statement of Cash Flows | 2 542 450        | 2 430 551        |

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 8 414 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 30 June 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 11 Deposits of Customers, Loans Received and Debt Securities in issue

|                            | Non-financial    |                    |                  |               | 30.06.2023       |
|----------------------------|------------------|--------------------|------------------|---------------|------------------|
|                            | Individuals      | Financial entities | entities         | Public sector |                  |
| Demand deposits            | 898 271          | 1 286 730          | 1 811 759        | 74 956        | 4 071 716        |
| Term deposits              | 564 578          | 48 038             | 420 951          | 19 642        | 1 053 209        |
| Accrued interest liability | 2 740            | 1 133              | 3 437            | 284           | 7 594            |
| <b>Total</b>               | <b>1 465 589</b> | <b>1 335 901</b>   | <b>2 236 147</b> | <b>94 882</b> | <b>5 132 519</b> |

|                            | Non-financial    |                    |                  |               | 31.12.2022       |
|----------------------------|------------------|--------------------|------------------|---------------|------------------|
|                            | Individuals      | Financial entities | entities         | Public sector |                  |
| Demand deposits            | 1 065 135        | 1 533 598          | 2 042 117        | 58 406        | 4 699 256        |
| Term deposits              | 63 208           | 23 046             | 146 137          | 24 587        | 256 978          |
| Accrued interest liability | 336              | 192                | 156              | 13            | 697              |
| <b>Total</b>               | <b>1 128 679</b> | <b>1 556 836</b>   | <b>2 188 410</b> | <b>83 006</b> | <b>4 956 931</b> |

| 30.06.2023                 | TLTRO          | Mortgage bonds | Preferred senior bonds | Total loans received and debt securities in issue |
|----------------------------|----------------|----------------|------------------------|---|
| Loans received             | 50 000         | 249 429        | 133 838                | 383 267   |
| Accrued interest liability | -28            | 15             | 4 196                  | 4 211   |
| <b>Total</b>               | <b>49 972</b>  | <b>249 444</b> | <b>138 034</b>         | <b>387 478</b>                                    |
| 31.12.2022                 | TLTRO          | Mortgage bonds | Preferred senior bonds | Total loans received and debt Securities in issue |
| Loans received             | 150 000        | 249 284        | 133 771                | 383 055   |
| Accrued interest liability | -2 159         | 141            | 953                    | 1 094   |
| <b>Total</b>               | <b>147 841</b> | <b>249 425</b> | <b>134 724</b>         | <b>384 149</b>                                    |

In 2020, LHV Pank issued EUR 250 million in five-year mortgage bonds in June. In the fourth 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. In 2022, LHV Bank returned the loan received from the European Central Bank in the amount of 50 000 thousand euros and in first quarter 2023 another 50 000 thousand euros was returned.

As of 30.06.2023 the amount of loan received from European Central Bank (TLTRO) was EUR 50 000 (31.12.2022: 150 000) 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: | <b>30.06.2023</b> | <b>31.12.2022</b> |
| Cash balance of customers  | 14 259            | 13 609            |
| Securities of customers  | 3 499 540         | 3 194 837         |
| <i>Incl. parent company</i>  | 149 279           | 149 279           |
| <i>Incl. shareholders of the parent company and related entities</i>   | 615 957           | 483 452           |
| <b>Total</b>   | <b>3 513 799</b>  | <b>3 208 446</b>  |

## NOTE 13 Contingent Liabilities

| <b>Irrevocable transactions</b>                            | <b>Performance guarantees</b> | <b>Financial guarantees</b> | <b>Letter of credit</b> | <b>Unused loan commitments</b> | <b>Total</b>   |
|--|-------------------------------|-----------------------------|-------------------------|--------------------------------|----------------|
| Liability in the contractual amount as at 30 June 2023     | 41 416                        | 54 073                      | 8 938                   | 478 761                        | <b>583 188</b> |
| Liability in the contractual amount as at 31 December 2022 | 30 174                        | 52 577                      | 6 605                   | 601 093                        | <b>690 449</b> |

## General information

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