

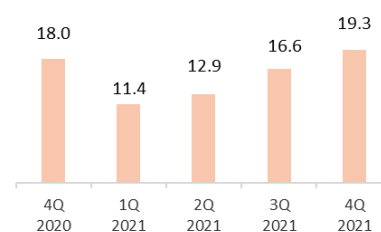
Interim Report January – December 2021

Summary of Results

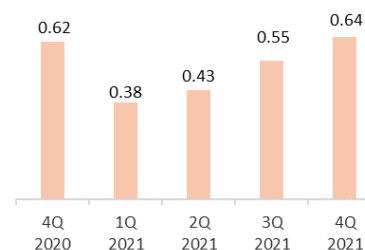
Q4 2021 in comparison with Q3 2021

- Net profit EUR 19.3 m (EUR 16.6 m), of which EUR 18.9 m (EUR 16.0 m) is attributable to owners of the parent
- Earnings per share EUR 0.64 (EUR 0.55)
- Net income EUR 42.5 m (EUR 35.9 m)
- Operating expenses EUR 18.3 m (EUR 15.3 m)
- Loan provisions EUR 1.69 m (EUR 1.44 m)
- Income tax expenses EUR 3.4 m (EUR 2.8 m)
- Return on equity 25.7% (24.3%)
- Capital adequacy 19.0% (17.9%)

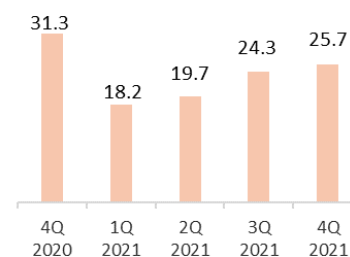
Profit by quarters



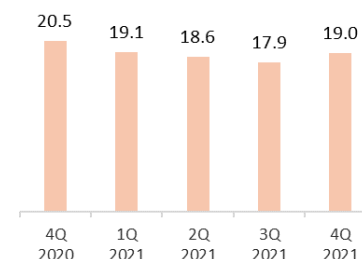
Basic earnings per share



Return on equity



Capital adequacy



Q4 2021 in comparison with Q4 2020

- Net profit EUR 19.3 m (EUR 18.0 m), of which EUR 18.9 m (EUR 17.8 m) is attributable to owners of the parent
- Earnings per share EUR 0.64 (EUR 0.62)
- Net income EUR 42.5 m (EUR 35.4 m)
- Operating expenses EUR 18.3 m (EUR 11.4 m)
- Loan provisions EUR 1.69 m (EUR 2.24 m)
- Income tax expenses EUR 3.4 m (EUR 3.74 m)
- Return on equity 25.7% (31.3%)
- Capital adequacy 19.0% (20.5%)

Earnings per share and return on equity ratios are based on the profit attributed to the shareholders and equity of AS LHV Group and do not include non-controlling interest.

Managing Director's Statement

Dear investor in LHV,

2021 was undoubtedly a year of contradictions. On one hand, trends that had started in previous periods became deeper. Countries' budget deficits grew and central banks stepped in to finance the shortfall. On the other hand, Estonia fared well economically in this environment, judging by criteria such as one of the lowest economic contractions in Europe followed by one of the fastest recoveries, continued strong employment fundamentals, and a society with functioning services.

The contradictions will not fade yet, as signalled by the emergence of certain sectors in which the recovery has lagged behind other parts of the economy. Many companies are in the throes of workforce shortages and supply chain problems, and the economy as a whole is grappling with rising energy prices and general inflation. Developments in the past year also included the largest market debuts by start-ups so far, liberal monetary policy from the European Central Bank, the new prominence of crypto assets and pension system reform.

A couple of central authorities have an outsize influence on how capital markets, stock exchanges, banks and increasingly, more and more businesses and consumers fare: the Federal Reserve and the European Central Bank. Looking at forecasts for 2022, economic growth and inflation in the European Union as a whole and its largest members are forecasted at completely reasonable levels. However, we're not talking interest rate hikes, but still reducing the supply of money. This message is quite interesting considering that the Bank of England has already raised interest rates and an increase from the Federal Reserve is expected in 2022. In Europe's case, 2024 has been mentioned as the interest rate hike year.

And the conversation is still about numbers in the vicinity of zero and fine-tuning the optimum level of interest rates. Nevertheless, soaring inflation is probably not to be expected at the European level, as central banks can cut out inflation from asset prices by reducing the central bank's balance sheet, selling previously purchased financial assets back to the market or refraining from purchases. If asset prices fall, so will investor confidence, to some extent. Expectations and confidence often have a greater effect on inflation than interest rate policy.

In spite of this environment of contrasts, we can consider Q4 and all of 2021 a successful period for LHV. We have continued capitalizing the Estonian economy, made successful strides in establishing our UK bank, increased the numbers of our customers, made our selection of investment services even stronger, and once again were recognized as the bank with the best customer service. Loan portfolios grew, the volume of loans in arrears remained low and payment moratoria granted during the pandemic generally expired in the expected fashion. During the quarter, we began offering crypto asset trading, expanded the range of insurance services and as a result of outperforming the comparison index, our pension funds earned a performance fee for the second year in a row.

In 2021, we fulfilled our financial vision declared four years ago – LHV's market value has passed the one billion euro mark. As promised years ago, the growth in the company's value has been based on the growth of business in Estonia, export of financial technology, one-time transactions, and development of new business areas. The fulfilment of this important goal is worth mentioning for two reasons.

For one, I am grateful to all clients who have entrusted their financial matters to us, and to shareholders who have believed in LHV and done what they can to support the growing company. Most of all, it is a recognition of the valuable everyday work by more than 600 people working at LHV. They have all had an important role in the growth of the company.

Secondly, achieving past goals helps inform our approach to new ones. Our ambitions are only bigger now, and thus we are consistently growing our international business activity. There is still room for growth in the number of products targeted at financial intermediaries, which will allow us to reach a broader range of clients in different countries in Europe. In Estonia, we have set the goal of becoming, over ten years, Estonia's biggest and most profitable bank. In five years, our aim is to be the second-biggest one.

Madis Toomsalu

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Financial Summary

The Group's 2021 Q4 consolidated profit was EUR 19.3 million, having increased by EUR 2.8 million from 2021 Q3 and grown by EUR 1.3 million compared to the fourth quarter in the previous year. Loan discounts in Q4 were EUR 1.7 million. At the consolidated level, income tax on future dividend payments by subsidiaries was EUR 0.4 million in the fourth quarter. The profit of the Group's shareholders in the fourth quarter of 2021 was 1.0 million euros higher than last year.

The yield on equity held by LHV's shareholders was 25.7% in 2021 Q4, having increased by 1.4 percentage points from 2021 Q3 (24.3%) and decreased by 5.6 percentage points from 2020 Q4 (31.3%).

The Group's consolidated net loan portfolio grew by EUR 128 million in the quarter (EUR 148 million in 2021 Q3) and consolidated deposits grew by EUR 351 million (for comparison: growth in 2021 Q3 was EUR 535 million). Deposits related to payment intermediaries grew by EUR 61 million (EUR 230 million in 2021 Q3).

The Group's own funds increased by EUR 37 million from the previous quarter and risk-weighted assets grew by EUR 90 million.

The bank's Q4 consolidated profit was EUR 18.6 million, which is EUR 1.5 million higher than the profit of the previous quarter (EUR 17.1 million in 2021 Q3). The number of the bank's clients grew

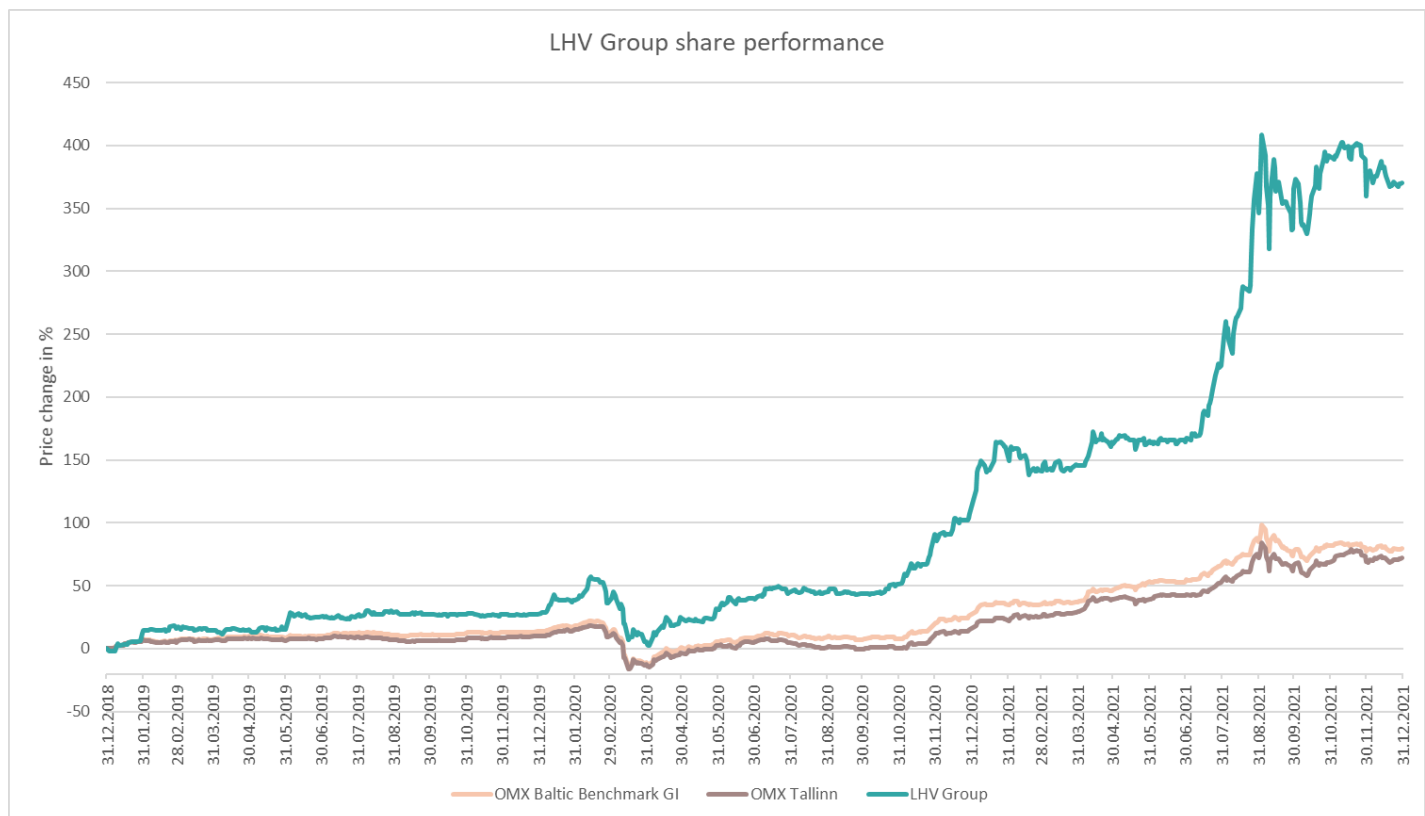
by over 19 500 in the quarter (16 000 in 2021 Q3), with the total number of the bank's clients now around 321 400.

