Interim Report January – March 2022
Summary of Results

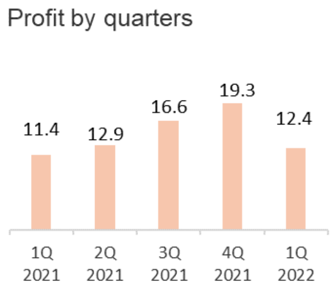
Q1 2022 in comparison with Q4 2021

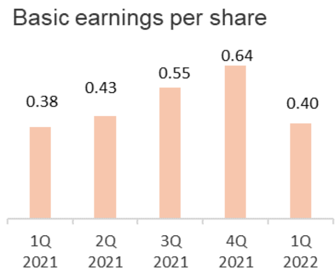
- Net profit EUR 12.4 m (EUR 19.3 m), of which EUR 11.9 m (EUR 18.9 m) is attributable to owners of the parent
- Earnings per share EUR 0.40 (EUR 0.64)
- Net income EUR 34.8 m (EUR 42.5 m)
- Operating expenses EUR 18.9 m (EUR 18.3 m)
- Loan provisions EUR 0.7 m (EUR 1.69 m)
- Income tax expenses EUR 2.8 m (EUR 3.4 m)
- Return on equity 14.7% (25.7%)
- Capital adequacy 19.0% (20.0%)

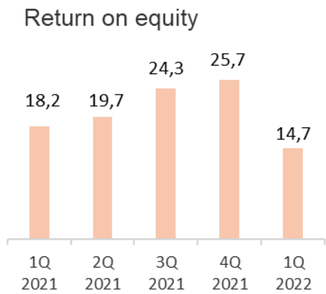
Q1 2022 in comparison with Q1 2021

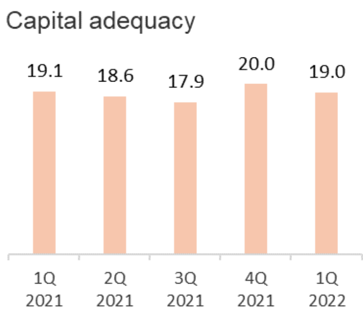
- Net profit EUR 12.4 m (EUR 11.4 m), of which EUR 11.9 m (EUR 11.0 m) is attributable to owners of the parent
- Earnings per share EUR 0.40 (EUR 0.38)
- Net income EUR 34.8 m (EUR 28.6 m)
- Operating expenses EUR 18.9 m (EUR 13.8 m)
- Loan provisions EUR 0.7 m (EUR 1.6 m)
- Income tax expenses EUR 2.8 m (EUR 1.99 m)
- Return on equity 14.7% (18.5%)
- Capital adequacy 19.0% (19.13%)

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,

For the last three years here in Europe, we have operated in conditions where crisis has marked the beginning, end and middle of each year. As the world health crisis eased, Europe was hit by a new and even more severe event – Russia’s war against Ukraine.

The economic impacts of the war will be greater than those of the pandemic. Problems in the energy and commodities supply chain and rising prices are already visible, although we may have yet to feel the full impact. The disruptions and rapidly rising prices at supply chain sources have a direct influence on the prices of all other goods and services. Food is a particular concern, and it is feared that the upward spiral will be a perfect storm. Growing energy and fertilizer input prices as well as the higher cost of capital, coupled with possible declining supply and inflation in general all add up to the risk of very rapidly rising food prices.

Thus, inflation is naturally in the focus. There is a growing sense that the most opportune time to reel in inflation was missed. Of course, in terms of monetary policy, it is always hard to control inflation in energy and food prices, but today inflation has spread to other sectors, and is only exacerbated by geopolitical tensions. The European Central Bank has not chosen a clear path, but rather seems to be hoping that short-term price rises will stem from lower demand, and curtail further price rises. A good way to describe the approach would be: high-precision science with a broad margin of error.

The European trends are amplified in Estonia’s open economy. Inflation is faster and the risk of recession is real. The probability of stagflation has grown; above all, the outcome depends on businesses’ ability to meet wage growth expectations.