The bank's loan portfolio grew by EUR 128 million in Q4 (EUR 148 million in 2021 Q3), reaching EUR 2 677 million. Among the loans, business loans and home loans grew the most.

The deposits of the bank's clients grew by EUR 370 million in Q4, while the balance of the deposits of payment intermediaries grew by EUR 61 million and the deposits of the remaining clients decreased by EUR 309 million. By the end of Q4, the total volume of deposits amounted to EUR 5 847 million.

LHV Varahaldus earned a profit of EUR 3.0 million in Q4 (profit of EUR 0.6 million in 2021 Q3). Income from service fees increased by EUR 2.3 million from 2021 Q3. The operating expenses of LHV Varahaldus stayed at the same level as in previous quarter (EUR 1.1 million).

The aggregate volume of the funds managed by LHV grew by EUR 65 million in the quarter (a growth of EUR 336 million in 2021 Q3). The number of active second pillar clients decreased by 520 in the quarter (decrease of 35 800 in 2021 Q3).



There is only one class of shares issued by LHV, each share gives 1 voting right. The shares of LHV Group is traded on NASDAQ Tallinn main list since May 2016. Graph above presents LHV Group share performance against OMX Tallinn index and OMX Baltics benchmark index. LHV Group share has outperformed

both indexes and has raised 370%, when comparison indexes have increased by 79% and 72% respectively. LHV Group share price has been 43.2 euros in the end of Q4 and based on the stock price, LHV's market value was EUR 1 290 million.

Business volumes EUR million	Q4 2021	Q3 2021	Quarter over quarter	Q4 2020	Year over year			
Loan portfolio	2 677.2	2 548.9	5%	2 208.8	21%			
Financial investments	135.9	138.8	-2%	330.1	-59%			
Deposits of customers incl. deposits of financial intermediates	5 807.6	5 456.6	6%	4 119.8	41%			
Equity (including minority interest)	324.8	279.3	16%	245.3	32%			
Equity (owners' share)	316.4	271.4	17%	236.8	34%			
Volume of funds managed	1 349.0	1 284.0	5%	1 537.1	-12%			
Assets managed by bank	3 603.0	3 198.0	13%	1 864.0	93%			
Income statement								
EUR million	Q4 2021	Q3 2021	Quarter over quarter	Q4 2020	Year over year	12M 2021	12M 2020	Year over year
Net interest income	28.16	25.86	9%	19.89	42%	97.32	68.49	42%
Net fee and commission income	15.28	9.54	60%	14.18	8%	42.57	33.35	28%
Other financial income	-0.91	0.05	NA	1.32	NA	-0.94	1.59	NA
Income from insurance services	0.00	0.44	NA	0	NA	0.94	0	NA
Total net operating income	42.53	35.89	19%	35.39	20%	139.89	103.43	35%
Other income	0.18	0.27	-33%	0.03	500%	0.53	0.12	342%
Operating expenses	-18.25	-15.30	19%	-11.40	60%	-65.18	-43.99	48%
Loan losses	-1.69	-1.44	17%	-2.24	-25%	-3.94	-10.89	-64%
Income tax expenses	-3.40	-2.82	21%	-3.74	-9%	-11.00	-8.83	25%
Net profit	19.35	16.60	17%	18.04	7%	60.30	39.84	51%
Including attributable to owners of the parent	18.86	15.95	18%	17.84	6%	58.26	37.96	53%
Ratios								
EUR million	Q4 2021	Q3 2021	Quarter over quarter	Q4 2020	Year over year	12M 2021	12M 2020	Year over year
Average equity (attributable to owners of the parent)	293.9	263.1	30.8	228.1	65.8	285.0	218.8	66.2
Return on equity (ROE), %	25.7	24.3	1.4	30.6	-5.6	21.1	17.2	3.7
Return on assets (ROA), %	1.2	1.1	0.1	1.6	-0.4	1.0	1.0	0.0
Interest-bearing assets, average	6 634.1	6 147.9	486.1	4 490.4	2 143.7	5 871.7	3 965.1	1 906.6
Net interest margin (NIM) %	1.70	1.70	0.02	1.80	-0.10	1.66	1.70	0.04
Price spread (SPREAD) %	1.67	1.70	0.01	1.70	-0.03	1.63	1.70	-0.07
Cost/income ratio %	42.8	42.2	0.6	32.2	10.6	46.4	42.5	3.9
Profit attributable to owners before income tax	22.15	18.59	3.6	21.07	1.1	68.83	46.07	22.8

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

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

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

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

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

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

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

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

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

Operating Environment

The growth in global economic activity slowed in autumn. With the virus spreading faster, many factories in Asia were forced to shut down and some ports also had to pause operations. In industrialized countries, where the vaccination level was higher and restrictions on the economy were less stringent, demand remained strong but there, too, global supply chain problems jeopardized further development. Higher inflation has also started eroding economic growth, mainly bolstered by a rise in energy and commodities prices.

In Q3, the European economy grew by 4% year-over-year and by 2% on a quarterly basis. This essentially resulted in a return to the pre-pandemic economic volumes, representing a very quick recovery from the crisis. Estonia's major trading partners fared better than average: Finland, Sweden and Latvia alike outstripped the pre-pandemic GDP by a couple percent, Lithuania by even more. This has fostered a good outlook for the Estonian economy as well, which has been one of the continent's leaders in pace of recovery.

The labour market has also staged remarkable recovery. Unemployment in the EU fell to 6.7% in the last months of the year. Historically, a lower figure was recorded only immediately before the outbreak of the pandemic in late 2019 and early 2020. Compared to the lowest point of the crisis, more than 2.1 million people are back in a job. The developments have been different from one country to the next – in most countries (including Estonia) unemployment is a little higher than it was before the pandemic, but in Greece and Italy, which had among the highest unemployment in Europe, it has dropped below the pre-crisis level.

Inflation has increased everywhere in Europe, reaching 4.9% in the Eurozone in November. By country, Estonia and Lithuania have had the highest inflation, close to 9% at year's end, while Malta, Portugal and Switzerland have topped out at 2-3%. Inflation is mainly driven by rapidly rising gas and electricity prices, the reasons for which lie partially in unfavourable weather conditions, bad luck and politics. There is no rapid solution for normalization of the price level, and thus high energy prices will also have to be factored in during the quarters ahead. In recent months, an increasing contributor to inflation has been rising food prices, which will also spill over into the next year.

Amid the high inflation, the European Central Bank has gradually started to change its monetary policy. At a meeting of the ECB's Governing Council in December, it was decided to reduce asset purchases made as part of the Pandemic Emergency Purchase Programme (PEPP) in Q1 of the New Year and end the purchases altogether in late March. To compensate for halting PEPP, the

asset purchases under the ordinary Asset Purchase Programme (APP) will be increased to some degree starting from Q2, although the total volume of purchases will be only half of it is now (about 40 billion euros a month). Starting in October 2022, purchases will be reduced further (about 20 billion a month) until prime interest rates begin to be hiked.

The European Central Bank has not proposed a clear timeframe for raising interest rates and the markets' expectations in this regard are changing. While in early December there was a sense that the first interest rate hikes would come in late 2022, the signal sent at the last meeting of the Governing Council was that this will be postponed by a year. This is also reflected by the Euribor rate, which fell to a record low in mid-December (3-month Euribor - 0.6%). Theoretically, an earlier interest rate is still possible. According to the ECB, interest rates will begin to be raised after the asset purchases end, which based on current knowledge could happen at the end of 2022.

The Estonian economy grew by 8.6% in Q3, which means that the positive momentum from the summer carried over to the autumn and will likely push the year to a successful conclusion. Estonia currently has one of the fastest economic growth rates in Europe, and its economy is now about 5% bigger than it was pre-pandemic. Construction, IT, real estate and transport all made the greatest contribution, together accounting for nearly half of the GDP growth. The situation has also improved robustly in the hospitality, restaurants and catering sector, which was hit the hardest, although total output there is still below the pre-pandemic level.

The rapid economic growth was driven by strong demand both at home and from trading partners. Consumer spending, given additional momentum by the disbursement of funds from the second pillar of the pension, grew at the same pace as the economy, and export of goods and services almost twice as fast. As a setback, investment into the economy decreased but they have seen a strong recovery in recent quarters. The main reason was reduced software investments by one company, which will probably continue along the same trend in the quarters ahead. Other investments made by the companies into transport and production equipment saw brisk growth. This shows that companies are engaged in increasing their production capacity, which had recently started to become an obstacle to economic development.

Ordinarily, Estonia's export growth has been driven by the processing industry, but in 2021, IT also made a significant

contribution, where export over the first nine months grew by close to 75% year-over-year. Export of goods grew by 30% in Q3 and relied mainly on export of mineral fuels. The growth of export of services was faster and broader-based. At the same time, it should be borne in mind that the comparison base from the previous year was very low for many categories of service. Export growth was also supported by an approximately 20% increase in export prices.

Inflation in Estonia has mainly followed regional trends, reacting more strongly than average. That means that in recent quarters, the rise in energy prices has also determined inflation in Estonia, although the fluctuations have been bigger than in Europe on average. Since July, inflation has crossed the 5% line and seen stable acceleration. At last check, consumer prices in November were up a whopping 8.8% year-over-year. Over half of the price increase can be attributed to energy, manifested in higher power, gas and motor fuel prices. The price of food and leisure services have increased more than others. Looking ahead, inflation can be expected to become broader-based as major energy costs will also start to be passed on more into the end consumer prices of other goods and services. In the first half of 2022, the price rise will remain very rapid, but should then gradually start easing off.

The monthly statistics for Q4 indicates that economic activity has remained high in the last months of the year as well. Industrial

output grew 3% in October, and retail sales were downright 14% higher than a year ago. Confidence indicators also indicated that businesses and consumers still view the current economic situation positively. In connection with the newly established restrictions on opening hours of entertainment establishments amidst another wave of the virus, optimism in the services sector has been dented a little in recent months, but this is counterbalanced by the industrial sector, where companies' production capacity is the only limitation.

Various forecasts show that economic growth for 2021 may end up being 8-9%. The growth will certainly slow down at some point, because a stronger annual comparison base lies ahead and available workforce and existing production resources also limits internal growth capability. Higher energy prices also shackle both manufacturers and consumers. The Bank of Estonia sees economic growth reaching 2.8% in 2022 and consumer prices rising 6.9%. Wage growth will outpace inflation, so real income will increase in 2022 as well.

Financial Results of the Group

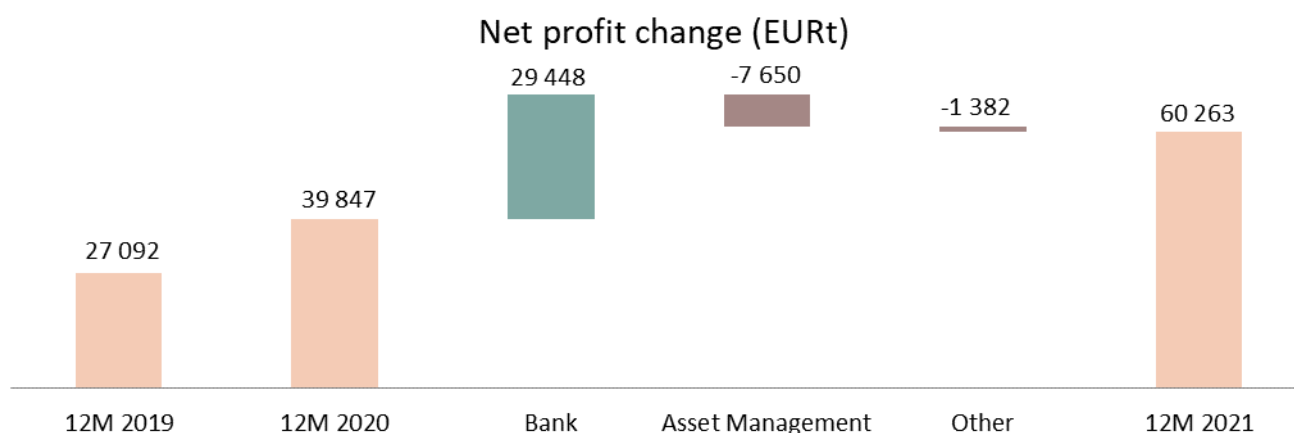
Compared to Q3, the Group's net interest income increased in Q4 2021 by 9%, standing at EUR 28.2 (Q3: 25.9) million.

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

Net fee and commission income increased in Q4 by 60% and stood at EUR 15.3 (Q3: 9.5) million. In total, the net income of the Group increased by 19% in Q4, compared to Q3, amounting to EUR 42.5 (Q3: 35.9) million, with expenses increasing 19% and amounting to EUR 24.5 (Q3: 15.3) million. The Group's operating

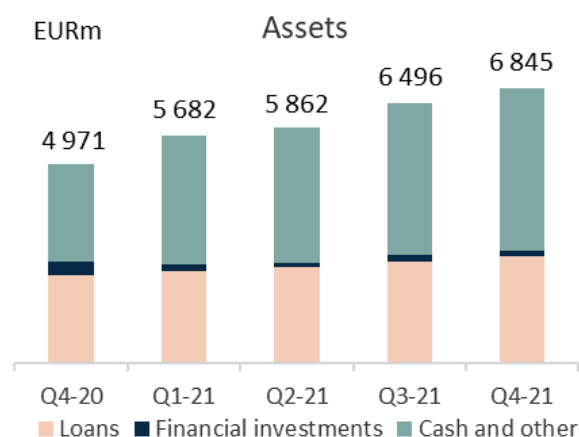
profit for Q4 amounted to EUR 24.5 (Q3: 20.9) million. The expenses from loan impairments amounted to EUR 1.69 million in Q4 (Q3: 1.44). The Group's total profit for Q4 amounted to EUR 19.4 million (Q3: 16.6). Compared to Q4 2020, the Group's net interest income increased by 42% and net fee and commission income increased by 8%.

In terms of business entities, AS LHV Pank posted in Q4 a consolidated profit of EUR 18.6 million and AS LHV Varahaldus a profit of EUR 3.0 million thanks to the success fee. LHV Kindlustus posted a loss of EUR 0.2 million. The AS LHV Group on solo bases posted a profit of EUR 0.6 million.



The Group's volume of deposits as at the end of Q4 amounted to EUR 5 808 (Q3: 5 456) million, of which demand deposits formed EUR 5 649 (Q3: 5 199) million and term deposits EUR 159 (Q3: 257) million.

As at the end of Q4, the volume of loans granted by the Group amounted to EUR 2 677 (Q3: 2 549) million, increasing in Q4 by 5%. Compared to Q4 2020, the volume of the Group's deposits has increased by 41% and the volume of loans by 21%.



The Group's Liquidity, Capitalisation and Asset Quality

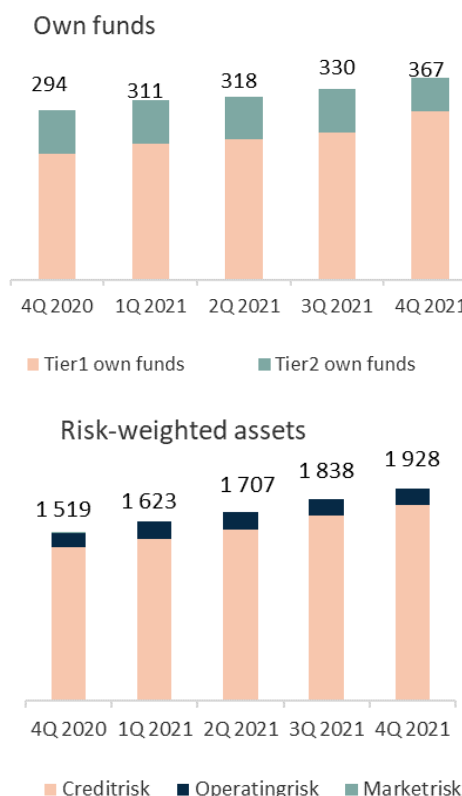
As at 31 December 2021, the Group's own funds stood at EUR 367.0 million (31 December 2020: EUR 311.3 million). LHV Group own funds are calculated based on regulative requirements.

Compared to Group's internal capital adequacy ratio target 16.0%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio amounting to 19.0% (31 December 2020: 20.50%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10.63% and Tier 1 capital adequacy ratio to 12.46%. The internal targets were approved in December 2020 by the Group's Supervisory Board, after the completion of the annual supervisory assessment by the Financial Supervision Authority.

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

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 142.7% as at the end of December (31 December 2020: 147.9%). Financial intermediates' deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 253.3% (31.12.2020: 269.3%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 60% of the balance sheet (31 December 2020: 55%). The ratio of loans to deposits stood at 43% as at the end of the fourth quarter (31 December 2020: 49%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of December, provisions for estimated loan losses amounted to EUR 19.0 million in the balance sheet, i.e. approximately 0.7% of the loan portfolio (31 December 2020: EUR 16.9 million, 0.8%). Estimated loan losses make up 1 693.6% (31 December 2020: 459.2%) of the portfolio of loans overdue for more than 90 days.

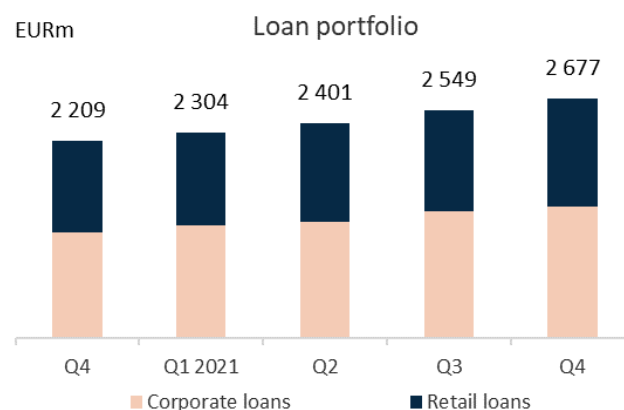


EUR thousand	31.12.2021	Proportion	31.12.2020	Proportion
Loans to customers	2 696 210		2 225 681	
including overdue loans:	16 802	0.6%	24 809	1.1%
1-30 days	13 417	0.5%	17 728	0.8%
31-60 days	1 971	0.1%	2 559	0.1%
61-90 days	289	0.0%	850	0.0%
91 and more days	1 125	0.0%	3 671	0.2%
Impairment of loans	-19 049	-0.7%	-16 858	-0.8%
Impairment % of loans overdue for more than 90 days	1 693.6%		459.2%	

Capital base	31.12.2021	31.12.2020	31.12.2019
Paid-in share capital	29 864	28 819	28 454
Share premium	97 361	71 468	70 136
Statutory reserves transferred from net profit	4 713	4 713	4 713
Other reserves	47	0	212
Retained earnings	121 485	90 434	69 452
Intangible assets (subtracted)	-14 473	-18 528	-18 319
Net profit for the reporting period (COREP)	28 868	37 950	12 186
Other adjustments	-128	-323	-33
CET1 capital elements or deductions	-1 189	-8 358	0
CET1 instruments of financial sector entities where the institution has a significant investment	-4 328	-4 842	0
CET1 instruments of financial sector entities where the institution has not a significant investment	-5 236	0	0
Tier 1 capital	256 984	201 333	166 801
Additional Tier 1 capital	35 000	35 000	20 000
Total Tier 1 capital	291 984	236 333	186 801
Subordinated debt	75 000	75 000	55 000
Total Tier 2 capital	75 000	75 000	55 000
Net own funds for capital adequacy	366 984	311 333	241 801
Capital requirements			
Central governments and central bank under standard method	0	363	920
Credit institutions and investment companies under standard method	10 465	8 060	4 183
Companies under standard method	1 141 853	865 624	818 918
Retail claims under standard method	221 860	197 849	167 276
Public sector under standard method	6	3 250	2
Housing real estate under standard method	291 338	243 971	208 693
Overdue claims under standard methods	19 332	13 362	5 242
Investment funds' shares under standard method	190	7 145	8 052
Other assets under standard method	93 939	49 321	17 875
Total capital requirements for covering the credit risk and counterparty credit risk	1 769 983	1 388 945	1 231 161
Capital requirement against foreign currency risk under standard method	3 489	3 950	4 211
Capital requirement against interest position risk under standard method	0	0	0
Capital requirement against equity portfolio risks under standard method	2 079	972	959
Capital requirement against credit valuation adjustment risks under standard method	1 211	82	22
Capital requirement for operational risk under base method	152 778	124 638	109 546
Total capital requirements for adequacy calculation	1 929 540	1 518 587	1 345 899
Capital adequacy (%)	19.02	20.50	17.97
Tier 1 capital ratio (%)	15.13	15.56	13.88
Core Tier 1 capital ratio (%)	13.32	13.26	12.39

Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 128 million
- Net profit EUR 18.6 million
- (Net) growth in deposits EUR 371 million