Despite the stormy weather, LHV remains open for clients. The smartest decisions for business are made by their operators. As a source of financing, we can weigh in on making business ideas better aligned to the changing environment. Sometimes it is smarter to take a step back and then later take two longer steps ahead.

Still, an inflationary environment along with rising interest rates has generally meant income and profit growth for banks. A majority of the loan portfolio is pegged to the Euribor and changes the rate are also expressed in revenue. The expenses need not be manifested simultaneously and credit losses continue to be associated with specific clients, because a change of a few per cent in the interest rates does not yet impact the magnitude of total losses in the portfolio as a whole.

I believe that in spite of the more modest result compared to the Q1 financial plan, we will be able to achieve our planned result for the year as a whole. The result for Q1 was after all also affected by certain one-off factors such as a write-down in the bond portfolio. In regard to financial intermediaries, we have discontinued service to some clients since we feel their risk culture should match our standards. While this has caused revenue to lag behind projections, there is a clear perspective for growth in this area in the second half-year period. In confirmation of this, we will be raising capital, mainly for the purpose of capitalizing our business operations in the UK – although the specific conditions are yet to be determined, this should happen this year, to the best of our knowledge at this writing. Similarly, we plan to make a smaller follow-on investment in Bank North than the previous investment, if the company is able to raise capital from other investors as well.

As to other key Q1 events, we acquired a payment gateway platform, EveryPay. The transaction will allow us to growing the strategically important payments field both in Estonia and internationally. During Q1, we also filed an application for a banking licence from the UK regulator and hope to get approval this year.

In addition, LHV was again named best Estonian bank, and the Estonian job site CV-Online survey revealed that we are also seen as Estonia’s best employer. This is gratifying as after all, our three main goals are to build good, solid relations with clients, people working at LHV and shareholders. It is a pleasure to be able to offer all of them a professional relationship and a feeling that they are valued.

Madis Toomsalu

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Financial Summary

The Group's 2022 Q1 consolidated profit was EUR 15.2 million, having decreased by EUR 7.6 million from 2021 Q4 and grown by EUR 1.8 million compared to the first quarter in the previous year. Loan discounts in Q1 were EUR 0.7 million. At the consolidated level, income tax on future dividend payments by subsidiaries was EUR 0.7 million in the first quarter. The profit of the Group's shareholders in the first quarter of 2022 was 0.8 million euros higher than last year.

The yield on equity held by LHV's shareholders was 14.7% in 2022 Q1, having decreased by 10.9 percentage points from 2021 Q4 (25.7%) and decreased by 3.5 percentage points from 2021 Q1 (18.5%).

The Group's consolidated net loan portfolio grew by EUR 75 million in the quarter (EUR 128 million in 2021 Q4) and consolidated deposits decreased by EUR 397 million (for comparison: growth in 2021 Q4 was EUR 351 million). Deposits related to payment intermediaries decreased by EUR 397 million (EUR 61 million grow in 2021 Q4).

The bank's Q1 consolidated profit was EUR 14.9 million, which is EUR 3.8 million lower than the profit of the previous quarter (EUR 18.6 million in 2021 Q4), but EUR 3.1 million higher than the profit of the first quarter in 2021. The number of the bank's clients grew by over 16 100 in the quarter (19 500 in 2021 Q4), with the total number of the bank's clients now around 337 500.