EUR million	Q4 2021	Q3 2021	Change %	Q4 2020	Change %	From the beginning of 2021	From the beginning of 2020	Change %
Net interest income	28.32	25.27	12%	20.42	39%	97.67	69.05	41%
Net fee and commission income	10.53	7.46	41%	5.72	84%	31.18	18.38	70%
Other financial income	-1.15	0.00	NA%	1.00	NA%	-1.54	0.88	NA
Total net operating income	37.70	32.73	15%	27.14	39%	127.30	88.31	44%
Other income	0.19	0.23	-17%	0.08	138%	0.60	0.20	195%
Operating expenses	-14.27	-11.69	22%	-9.26	54%	-49.34	-36.26	36%
Loan losses	-1.69	-1.44	17%	-2.24	-25%	-3.94	-10.89	-64%
Income tax expenses	-3.29	-2.71	21%	-2.71	21%	-10.56	-6.76	56%
Net profit	18.64	17.11	9%	13.01	43%	64.05	34.60	85%
Loan portfolio	2 677	2 549	5%	2 209	21%			
Financial investments	128	131	-3%	323	-60%			
Deposits of customers incl. deposits of financial intermediates	5 847	5 476	7%	4 141	41%			
Subordinated liabilities	89	89	0%	86	3%			
Equity	280	256	10%	215	30%			

Q4 was successful in terms of business volumes. LHV Bank generated EUR 28.3 million in net interest income and EUR 10.5 million in net fee and commission income. In total, the bank's net income amounted to EUR 37.7 million, expenditure to EUR 14.3 million and loan provisions to EUR 1.7 million. The net profit of LHV Pank amounted to EUR 18.6 million in Q4. This constitutes a 9% increase from Q3 (17.1) and a 43% increase from Q4 2020 (13.01). Net interest income increased 12% compared to previous quarter. Net fee and commission income increased 41% compared to Q3. Net operating income increased by 15% compared to previous quarter. In Q4 other financial income amounted to EUR -1.2 million (Q3 financial income 0.0 million). Securities brokerage fees, transaction fees and fees from cards are the greatest contributor to fee and commission income. The quarterly profit before taxes was EUR 21.9 million and net profit

EUR 18.6 million. As at the end of the quarter, net profit exceeded the financial plan by EUR 4.9 million.

The increase in net interest income stems from the growth in business volumes. By the end of Q4, the total volume of the bank's loan portfolios amounted to EUR 2 677 million (Q3: EUR 2 549 million). The volume of portfolios grew 5% over the quarter.

The corporate credit portfolio, which contains loans and guarantees, grew by EUR 321.1 million (+25%) in a year and by EUR 71.7 million (+5%) in a quarter-on-quarter comparison. The greatest source of growth were loans for real estate activity, which is traditionally the field that receives the most financing by commercial banks, growing EUR 191.8 million (+44%). The bulk of the growth came from financing of commercial real estate projects with a strong income stream. It was followed by

wholesale and retail sector and the sector engaged in the repairs of motor vehicles and motorcycles, which grew by EUR 71.0 million (+100%) year-over-year and loans to the financial and insurance sector, which grew by EUR 41.5 million (+49%).

Compared to Q3 2021, the growth of the portfolio was most influenced by loans and guarantees for real estate activity (quarterly growth of EUR 54.5 million; +10%), followed by wholesale and retail sector and the sector engaged in the repairs of motor vehicles and motorcycles (EUR 38.0 million; +37%) and the financial and insurance sector (EUR 14.5 million; +13%).

The most corporate loans have been issued to the real estate sector, which makes up 40% of the bank's corporate loan portfolio. The bulk of the real estate loans were issued to projects with a quality rental income stream, and a significantly lower share for real estate developments. The majority of the real estate developments financed are in Tallinn, while projects located in larger Estonian cities and greater Tallinn make up about 30% of development projects. LHV's market share when it comes to financing new developments in Tallinn made up close to one-third at the end of Q4 2021. LHV's real estate development portfolio is well positioned also if the market trends should change – the developments financed are located in good locations and the ratio of project risk to planned sale price averages 56%.

After the real estate sector, the most credit has been issued to processing industry companies (9%) and financial and insurance sector (8%). Of sectors with a higher than ordinary credit risk, accommodation and catering make up 3%, construction 2% and transport and warehousing 1% of the total volume of the portfolio.

During the quarter, the number of bank customers grew by 19,500 and record levels in customers' activity level and business volumes were achieved. Deposits grew by EUR 370 million during the quarter and loans by EUR 128 million.

Ordinary customers' deposits grew by EUR 320 million and financial intermediaries' deposits by EUR 61 million. During the last quarter, we have stabilized the financial intermediaries' deposits portfolio and the main growth has come from high-quality ordinary clients' deposits. Deposits raised through deposit platforms decreased by EUR 11 million and by year's end there were EUR 7 million left in platform deposits.

Corporate loans grew by EUR 63 million and retail loans by EUR 65 million. The growth in corporate loan portfolio in the last quarter was a little more modest than before, although we still control a good share of new sales on the market. According to figures from

the Bank of Estonia, LHV Pank's market share of new loans issued to companies was 36%. The corporate loan portfolio outperformed the financial plan by EUR 70 million. The second-pillar disbursements to clients had an impact on the retail loans portfolio in Q3. Repayment of loans mainly impacted the consumer loan portfolio and the impact was no longer felt in Q4. Demand recovered quickly. The retail loan portfolio is powered by home loans, which posted record results in Q4 in new sales and portfolio growth.

The net profit for the quarter was EUR 18.6 million. The improvement was due to the higher growth of loan volumes, larger service fee income related to higher investment activity levels and lower than planned impairments of loans. The loan impairments increased during the quarter by EUR 0.3 million. Compared to the last quarter, the faster growth of the portfolio and the downturn in the rating of one client impacted by the pandemic crisis was responsible for the higher impairments. As a whole, the quality of the bank's loan portfolio has remained strong and the share of loans that are in arrears continue to be very low.

Q4 was very active on the Baltic stock exchange, a number of new companies were listed. LHV Pank helped Estonian companies Hepsor and TextMagic and the Latvian fuel and alternative energy trader Virši organise IPOs. As a sales agent, we helped Enefit Green get investors for their IPO. A record number of new retail investors, a large number of whom made their first transactions through LHV Pank.

In October, the 300,000th client joined LHV Pank. This fulfilled a goal set for 2021.

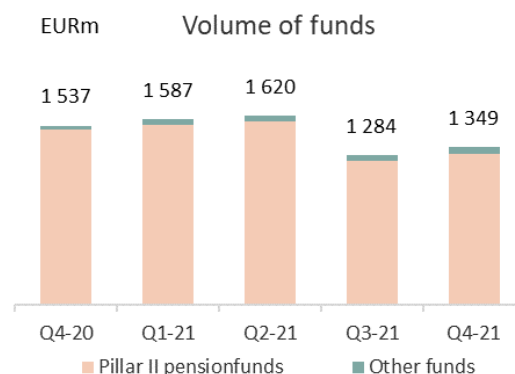
Of new services, access to cryptocurrency trading was opened in November for clients. The service allows around the clock trading via mobile app through one of the largest licensed cryptocurrency exchanges, Bitstamp. There are 10 major cryptocurrencies represented. The new solution also offers individuals pre-filled tax forms for declaring crypto trades accurately and rapidly.

In November, LHV Pank became a direct member of the European direct debit scheme, which means that LHV can accept and send out direct debit payments between all banks in SEPA area who have joined the system. The direct debit system will specifically benefit users who make cross-border euro payments. The service will be opened for clients in 2022.

The Financial Times' magazine The Banker picked LHV Pank as the best bank in Estonia for a third straight year. A partnership was launched with the Estonian Biathlon Federation – LHV Pank became the major sponsor of biathlon in Estonia.

Overview of AS LHV Varahaldus

- Q4 net profit amounted to EUR 3 million
- The major part of the net profit was formed by success fees of EUR 2.6 million earned on the return on the XL and L funds
- The number of clients remained stable in the last quarter, with 138,000 active second-pillar clients
- Volume of assets in second-pillar funds at year-end was EUR 1.3 billion
- There were more than 30 thousand third pillar clients by the end of the year; the volume of third-pillar funds exceeded EUR 50 million mark



EUR million	Q4 2021	Q3 2021	Change %	Q4 2020	Change %	12M 2021	12M 2020	Change %
Net fee and commission income	4.5	2.2	103%	8.5	-47%	11.3	14.97	-24%
Net financial income	0.24	0.05	380%	0.3	-20%	0.6	0.61	-5%
Operating expenses	-1.08	-1.16	-7%	-1.23	-12%	-4.7	-4.46	5%
Depreciation of non-current assets	-0.66	-0.54	22%	-0.49	35%	-5.3	-1.93	174%
Profit	3.0	0.57	426%	7.08	-58%	1.9	9.19	-79%
Financial investments	8.0	7.7	4%	6.8	18%			
Subordinated liabilities	0	0	NA	0.6	-100%			
Equity	28.0	25.0	12%	33.0	-15%			
Assets under management	1 349.0	1 284.0	5%	1 537.1	-12%			

In Q4, LHV Varahaldus posted operating income of EUR 4.5 million and net profit of EUR 2.6 million. Operating income and net profit were greatly impacted by the success fee of EUR 2.6 million. Operating expenses largely met budget expectations and are comparable to the previous quarter, while the revenue base was influenced positively by the growth of the value of own units – due to the positive returns from the funds – in the amount of EUR 0.2 million. In Q4, profitability was influenced negatively by write-off of intangible assets as a result of clients departing from second-pillar funds, due to which amortisation costs were EUR 0.3 million higher than usual.

In Q4, major stock exchanges continued to see rapid gains, which had also characterized all of the year before. Measured in euros, the S&P 500 rose 12.4%, MSCI World 9.8% and the tech-heavy Nasdaq by 10.0%. The rise of MSCI World and S&P 500 measured in euros proved to be 31.1% and 36.2% year-over-year, respectively.

In Q4, all of the pension funds managed by LHV Varahaldus were in the black, except for the conservative bond funds S and XS. Funds with greater equity risk displayed the best returns. The LHV Pension Fund Index rose by 6.5% over three months, and units in the actively managed funds M, L and XL rose by 1.5%, 2.5% and

3.2%, respectively. The Q4 yield on LHV Pension Fund Green was 4.4% and as a whole, all of the abovementioned funds closed out the year with positive yields. The yields on the third-pillar funds were in the same magnitude as the second-pillar funds with the analogous strategy, with Index Plus, Green Plus and LHV Supplementary rising 6.4%, 4.3% and 2.5%, respectively.

In Q4, we made disbursements to positions in private capital funds previously assumed, completed construction of the Aiandi rental buildings, supported the Liven construction development project through a bond investment and also made our first direct investment outside Estonia, being a co-investor in a transaction involving a chain of express clinics operating on the US market.

LHV's number of active second-pillar clients did not change significantly in the quarter and closed the year at more than 138,000. After the early September disbursements to those leaving the second pillar pension system, we also saw heightened interest in Q4 (as compared to the summer months) in leaving the second pillar. The applications made will take effect in early May 2022; there are 5,000 people leaving from among LHV's active clients. The volume of second-pillar pension funds was close to EUR 1.3 billion at the end of the year, having grown EUR 54 million during the quarter.

Compared to 2020, the growth in the number of third-pillar clients in the last quarter was more modest. Still, this was the best quarter so far in terms of total deposits. By the end of the year; there were more than 30,000 people saving for their retirement in the third-pillar funds, and the third-pillar asset volume grew close to EUR 10 million over the quarter.

By the end of the year, the M, L and XL portfolio of actively managed funds and the distribution of asset classes is largely in

conformity with the long-term goal – that private capital, real estate and off-market bonds above all to Estonian companies make up close to half of the L and XL portfolio, and the remainder is divided between listed stocks and bonds. In the next year we will also continue making off-market investments, also considering changes in fund volumes and necessary liquidity.

Overview of AS LHV Kindlustus

In Q4 of 2021, AS LHV Kindlustus continued active sale of insurance policies and development of its services. As a new insurance product, sales of travel insurance to private and corporate customers began. In addition to single-trip travel insurance, one-year multi-trip insurance is available.

As of 31 December 2021, LHV Kindlustus had 211,000 valid insurance policies and 143,000 clients.

The gross volume of insurance premiums in Q4 was EUR 1,559.1 thousand and the net volume of earned premiums was EUR 950.4 thousand. In Q4, vehicle insurance and motor third-party liability insurance made up 47.4% of the volume of insurance premiums. Overall for the year, the largest product group continues to be the equipment insurance and extended warranty insurance product, which makes up 41.3% of the year's insurance premiums.

During Q4, 780 loss events were registered, and the total for the entire year was 1310 loss events. As of 31 December 2021, there were 289 open loss files. The net losses incurred during the period together with indirect claims adjustment costs amounted to EUR 673.7 thousand. Total loss provisions at the end of the period, as of 31 December 2021, were EUR 529.4 thousand.

The company posted a loss for 2021 of EUR 823.0 thousand, including a loss of EUR 212.8 thousand in Q4. It should be borne in mind that this is a satisfactory result for the first year of activity for a new insurance company. Above all, the result is below expectations in terms of lower than expected net income, which was caused by slower than planned sales in property insurance and the volume of expenses was also lower than planned.

EUR thousand	Q4 2021	Q3 2021	Change %	12 months 2021	Q2 to Q4 2020
Gross insurance premiums	1 559	1 412	10%	6 747	0
Net earned insurance premiums	950	706	35%	2 273	0
Net losses incurred	674	329	105%	1 106	0
Total net operating expenses	192	598	-68%	1 993	551
Underwriting result	-216	-221	-2%	-826	-551
Net profit	-213	-222	-4%	-823	-551
Actuarial reserves at the end of the period	4 778	3 931	22%	4 778	0
Equity at the end of the period	6 647	6 854	-3%	6 647	7 449

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

<i>(in thousands of euros)</i>	Note	Q4 2021	12M 2021	Q4 2020	12M 2020
Interest income		35 843	124 641	25 570	88 373
Interest expense		-7 680	-27 322	-5 677	-19 881
Net interest income	9	28 163	97 319	19 893	68 492
Fee and commission income		19 257	60 824	17 558	46 118
Fee and commission expense		-4 005	-17 345	-3 376	-12 769
Net fee and commission income	10	15 252	43 479	14 182	33 349
Net gains from financial assets measured at fair value		-746	-924	1 257	1 541
Foreign exchange rate gains/losses		-167	-22	59	43
Net gains from financial assets		-913	-946	1 316	1 584
Other income		178	530	28	146
Other expense		0	0	-2	-27
Total other income		178	530	26	119
Staff costs		-8 638	-31 322	-6 367	-23 910
Administrative and other operating expenses		-9 611	-33 863	-5 029	-20 064
Total expenses	11	-18 249	-65 185	-11 396	-43 974
Profit before impairment losses on loans and advances		24 431	75 197	24 021	59 570
Impairment losses on loans and advances	21	-1 694	-3 948	-2 243	-10 898
Profit before income tax		22 737	71 249	21 778	48 672
Income tax expense		-3 395	-10 986	-3 740	-8 826
Net profit for the reporting period	2	19 342	60 263	18 038	39 846
Other comprehensive income/loss:					
Items that may be reclassified subsequently to profit or loss:					
Changes in the fair value of debt instruments measured at FVOCI		0	0	0	0
Unrealized exchange differences arising on the translation of the financial statements of foreign operations		11	48	0	0
Total profit and other comprehensive income for the reporting period		19 353	60 311	18 038	39 846
Total profit of the reporting period attributable to:					
Owners of the parent		18 856	58 261	17 839	37 950
Non-controlling interest		486	2 002	199	1 896
Total profit for the reporting period	2	19 342	60 263	18 038	39 846
Total profit and other comprehensive income attributable to:					
Owners of the parent		18 867	58 309	17 839	37 950
Non-controlling interest		483	2 002	199	1 896
Total profit and other comprehensive income for the reporting period		19 353	60 311	18 038	39 846
Basic earnings per share (in euros)	16	0.64	1.99	0.62	1.32
Diluted earnings per share (in euros)	16	0.62	1.94	0.61	1.29

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

Condensed Consolidated Interim Statement of Financial Position

<i>(in thousands of euros)</i>	Note	31.12.2021	31.12.2020
Assets			
Due from central bank	4, 5, 6, 12	3 874 284	2 213 211
Due from credit institutions	4, 5, 6, 12	106 838	170 341
Due from investment companies	4, 6, 12	6 188	9 985
Financial assets at fair value through profit or loss	4, 6, 7	135 855	330 055
Loans and advances to customers	4, 6, 8, 21	2 677 160	2 208 823
Receivables from customers		9 752	9 391
Other financial assets		2 236	2 073
Other assets		3 471	2 182
Financial investment		5 236	0
Tangible assets	19	8 474	6 585
Intangible assets	19	11 825	15 147
Goodwill		3 614	3 614
Total assets	2	6 844 933	4 971 407
Liabilities			
Loans received from Central Banks (TRTLO)	13	197 461	200 000
Deposits of customers	13	5 807 617	4 119 771
Loans received and debt securities in issue	13	349 146	268 584
Financial liabilities at fair value through profit or loss	7	157	221
Accounts payable and other liabilities	14	55 373	26 952
Subordinated debt	6, 20	110 378	110 603
Total liabilities	2	6 520 132	4 726 131
Owner's equity			
Share capital		29 864	28 819
Share premium		97 361	71 468
Statutory reserve capital		4 713	4 713
Other reserves		4 733	3 409
Retained earnings		179 746	128 385
Total equity attributable to owners of the parent		316 417	236 794
Non-controlling interest		8 384	8 482
Total equity		324 801	245 276
Total liabilities and equity		6 844 933	4 971 407

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

Condensed Consolidated Interim Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	Q4 2021	12M 2021	Q4 2020	12M 2020
Cash flows from operating activities					
Interest received		36 218	124 692	24 588	87 144
Interest paid		-9 352	-29 888	-5 331	-21 286
Fees and commissions received		19 280	59 904	17 558	46 118
Fees and commissions paid		-4 005	-17 345	-3 376	-12 769
Other income received		-2 116	-845	-133	-93
Staff costs paid		-6 557	-27 104	-5 722	-21 553
Administrative and other operating expenses paid		-6 577	-23 816	-3 361	-14 427
Income tax		-2 418	-10 798	-1 448	-5 002
Cash flows from operating activities before change in operating assets and liabilities		24 473	74 800	22 775	58 132
Net increase/decrease in operating assets:					
Net increase/(decrease) in financial assets at fair value through profit or loss		822	-140	-55	-64
Loans and advances to customers		-132 555	-475 118	-355 793	-531 929
Mandatory reserve at central bank		-3 237	-16 045	-8 801	-14 827
Security deposits		-47	-164	93	173
Other assets		-2 369	1 426	-5 426	-5 483
Net increase/decrease in operating liabilities:					
Demand deposits of customers		450 858	2 014 423	878 816	1 445 689
Term deposits of customers		-98 171	-324 019	25 159	-25 248
Loans received		0	0	-45	448 665
Prepayments of loans received		-16 941	-21 764	-2 943	-5 866
Financial liabilities held for trading at fair value through profit and loss		150	-64	144	212
Other liabilities		-31 306	28 244	-10 075	-1 124
Net cash generated from/used in operating activities		191 677	1 281 579	543 849	1 368 330
Cash flows from investing activities					
Purchase of non-current assets		-3 140	-6 688	-1 826	-4 699
Purchase of acquired associate		-1	-5 237	0	0
Proceeds from disposal and redemption of investment securities at fair value through other comprehensive income		0	0	652	432
Net changes of investment securities at fair value through profit or loss		1 378	193 394	101 265	-287 930
Net cash flows from/used in investing activities		-1 763	181 469	100 091	-292 197
Cash flows from financing activities					
Paid in share capital (incl. share premium)		25 360	26 938	0	1 697
Non-controlling interests on acquisition of subsidiary		0	0	2 363	2 800
Dividends paid		0	-10 458	0	-6 838
Loans received (non-preferred bonds)		54	139 388	0	50 000
Repayments of the loans received (non-preferred bonds)		0	-40 000	-15 000	-15 000
Repayments of the principal of lease liabilities		-563	-1 254	-355	-1 278
Net cash flows from/used in financing activities		24 851	114 614	-12 992	31 381
Effect of exchange rate changes on cash and cash equivalents	6	-123	66	59	43
Net increase/decrease in cash and cash equivalents		214 765	1 577 728	631 007	1 107 557
Cash and cash equivalents at the beginning of the period		3 715 370	2 352 284	1 721 277	1 244 727
Cash and cash equivalents at the end of the period	12	3 930 012	3 930 012	2 352 284	2 352 284

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

Condensed Consolidated Interim Statement of Changes in Equity

<i>(in thousands of euros)</i>	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total equity attributable to owners of LHV Group	Non-controlling interest	Total equity
Balance as at 01.01.2020	28 454	70 136	4 713	3 280	94 228	200 811	5 217	206 028
Paid in share capital	365	1 332	0	0	0	1 697	2 800	4 497
Dividends paid	0	0	0	0	-5 406	-5 406	-1 431	-6 837
Share options	0	0	0	129	1 613	1 742	0	1 742
<i>Profit for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>37 950</i>	<i>37 950</i>	<i>1 896</i>	<i>39 846</i>
<i>Other comprehensive income/loss</i>	<i>0</i>	<i>0</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	0	0	37 950	37 950	1 896	39 846
Balance as at 31.12.2020	28 819	71 468	4 713	3 409	128 385	236 794	8 482	245 276
Balance as at 01.01.2021	28 819	71 468	4 713	3 409	128 385	236 794	8 482	245 276
Paid in share capital	1 045	25 893	0	0	0	26 938	0	26 938
Dividends paid	0	0	0	0	-8 358	-8 358	-2 100	-10 458
Share options	0	0	0	1 276	1 458	2 734	0	2 734
<i>Profit for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>58 261</i>	<i>58 261</i>	<i>2 002</i>	<i>60 263</i>
<i>Other comprehensive income/loss</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>48</i>	<i>0</i>	<i>48</i>	<i>0</i>	<i>48</i>
Total profit and other comprehensive income for the reporting period	0	0	0	48	58 261	58 309	2 002	60 311
Balance as at 31.12.2021	29 864	97 361	4 713	4 733	179 746	316 417	8 384	324 801

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

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Accounting Policies

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

The accounting policies and methods of computation used in the preparation of the interim report are the same as the accounting policies and methods of computation used in the annual report for the year ended 31 December 2020, which comply with the International Financial Reporting Standards, as adopted by the European Union (IFRS EU).