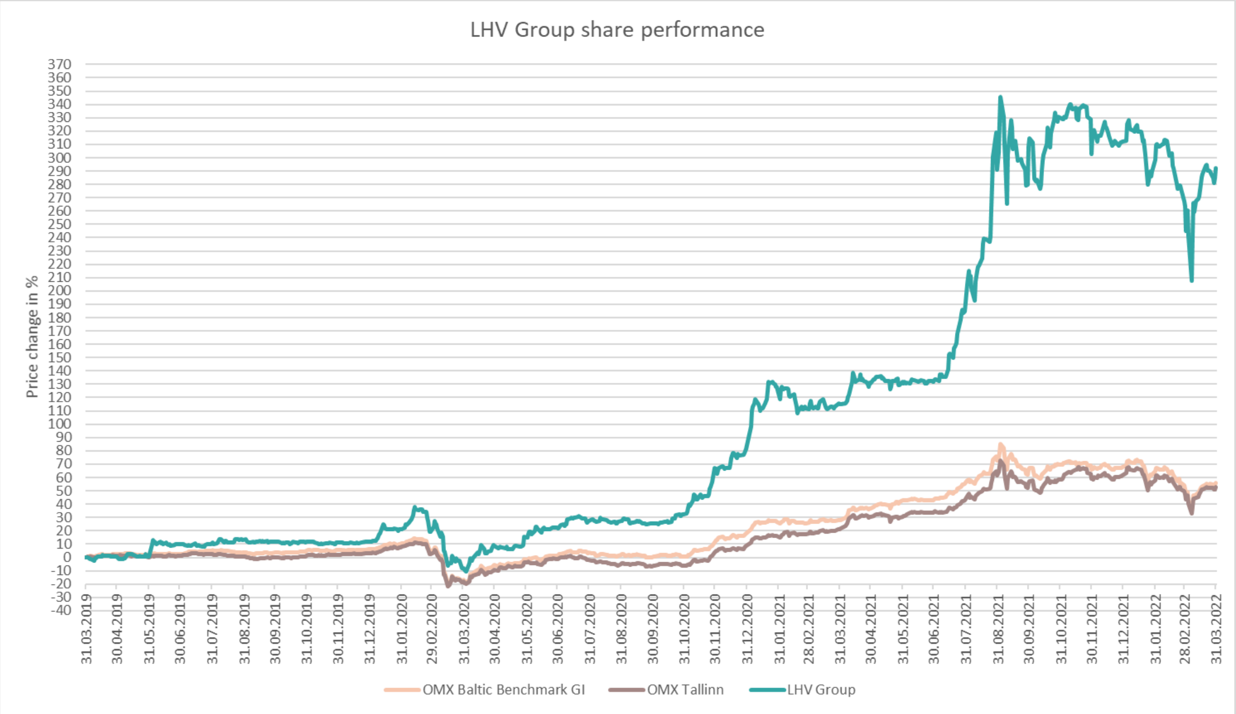
The bank's loan portfolio grew by EUR 75 million in Q1 (EUR 128 million in 2021 Q4), reaching EUR 2 753 million. Among the loans, overdrafts and home loans grew the most.

The deposits of the bank's clients declined by EUR 410 million in Q1, while the balance of the deposits of payment intermediaries declined by EUR 397 million and the deposits of the remaining clients decreased by EUR 13 million. By the end of Q1, the total volume of deposits amounted to EUR 5 437 million.

LHV Varahaldus earned a loss of EUR 0.6 million in Q1 (profit of EUR 3.0 million in 2021 Q4). Income from service fees increased by EUR 2.6 million from 2021 Q4. The operating expenses of LHV Varahaldus was EUR 1.4 million in Q1 (EUR 1.1 million in 2021 Q4). Expenses related to fixed assets (incl depreciation of customer contracts) grow by EUR 0.1 million during the quarter (EUR 0.1 million in 2021 Q4).

The aggregate volume of the funds managed by LHV grew by EUR 13 million in the quarter (a growth of EUR 65 million in 2021 Q4). The number of active second pillar clients decreased by 3 320 in the quarter (decrease of 520 in 2021 Q4).

The loss of LHV Kindlustus was EUR 0.5 million in the first quarter of 2022 (loss of EUR 0.2 million in 2021 Q4). The volume of gross premiums increased by EUR 0.2 million to EUR 1.8 million during the quarter. Income from insurance activities decreased by EUR 0.1 million during the first quarter in LHV Kindlustus.



There is only one class of shares issued by LHV, each share gives 1 voting right. The shares of LHV Group is traded on NASDAQ Tallinn main list since May 2016. Graph below presents LHV Group share performance against OMX Tallinn index and OMX Baltics banchmark index. LHV Group share has outperformed both indexes and has raised 292%, when comparison indexes have increased by 53% and 56% respectively.

LHV Group share price has been 41.2 euros in the end of Q1 and based on the stock price, LHV's market value was EUR 1 229 million. In regular LHV general shareholders meeting there were several decisons made related to shares, the most importand ones were approval of delegating decision of issueing new shares to supervisory council and decions on share split with 1/10 ratio.

Business volumes EUR million	**Q1 2022**	**Q4 2021**	**Quarter over quarter**	**Q1 2021**	**Year over year**
Loan portfolio	2 752.5	2 677.2	3%	2 304.3	19%
Financial investments	475.8	135.9	250%	149.7	218%
Deposits of customers	5 410.4	5 807.6	-7%	4 733.8	14%
incl. deposits of financial intermediates	1 096.5	2 247.8	5%	1 648.3	-33%
Equity (including minority interest)	335.9	324.8	3%	255.2	32%
Equity (owners' share)	329.2	316.4	4%	248.5	32%
Volume of funds managed	1 362.0	1 349.0	1%	1 587.0	-14%
Assets managed by bank	3 531.0	3 603.0	-2%	2 167.0	63%

Income statement EUR million	**Q1 2022**	**Q4 2021**	**Quarter over quarter**	**Q1 2021**	**Year over year**	**3M 2022**	**3M 2021**	**Year over year**
Net interest income	25.79	28.16	-8%	20.37	27%	25.79	20.37	27%
Net fee and commission income	10.35	15.28	-32%	8.64	19%	10.35	8.64	19%
Other financial income	-1.31	-0.91	44%	-0.37	254%	-1.31	-0.37	254%
Total net operating income	34.83	42.53	-18%	28.73	21%	34.83	28.73	21%
Other income	-0.04	0.18	NA	0.04	-200%	-0.04	0.04	-200%
Operating expenses	-18.87	-18.25	3%	-13.76	37%	-18.87	-13.76	37%
Loan losses	-0.74	-1.69	-56%	-1.60	-54%	-0.74	-1.60	-54%
Income tax expenses	-2.80	-3.40	-18%	-1.99	41%	-2.80	-1.99	41%
Net profit	12.38	19.35	-36%	11.42	8%	12.38	11.42	8%
Including attributable to owners of the parent	11.88	18.86	-26%	11.04	8%	11.88	11.04	8%

Ratios EUR million	**Q1 2022**	**Q4 2021**	**Quarter over quarter**	**Q1 2021**	**Year over year**	**3M 2022**	**3M 2021**	**Year over year**
Average equity (attributable to owners of the parent)	322.8	293.9	28.9	242.6	80.2	322.8	242.6	80.2
Return on equity (ROE), %	14.7	25.7	-11	18.2	-3.5	14.7	18.2	-3.5
Return on assets (ROA), %	0.7	1.2	-0.5	0.9	-0.2	0.7	0.9	-0.2
Interest-bearing assets, average	6 644.2	6 634.1	10.1	5 294.8	1 349.4	6644.2	5 294.8	1 349.4
Net interest margin (NIM) %	1.55	1.70	-0.15	1.50	0.05	1.55	1.50	0.05
Price spread (SPREAD) %	1.53	1.67	-0.14	1.50	0.03	1.53	1.50	0.03
Cost/income ratio %	54.2	42.8	11.4	47.8	6.4	54.2	47.8	6.4
Profit attributable to owners before income tax	14.6	22.15	7.55	12.83	1.77	14.6	12.83	1.77

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

In Q1 of this year, the world's economy was recovering from the coronavirus pandemic. The restrictions on travel and activities re-imposed in the second half of the year began to be lifted and the high vaccination rate in the population allowed some countries to scrap restrictions altogether. Today, however, the outlook for the world economic growth has again been darkened by Russia's war in Ukraine. Forecasts are being redone for the possibility that the war may last longer and have a noteworthy effect on the economies of European countries in particular. As long as the war is limited to Ukrainian territory, however, there is no reason to anticipate a global recession.