These condensed consolidated interim financial statements have been reviewed, not audited and do not contain the entire range of information required for the preparation of complete financial

statements. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report prepared for the year ended 31 December 2020, which has been prepared in accordance with the International Financial Reporting Standards (IFRS EU).

The applicable accounting policies have not changed compared to the previous financial year.

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

NOTE 2 Business Segments

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

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

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	UK LHV Ltd	Other activities	Total
Q4 2021									
Interest income	10 079	17 070	0	2 788	2 159	4	0	3 743	35 843
Interest expense	-74	-2 694	0	-417	0	0	0	-4 495	-7 680
Net interest income	10 005	14 376	0	2 371	2 159	4	0	-752	28 163
Fee and commission income	2 878	1 346	4 542	188	9 731	-1	0	597	19 281
Fee and commission expense	-491	-302	0	-174	-3 583	0	0	545	-4 005
Net fee and commission income	2 387	1 044	4 542	14	6 148	-1	0	1 142	15 276
Income from insurance services	0	0	0	0	0	69	0	-93	-24
Other income	4	153	0	0	11	0	0	10	178

Net income	12 396	15 573	4 542	2 385	8 318	72	0	307	43 593
Net gains from financial assets	-52	0	236	0	-433	0	-2	-662	-913
Administrative and other operating expenses, staff costs	-4 152	-2 819	-1 777	-482	-4 607	-434	-1 406	-2 572	-18 249
Operating profit	8 192	12 754	3 001	1 903	3 278	-362	-1 408	-2 927	24 431
Impairment losses on loans and advances	264	-1 930	0	-7	-21	0	0	0	-1 694
Income tax	-1 078	-1 352	0	0	-563	-1	0	-401	-3 395
Net profit	7 378	9 472	3 001	1 896	2 694	-363	-1 408	-3 328	19 342

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	UK LHV Ltd	Other activities	Total
12M 2021									
Interest income	36 226	59 564	0	11 577	5 107	4	0	12 163	124 641
Interest expense	-1 066	-10 172	-14	-1 791	0	0	0	-14 279	-27 322
Net interest income	35 160	49 392	-14	9 786	5 107	4	0	-2 116	97 319
Fee and commission income	10 003	2 515	11 374	768	34 647	0	0	598	59 905
Fee and commission expense	-1 831	-354	0	-667	-14 946	0	0	453	-17 345
Net fee and commission income	8 172	2 161	11 374	101	19 701	0	0	1 051	42 560
Income from insurance services	0	0	0	0	0	919	0	0	919
Other income	15	397	0	0	96	0	0	22	530
Net income	43 347	51 950	11 360	9 887	24 904	923	0	-1 043	141 328
Net gains from financial assets	-97	0	591	0	-436	0	4	-1 008	-946
Administrative and other operating expenses, staff costs	-15 788	-9 853	-10 015	-1 868	-14 732	-1 895	-2 995	-8 039	-65 185
Operating profit	27 462	42 097	1 936	8 019	9 736	-972	-2 991	-10 090	75 197
Impairment losses on loans and advances	-475	-3 110	0	-293	-43	0	0	-27	-3 948
Income tax	-3 120	-4 544	-1 241	-1 184	-1 670	-1	0	774	-10 986
Net profit	23 867	34 443	695	6 542	8 023	-973	-2 991	-9 343	60 263
Total assets 31.12.2021	2 885 760	3 905 861	28 185	69 089	0	14 859	9 009	-67 830	6 844 933
Total liabilities 31.12.2021	3 297 057	711 642	544	50 417	2 520 127	8 212	143	-68 010	6 520 132

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Other activities	Total
Q4 2020							
Interest income	6 639	13 093	0	2 997	188	2 653	25 570
Interest expense	1 323	-2 095	-12	-441	0	-4 452	-5 677
Net interest income	7 962	10 998	-12	2 556	188	-1 799	19 893
Fee and commission income	2 418	284	8 464	184	6 208	0	17 558
Fee and commission expense	-214	18	0	-184	-2 992	-4	-3 376
	2 204	302	8 464	0	3 216	-4	14 182
Net fee and commission income	10 166	11 300	8 452	2 556	3 404	-1 803	34 075
Net income	-9	1	317	0	0	1 007	1 316
Net gains from financial assets	-3 337	-1 888	-1 685	-402	-2 422	-1 636	-11 370
Administrative and other operating expenses, staff costs							
Operating profit	6 820	9 413	7 084	2 154	982	-2 432	24 021
Impairment losses on loans and advances	25	-2 125	0	-139	-4	0	-2 243
Income tax	-833	-929	0	0	-231	-1 747	-3 740
Net profit	6 012	6 359	7 084	2 015	747	-4 179	18 038

	Retail banking	Corporate banking	Asset management	Hire-purchase and consumer finance in Estonia	Financial intermediates	Other activities	Total
12M 2020							
Interest income	28 867	44 659	0	12 022	941	1 884	88 373
Interest expense	-2 072	-6 246	-95	-1 880	0	-9 588	-19 881
Net interest income	26 795	38 413	-95	10 142	941	-7 704	68 492
Fee and commission income	8 284	1 000	14 966	708	21 160	0	46 118
Fee and commission expense	-1 042	-44	0	-635	-11 032	-16	-12 769
Net fee and commission income	7 242	956	14 966	73	10 128	-16	33 349
Net income	34 037	39 369	14 871	10 215	11 069	-4 420	101 841
Net gains from financial assets	-50	-1	707	0	17	911	1 584
Administrative and other operating expenses, staff costs	-13 213	-7 691	-6 389	-1 703	-9 588	-5 271	-43 855
Operating profit	20 774	31 677	9 189	8 512	1 498	-5 021	59 570
Impairment losses on loans and advances	-976	-9 363	0	-533	-26	0	-10 898
Income tax	-1 825	-2 394	-844	-826	-521	-2 416	-8 826
Net profit from continued operations	17 973	19 920	8345	7 153	951	-7 437	39 846
Total assets 31.12.2020	1 722 042	3 050 474	34 352	65 851	147 604	-48 916	4 971 407
Total liabilities 31.12.2020	2 172 121	1 274 941	1 109	47 778	1 274 941	-44 759	4 726 131

NOTE 3 Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2020. There have been no major changes in the risk management department or in any risk management policies since the year end. The impact of COVID-19 on the Group's operations needs to be reported separately. The crisis mainly affects three risks: personnel risk, liquidity risk and credit risk.

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

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

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

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

NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

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

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

31.12.2020	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	2 175 286	0	84 264	17 566	116 222	199	2 393 537
Financial assets at fair value	319 828	2	10 219	5	0	1	330 055
Loans and advances to customers	2 180 999	823	14 577	360	7 954	4 110	2 208 823
Receivables from customers	9 391	0	0	0	0	0	9 391
Other financial assets	122	0	0	1 951	0	0	2 073
Total financial assets	4 685 626	825	109 060	19 882	124 176	4 310	4 943 879
Deposits of customers and loans received	3 246 891	216 261	705 206	1 633	375 657	42 707	4 588 355
Subordinated debt	110 000	0	0	0	0	0	110 000
Financial liabilities at fair value	221	0	0	0	0	0	221
Accounts payable and other financial liabilities	22 995	0	0	0	0	0	22 995
Total financial liabilities	3 380 107	216 261	705 206	1 633	375 657	42 707	4 721 571

Unused loan commitments in the amount of EUR 413 818 thousand are for the residents of Estonia.

NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

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

31.12.2020	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Deposits from customers and loans received	3 635 403	99 647	386 654	465 776	1 473	4 588 953
Subordinated debt	0	1 881	5 644	29 744	127 175	164 444
Accounts payable and other financial liabilities	0	22 995	0	0	0	22 995
Unused loan commitments	0	413 818	0	0	0	413 818
Financial guarantees by contractual amounts	0	36 492	0	0	0	36 492
Foreign exchange derivatives (gross settled)	0	81 789	0	0	0	81 789

Financial liabilities at fair value	0	89	0	0	0	89
Total liabilities	3 635 403	656 711	392 298	495 520	128 648	5 308 580

Financial assets by contractual maturity dates						
Due from banks and investment companies	2 393 537	0	0	0	0	2 393 537
Financial assets at fair value (debt securities)	0	200 448	117 716	4 534	0	322 698
Loans and advances to customers	0	146 192	329 310	1 375 417	741 393	2 592 312
Receivables from customers	0	9 391	0	0	0	9 391
Foreign exchange derivatives (gross settled)	0	81 789	0	0	0	81 789
Other financial assets)	2 073	0	0	0	0	2 073
Total financial assets	2 395 610	437 820	447 026	1 379 951	741 393	5 401 800

Maturity gap from financial assets and liabilities	-1 239 793	-218 891	54 728	884 431	612 745	93 220
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It is possible to take a short-term loan from the central bank against the security of the majority of instruments in the bond portfolio. All cashflows from financial assets and –liabilities except derivatives include all contractual cash flows.

NOTE 6 Open Foreign Currency Positions

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

31.12.2020	EUR	CHF	GBP	SEK	USD	Other	Total
Assets bearing currency risk							
Due from banks and investment companies	2 251 556	1 164	119 368	1 944	12 295	7 212	2 393 537
Financial assets at fair value	329 959	7	0	8	52	28	330 055
Loans and advances to customers	2 195 132	24	7 016	484	5 997	169	2 208 823
Receivables from customers	7 779	0	350	10	464	788	9 391
Other financial assets	117	0	0	0	1 956	0	2 073
Total assets bearing currency risk	4 784 544	1 194	126 734	2 445	20 764	8 197	4 943 879
Liabilities bearing currency risk							
Loans received from Central Banks (TRTLO)	200 000	0	0	0	0	0	200 000
Deposits from customers	3 886 049	3 951	125 267	7 292	85 616	11 597	4 119 771

Loans received and bond issued	268 584	0	0	0	0	0	268 584
Financial liabilities at fair value	221	0	0	0	0	0	221
Accounts payable and other financial liabilities	14 723	21	1 610	661	4 343	1 637	22 995
Subordinated debt	110 000	0	0	0	0	0	110 000
Total liabilities bearing currency risk	4 479 577	3 971	126 877	7 953	89 959	13 234	4 721 571
Open gross position derivative assets at contractual value	0	2 778	0	5 581	69 080	4 350	81 789
Open gross position derivative liabilities at contractual value	81 789	0	0	0	0	0	81 789
Open foreign currency position	223 178	1	-143	74	-114	-687	222 308

NOTE 7 Fair Value of Financial Assets and Liabilities

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

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

	Level 1	Level 2	Level 3	31.12.2021	Level 1	Level 2	Level 3	31.12.2020
Financial assets at fair value through profit and loss								
Shares and fund units*	727	7 620	0	8 347	479	6 788	0	7 267
Bonds at fair value through profit and loss	127 504	0	0	127 504	322 699	0	0	322 699
Interest rate swaps and foreign exchange forwards	0	4	0	4	0	89	0	89
Total financial assets	128 231	7 624	0	135 855	323 178	6 877	0	330 055
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	157	0	157	0	221	0	221
Total financial liabilities	0	157	0	157	0	221	0	221

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 620 (31.12.2020: 6 788) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 0.5% of the number of units in each of the mandatory pension fund managed by it.

Hierarchy levels:

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

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

As at 31.12.2021 the fair value of corporate loans and overdraft is EUR 5 795 thousand (0.38%) higher than their carrying amount (31.12.2020: 1 412 thousand, 0.11% higher). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of retail loans does not materially differ from their carrying amount as at 31 December 2021 and 31 December 2020. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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

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

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

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

Subordinated loans in the amount of EUR 50 000 thousand were received in 2020, subordinated loans in the amount of EUR 40

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

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

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

	Stage 1	Stage 2	Stage 3	Provision	31.12.2020	%
Individuals	761 422	92 491	4 228	-2 018	856 123	38.8%
Agriculture	65 985	6 339	74	-299	72 099	3.3%
Mining and Quarrying	2 082	420	0	-25	2 477	0.1%
Manufacturing	116 695	36 075	198	-1 300	151 668	6.9%
Energy	43 367	284	0	-522	43 129	2.0%
Water and sewerage	2 014	824	9	-6	2 841	0.1%
Construction	41 909	3 366	39	-303	45 011	2.0%
Wholesale and retail trade	73 652	14 280	711	-928	87 715	4.0%
Transportation and storage	24 844	2 679	11	-122	27 412	1.2%
Accommodation and catering	5 554	10 918	0	-2 377	14 095	0.6%
Information and communication	12 174	514	17	-49	12 656	0.6%

Financial activities	61 919	7 775	0	-2 388	67 306	3.0%
Real estate activities	380 660	114 224	4 042	-2 974	495 952	22.5%
Professional, scientific and technical activities	30 025	11 205	448	-525	41 153	1.9%
Administrative and support service activities	57 513	14 155	2 799	-1 343	73 124	3.3%
Local municipalities	120 805	0	0	0	120 805	5.5%
Education	16 072	332	0	-67	16 337	0.7%
Health care	7 037	6 298	1	-105	13 231	0.6%
Arts and entertainment	18 637	40 480	67	-1 447	57 737	2.6%
Other service activities	7 535	450	27	-60	7 952	0.4%
Total	1 849 901	363 109	12 671	-16 858		
Provision	-4 830	-10 011	-2 017			
Total loan portfolio	1 845 071	353 098	10 654		2 208 823	100%

NOTE 9 Net Interest Income

Interest income	Q4 2021	12M 2021	Q4 2020	12M 2020
From balances with credit institutions and investment	86	281	29	33
From central bank	511	2 283	0	0
From debt securities	-101	-349	-164	-435
Leasing	1 507	6 000	1 534	4 329
Leverage loans and lending of securities	476	1 742	243	753
Consumer loans	1 992	8 156	2 087	8 314
Hire purchase	796	3 409	911	3 708
Corporate loans	17 950	62 213	13 768	46 834
Credit card loans	190	834	224	849
Mortgage loans	6 190	21 441	4 894	18 170
Private loans	588	2 299	562	2 104
Other loans	5 658	16 332	1 482	3 714
Total	35 843	124 641	25 570	88 373
Interest expense				
Deposits of customers and loans received	-1 252	-5 323	-1 602	-7 570
Balances with the central bank	-4 309	-14 170	-1 878	-5 966
Subordinated liabilities	-2 119	-7 829	-2 197	-6 345
including loans between related parties	-81	-323	-86	342
Total	-7 680	-27 322	-5 677	-19 881

Net interest income	28 163	97 319	19 893	68 492
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Interest income on loans by customer location

(interest on bank balances and bonds excluded):	Q4 2021	12M 2021	Q4 2020	12M 2020
Estonia	35 231	121 461	25 705	87 420
Great Britain	116	965	336	1 355
Total	35 347	122 426	25 369	88 775

NOTE 10 Net Fee and Commission Income

Fee and commission income	Q4 2021	12M 2021	Q4 2020	12M 2020
Security brokerage and commissions paid	2 349	6 159	1 397	4 825
Asset management and similar fees	6 488	16 540	9 462	18 629
Currency exchange fees conversion revenues	2 357	8 618	1 138	3 406
Fees from cards and payments	6 731	23 635	4 487	15 171

Fees from insurance services	-24	919	0	0
Other fee and commission income	1 356	4 953	1 074	4 087
Total	19 257	60 824	17 558	46 118
Fee and commission expense				
Security brokerage and commissions paid	-432	-1 785	-214	-1 062
Expenses related to cards	-1 084	-5 734	-1 209	-4 722
Expenses related to acquiring	-1 917	-7 104	-1 330	-4 498
Other fee and commission expense	-572	-2 722	-623	-2 487
Total	-4 005	-17 345	-3 376	-12 769
Net fee and commission income	15 252	43 479	14 182	33 349

Fee and commission income by customer location:	Q4 2021	12M 2021	Q4 2020	12M 2020
Estonia	17 377	53 527	16 287	42 523
Great Britain	1 880	7 297	1 271	3 595
Total	19 257	60 824	17 558	46 118

NOTE 11 Operating Expenses

	Q4 2021	12M 2021	Q4 2020	12M 2020
Wages, salaries and bonuses	6 653	23 888	4 899	18 380
Social security and other taxes*	1 985	7 433	1 468	5 530
Total personnel expenses	8 638	31 322	6 367	23 910
IT expenses	1 286	4 467	979	3 403
Information services and bank services	351	1 343	263	1 005
Marketing expenses	792	2 511	474	1 822
Office expenses	377	1 030	202	672
Transportation and communication expenses	104	318	74	279
Staff training and business trip expenses	205	450	68	317
Other outsourced services	2 214	6 432	1 034	3 847
Other administrative expenses	2 090	7 654	399	3 879
Depreciation of non-current assets	1 909	8 204	1 367	4 359
Operational lease payments	75	807	37	125
Other operating expenses	208	648	132	356
Total other operating expenses	9 611	33 863	5 029	20 064
Total operating expenses	18 249	65 185	11 396	43 974

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

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

	31.12.2021	31.12.2020
Demand and term deposits with maturity less than 3 months*	113 026	180 326
Statutory reserve capital with the central bank	57 298	41 253
Demand deposit from central bank*	3 816 986	2 171 958
Total	3 987 310	2 393 537
*Cash and cash equivalents in the Statement of Cash Flows	3 930 012	2 352 284

The breakdown of receivables by countries has been presented in Note 4. Demand deposits include receivables from investment companies in the total amount of EUR 6 188 thousand (31 December 2020: EUR 9 985 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 31 December 2021 was 1% (31 December 2020: 1%) of all financial resources (customer deposits and loans received). The reserve requirement is to be fulfilled as a monthly average in euros or in the foreign financial assets approved by the central bank.

NOTE 13 Deposits of Customers and Loans Received

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

Deposits/loans by type	Financial				31.12.2020
	Individuals	intermediates	Legal entities	Public sector	
Demand deposits	745 304	1 213 543	1 284 186	392 134	3 635 167
Term deposits	256 764	38 895	172 406	15 237	483 302
Accrued interest liability	1 208	24	68	2	1 302
Total	1 003 276	1 252 462	1 456 660	407 373	4 119 771

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

Loans received 31.12.2020	TRTLO	EIF/NIB		Total loans received and dept securities in issue
		Covered bonds		
Loans received	200 000	248 685	19 757	268 442
Accrued interest liability	0	140	2	142
Total	200 000	248 825	19 759	268 584

During the accounting period LHV Pank repaid the loans given by European Investment Fund (EIF) and Nordic Investment Bank. The nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been implemented.

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

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

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

In 2020, the Bank raised EUR 200 million in negative interest funds through the TLTRO III program offered by the European Central Bank.

NOTE 14 Accounts payable and other liabilities

Financial liabilities	31.12.2021	31.12.2020
Trade payables and payables to merchants	2 779	2 058
Other short-term financial liabilities	6 904	5 591

Lease liabilities	3 350	3 394
Payments in transit	27 202	10 952
Financial guarantee contracts issued	1 101	397
Liabilities from insurance services	7 926	0
Subtotal	49 262	22 392
Not financial liabilities		
Performance guarantee contracts issued	543	299
Tax liabilities	2 207	1 820
Payables to employees	2 545	2 202
Other short-term liabilities	816	239
Subtotal	6 111	4 560
Total	55 373	26 952

Payables to employees consist of unpaid salaries; bonus accruals and vacation pay accrual for the reporting period and the increase in liabilities is caused by the increase in the number of employees during the year. Payments in transit consist of foreign payments

and payables to customers related to intermediation of securities transactions. All liabilities, except for financial guarantees, are payable within 12 months and are therefore recognised as current liabilities.