In 2021, the world economy grew by 5,9%[1], including 5,3%[2] in the Eurozone. The rapid growth reflected the recovery from the economic contraction of the year before, which led to a steep and simultaneous increase in demand. At the beginning of this year as well, growth continued at a fairly brisk pace, regardless of continuing transport disruptions and a soaring energy and commodities prices. The demand for goods and services in the Eurozone grew and companies again started hiring extensively. Activity in the industrial sector also strengthened, as transport problems eased slightly in early February and orders grew. In addition, companies in the Eurozone continued to be supported by good financing conditions and lenient monetary policy.

Inflation accelerated in the first months of the year all over the world and in the Eurozone, reached an estimated 7,5%i[3] in March. This was a level never seen before in the Eurozone. Oil and natural gas prices continued to rise and the prices of many industrial inputs skyrocketed. The rise in food prices in the Eurozone slowed slightly early in the beginning of the year due to the base effect, but a new price rise looms in the second half of the year, as the war will probably impact this year's grain harvest. Producer price index growth reached 31% in February, which also gives reason to believe that the general rapid inflation will continue for some time.

The situation on the labour market, on the other hand, has improved in the Eurozone. Unemployment in the Eurozone fell even further in January, to 6,8%[4]. Wage growth has not increased significantly, and is only at a few percent. Besides general robust economic activity, the labour market is also supported by coronavirus relief measures for the job market participants and businesses, which due to a downturn in the covid situation in a number of Eurozone countries have been extended until the end of this year.

Officially, the European Central Bank has continued its strategy announced late last year — first ending the asset purchase programme (APP) and thereafter possibly starting to raise interest rates. But many ECB Governing Council members have expressed the opinion that the Central Bank should take quicker action and start raising interest rates even earlier. Other major central banks have already gone this route: the US Federal Reserve and the Bank of England, and others.

At a meeting of the Governing Council held in March, the ECB decided to speed up the exit from the APP and it remains open whether asset purchases will still be made in Q3. Still, it was emphasized that a small time buffer will be left between halting APP and hiking interest rates, which means that we may see the first interest rate increases in early autumn. The interbank lending interest rate has clearly started rising in light of the latest news and by end of March, the 6-month Euribor had risen 20% – higher than 0.4%. In line with market expectations, Euribor will rise to zero by the end of this year and continue inching upward.

The Estonian economy grew slightly over 8% last year. That made Estonia one of the fastest growing economies in Europe, with the volume of the economy 5% larger than it was before the pandemic. Growth was evenly distributed across a number of areas of activity; among other things, one-fifth of the growth came through better receipts of VAT and excise duty. The biggest decliner was the agricultural sector, which suffered from summer drought and price rises. The information and communication area was certainly one engine of the economy; value-added generated by this sector grew more than 20%. Moreover, it was largely organic growth, because the pandemic did not hurt the IT sector all that much. The unusually low comparison base from 2020 was responsible for rapid growth in the other key areas of activity – processing industry, retail, transport, construction. The tourism sector, hit hard by the crisis, managed to stage a decent rally starting from the spring, but it was still one-third lower than the results for 2019.

Along with the rapid economic growth, the rise in Estonian consumer prices continues to be among the highest in Europe. This is partially due to the small size of the economy – the economy is not able to dictate prices by itself but is exposed to

[1] IMF. World Economic Outlook, January 2022 [WWW] https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022

[2] Eurostat. National accounts statistics. [WWW] https://ec.europa.eu/eurostat/data/database

[3] Eurostat. Harmonised index of consumer prices. [WWW] https://ec.europa.eu/eurostat/data/database

[4] Eurostat. Labour force survey, monthly data. [WWW] https://ec.europa.eu/eurostat/data/database

external shocks. In addition, groups of goods that are rising fastest in price (energy, food) make up a larger share of the Estonian consumer basket than in Europe on average. Inflation has been remained consistently north of 10% in recent months, and set a high mark of over 15.2% year on year in March. The rapidly rising prices reflect still-high spending on energy but the shopping basket is increasingly influenced by an increase in the prices of food and consumer goods. The latest surveys of businesses show that they expect prices to continue to rise in all sectors in the coming months. This is something that consumers also understand, as they see their money not going as far and consumer confidence is declining.