NOTE 15 Contingent Liabilities

Irrevocable transactions	Performance guarantees	Financial guarantees	Letter of credit	Unused loan commitments	Total
Liability in the contractual amount as at 31 December 2021	19 919	49 409	1 438	679 579	750 345
Liability in the contractual amount as at 31 December 2020	15 217	36 492	8	413 818	465 535

NOTE 16 Basic Earnings and Diluted Earnings Per Share

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

	Q4 2021	12M 2021	Q4 2020	12M 2020
Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)	18 856	58 261	17 839	37 950
Weighted average number of shares (in thousands of units)	29 492	29 230	28 819	28 728
Basic earnings per share (EUR)	0.64	1.99	0.62	1.32
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	30 191	29 967	29 447	29 404
Diluted earnings per share (EUR)	0.62	1.94	0.61	1.29

NOTE 17 Capital Management

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

- The amount of capital that the Group managed as of 31.12.2021 was 366 984 thousand euros (31.12.2020: 311 333 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.
- The Group follows the general principles in its capital management:
 - The Group must be adequately capitalized at all times, ensuring the necessary capital to ensure economic preservation in all situations;
 - The main focus of the capital management is on tier 1 own funds, because only tier 1 own funds can absorb losses. All other capital layers in use are dependent of tier 1 own funds volume;
 - Capital of the Group can be divided in two: 1) regulative minimum capital and 2) capital buffer held by the Group. In order to reach its long-term economic goals the Group must on one hand strive towards proportional lowering of the regulative minimum capital (through minimizing risks and high transparency). On the other hand, the Group must strive towards sufficient and conservative capital reserve, which will ensure economic preservation even in the event of severe negative risk scenario;
 - The risk appetite set by the Group is an important input to capital management planning and capital goal setting. Higher risk appetite requires maintaining higher capital buffer.

Capital base	31.12.2021	31.12.2020
Paid-in share capital	29 864	28 819
Share premium	97 361	71 468
Reserves	4 713	4 713
Other reserves	47	0
Accumulated loss	121 485	90 434
Intangible assets (subtracted)	-14 473	-18 528
Profit for the reporting period (COREP)	28 868	37 950
Other adjustments	-128	-323
CET1 capital elements or deductions	-1 189	-8 358
CET1 instruments of financial sector entities where the institution has a significant investment	-4 328	-4 842
CET1 instruments of financial sector entities where the institution has not a significant investment	-5 236	0
Total Core Tier 1 capital	256 984	201 333
Additional Tier 1 capital	35 000	35 000
Total Tier 1 capital	291 984	236 333
Subordinated liabilities	75 000	75 000
Total Tier 2 capital	75 000	75 000
Total net own funds	366 984	311 333

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

NOTE 18 Transactions with related parties

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

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

Transactions	Q4 2021	12M 2021	Q4 2020	12M 2020
Interest income	31	144	20	54
incl. management	9	63	10	22
incl. shareholders that have significant influence	22	63	10	32
Fee and commission income	1	12	10	13
Incl. management	1	8	0	7
incl. shareholders that have significant influence	0	5	10	6
Interest expenses from deposits	12	27	5	17
incl. management	4	7	0	4
incl. shareholders that have significant influence	8	20	5	13
Interest expenses from subordinated loans	81	323	86	342
incl. management	3	9	3	9
incl. shareholders that have significant influence	78	314	83	333

Balances	31.12.2021	31.12.2020
Loans and receivables as at the year-end	6 047	4 096
incl. management	2 857	2 462
incl. shareholders that have significant influence	3 190	1 634
Deposits as at the year-end	30 639	21 318
incl. management	788	642
incl. shareholders that have significant influence	29 851	20 676
Subordinated loans as at the year-end	4 134	4 134
incl. management	148	148
incl. shareholders that have significant influence	3 986	3 986

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

Loans granted to related parties are issued at market conditions.

In Q4, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 488 thousand (Q4 2020: EUR 437 thousand), including all taxes. As at 31.12.2021, remuneration for December and accrued holiday pay in the amount of EUR 107 thousand (31.12.2020: EUR 91 thousand) is reported as a payable to management. The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 31.12.2021 and 31.12.2020 (pension liabilities, termination

benefits, etc.). In Q4 2021, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 30 thousand (Q4 2020: EUR 30 thousand).

Management is related to the share-based compensation plan. In Q4 2021 the share-based compensation to management amounted to EUR 286 thousand (Q4 2020: EUR 197 thousand).

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

NOTE 19 Tangible and intangible assets

<i>(in thousands of euros)</i>	Tangible assets	Right of use assets	Total tangible assets	Intangible assets	Costs incurred for the acquisition of customer contracts	Total intangible assets
Balance as at 31.12.2019						
Cost	5 112	5 676	10 788	8 352	14 020	22 372
Accumulated depreciation and amortisation	-3 203	-899	-4 102	-4 775	-2 892	-7 667
Carrying amount 31.12.2019	1 909	4 777	6 686	3 577	11 128	14 705
Purchase of non-current assets	1 651	0	1 651	1 105	0	1 105
Depreciation/amortisation charge	-780	-972	-1 752	-804	-1 803	-2 607
Capitalised selling costs	0	0	0	0	1 944	1 944
Recalculation	0	-230	-230	0	0	0
Recalculation of the accumulated amortisation	0	230	230	0	0	0
Balance as at 31.12.2020						
Cost	6 763	5 446	12 209	9 457	15 964	25 421
Accumulated depreciation and amortisation	-3 983	-1 641	-5 624	-5 579	-4 695	-10 274
Carrying amount 31.12.2020	2 780	3 805	6 585	3 878	11 269	15 147
Purchase of non-current assets	2 515	1 077	3 592	2 496	0	2 496
Depreciation/amortisation charge	-863	-773	-1 636	-2 610	-3 958	-6 568
Recalculation of the accumulated amortisation	0	-67	-67	0	0	0
Write-off of on-current assets	0	0	0	-807	0	-807
Capitalised selling costs	0	0	0	0	750	750
Balance as at 31.12.2021						
Cost	9 278	6 523	15 801	11 146	16 714	27 860
Accumulated depreciation and amortisation	-4 846	-2 481	-7 327	-7 382	-8 653	-16 035
Carrying amount 31.12.2021	4 432	4 042	8 474	3 764	8 061	11 825

NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)

	Year of issue	Amount	Interest rate	Maturity date
Subordinated Tier 2 liabilities	2018	20 000	6.0%	November 28 2028
Subordinated Tier 2 liabilities	2019	20 000	6.0%	November 28 2028
Subordinated Tier 2 liabilities	2020	35 000	6.0%	September 30 2030
Additional subordinated Tier 2 liabilities	2019	20 000	8.0%	Perpetual
Additional subordinated Tier 2 liabilities	2020	15 000	9.5%	Perpetual

Subordinated debt as at 31.12.2020	110 000
Subordinated debt as at 30.09.2021	110 000
Subordinated debt as at 31.12.2021	110 000

NOTE 21 Loans and advances to customers

<i>(in thousands of euros)</i>	31.12.2021	31.12.2020
Corporate lending	1 683 891	1 367 540
incl. corporate loans	1 469 216	1 192 803
incl. leasing	111 001	102 297
incl. overdraft	32 327	30 338
incl. trade finance	37 162	20 497
incl. leveraged loans	5 304	5 551
incl. credit card loans	570	519
incl. apartment association loans	10 929	7 135
incl. factoring	17 382	8 400
Loans to individuals	1 012 318	858 141
incl. hire-purchase	13 081	14 294
incl. mortgage loans	840 736	695 204
incl. consumer loans	56 936	52 202
incl. private loans	49 683	50 264
incl. leasing	30 127	26 554
incl. leveraged loans	9 008	6 366
incl. credit card loans	7 540	7 232
incl. overdraft	19	23
incl. study loans	1 213	974
incl. real estate leasing	3 976	5 027
Total	2 696 209	2 225 681
Impairment provisions	-19 049	-16 858
Total	2 677 160	2 208 823

Changes in impairments	Balance as at 01.01	Impairment provisions/reversals set up during the year	Written off during the reporting period	Balance as at 31.12
Corporate loans	-13 449	4 603	-6 442	-15 289
Consumer loans	-1 178	518	-659	-1 320
Investment financing	-25	15	-120	-130
Leasing	-1 385	747	-612	-1 250
Private loans	-821	-28	-212	-1 061
Total 2021	-16 858	5 854	-8 045	-19 049
Corporate loans	-3 819	-11 345	1 714	-13 449
Consumer loans	-789	-923	534	-1 178
Investment financing	-6	-21	2	-25
Leasing	-639	-981	235	-1 385
Private loans	-851	-498	528	-821
Total 2020	-6 104	-13 767	3 013	-16 858

Shareholders of AS LHV Group

AS LHV Group has a total of 29 864 167 ordinary shares, with a nominal value of 1 euro.

As at 31 December 2021, AS LHV Group has 20 404 shareholders:

- 14 155 031 shares (47.4%) were held by members of the Supervisory Board and Management Board, and related parties.
- 15 709 136 shares (52.6%) were held by Estonian entrepreneurs and investors, and related parties.

Top ten shareholders as at 31 December 2021:

Number of	Participation	Name of shareholder
3 633 625	12,2%	AS Lõhmus Holdings
2 544 947	8,5%	Rain Lõhmus
2 266 829	7,6%	Viisemann Investments AG
1 697 993	5,7%	Ambient Sound Investments OÜ
1 215 509	4,1%	Krenno OÜ
1 110 744	3,7%	AS Genteel
1 061 390	3,6%	AS Amalfi
704 199	2,4%	SIA Krugmans
654 233	2,2%	Bonaares OÜ
593 759	2,0%	OÜ Meroona Systems

Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 67 195 shares.

Rain Lõhmus holds 2 544 947 shares, AS Lõhmus Holdings 3 633 625 shares and OÜ Merona Systems 593 759 shares.

Andres Viisemann holds 41 825 shares. Viisemann Holdings OÜ holds 570 000 shares and Viisemann Investment AG holds 2 266 829 shares.

Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 1 697 993 shares.

Tiina Mõis does not hold shares. AS Genteel holds 1 110 744 shares.

Heldur Meerits does not hold shares. AS Amalfi holds 1 061 390 shares.

Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 502 037 shares, Astrum OÜ holds 381 shares and Lame Maakera OÜ holds 48 012 shares.

Sten Tamkivi holds 391 shares. OÜ Seikatsu holds 15 585 shares.

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

AS LHV Group

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

Management board: Madis Toomsalu

AS LHV Varahaldus

Supervisory board: Madis Toomsalu, Andres Viisemann, Erki Kilu

Management board: Vahur Vallistu, Joel Kukemelk

AS LHV Pank

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

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

AS LHV Finance

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

Management board: Mari-Liis Stalde

AS LHV Kindlustus

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

Management board: Jaanus Seppa, Tarmo Koll

LHV UK Limited

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

Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to December 2021 period the condensed consolidated interim financial statements of AS LHV Group for the 12-months period ended 31 December 2021.

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

08.02.2022

Madis Toomsalu