The Estonian labour market was in very good shape at the start of this year, despite the influences of the pandemic. Unemployment had again fallen to 5,2%[1], which is a characteristic sign of a growing economy. At the end of 2021 and start of 2022, businesses, especially in the processing industry and construction, were more optimistic as to future developments. The number of job openings continued to grow and the number of short-term workers recruited from abroad also increased. In connection with the economic outlook deteriorating, the labour market will also cool off, but only after some lag time.

Economic growth this year will slow dramatically compared to last year, because the manufacturing enterprises left idle by the pandemic are now back in operation this year and optimism is eclipsed by the high energy prices. Although Estonia's economic relations with Russia have dwindled over the years, the sanctions still have a negative impact on local entrepreneurs. In the exporting sector, the impact is mainly expressed through individual companies in whose customer portfolio Russia occupies an important place. The sanctions will not have a greater systemic impact on the exporting sector – this effect was already experienced after the annexation of Crimea in 2014.

A greater impact on the Estonian economy will come from interruptions in the import of various industrial raw materials. Besides energy products (petroleum products, natural gas, oils), considerable amounts of Russian iron and steel are used in Estonian industry and the same is true for Russian timber in the construction and timber processing sectors. For farmers, mineral fertilizers derived as a by-product of gas production are very important. Representatives from various areas of activity have noted that it is possible to restructure supply chains but it will take time and there will be disruptions to the ordinary rhythm in the meantime. The price level of industrial inputs on the world market has risen significantly since the war started and this means even greater pressure on industry. The Bank of Estonia and the Ministry of Finance have forecasted that due to the war and also due to some one-time transactions last year, the Estonian economy may contract slightly this year. Since there is much uncertainty ahead, the confidence limits of the forecasts released thus far should be considered quite high.

[1] Statistikaamet. Tööturu põhinäitajad. [WWW] https://andmed.stat.ee/et/stat/sotsiaalelu__tooturg__tooturu-uldandmed__aastastatistika/TT0151

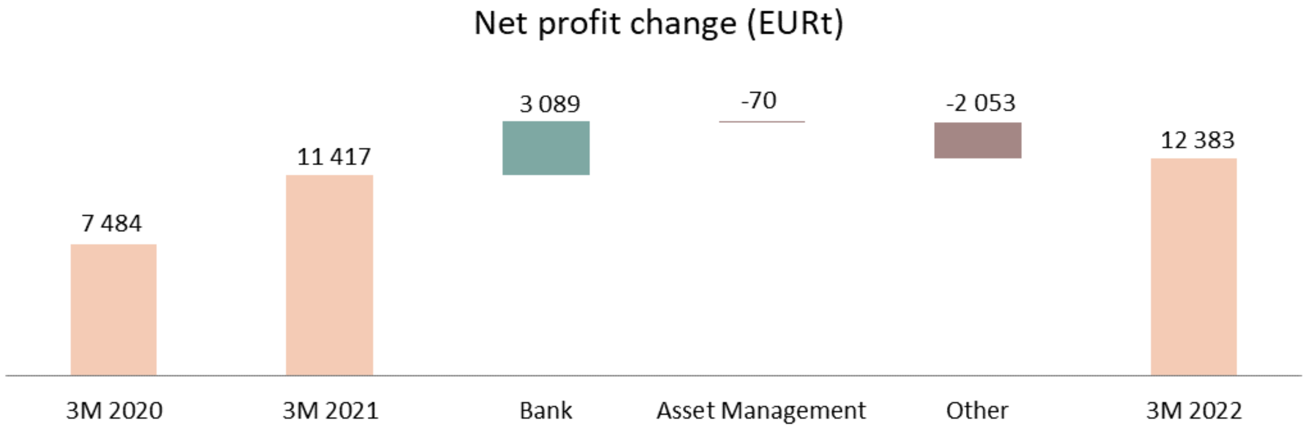
Financial Results of the Group

Compared to Q4, the Group's net interest income decreased in Q1 2022 by 8%, standing at EUR 25.8 (Q4: 28.2) million.

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

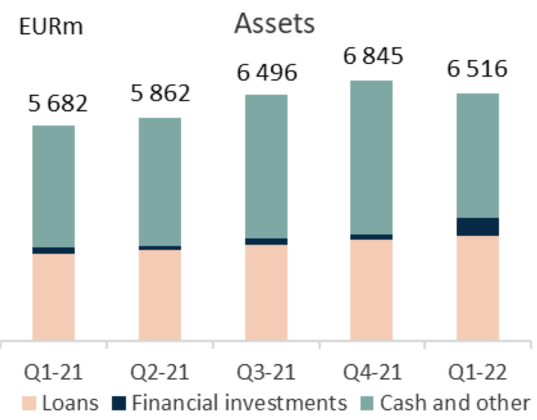
Net fee and commission income decreased in Q1 by 32% and stood at EUR 10.4 (Q4: 15.3) million. In total, the net income of the Group decreased by 18% in Q1, compared to Q4, amounting to EUR 34.8 (Q4: 42.5) million, with expenses increasing 3% and amounting to EUR 18.9 (Q4: 18.3) million. The Group's operating profit for Q1 amounted to EUR 15.9 (Q4: 24.5) million. The expenses from loan impairments amounted to EUR 0.7 million in Q1 (Q4: 1.69). The Group's total profit for Q1 amounted to EUR 12.4 million (Q4: 19.4). Compared to Q1 2021, the Group's net interest income increased by 27% and net fee and commission income increased by 20%.

In terms of business entities, AS LHV Pank posted in Q1 a consolidated profit of EUR 14.6 million and AS LHV Varahaldus a loss of EUR 0.6 million because of the income tax expense. LHV Kindlustus posted a loss of EUR 0.5 million. The AS LHV Group on solo bases posted a profit of EUR 5.1 million thanks to the dividend income. In Q1 LHV UK Ltd posted a loss of EUR 1.7 million.



The Group's volume of deposits as at the end of Q1 amounted to EUR 5 410 (Q4: 5 808) million, of which demand deposits formed EUR 5 247 (Q4: 5 649) million and term deposits EUR 163 (Q4: 159) million.

As at the end of Q1, the volume of loans granted by the Group amounted to EUR 2 753 (Q4: 2 677) million, increasing in Q1 by 3%. Compared to Q1 2021, the volume of the Group's deposits has increased by 14% and the volume of loans by 19%.



The Group's Liquidity, Capitalisation and Asset Quality

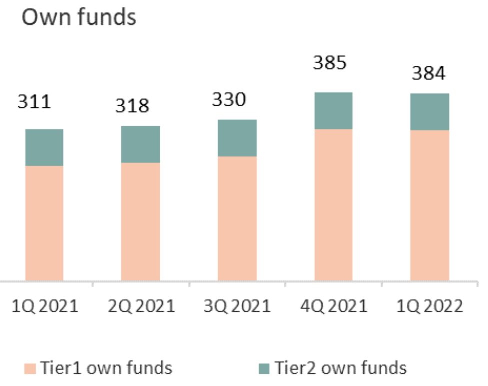
As at 31 March 2022, the Group's own funds stood at EUR 384.4 million (31 December 2021: EUR 367.0 million). LHV Group own funds are calculated based on regulative requirements.

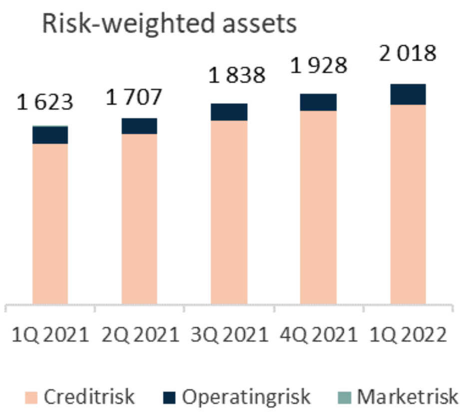
Compared to Group's internal capital adequacy ratio target 16.0%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio amounting to 19.0% (31 December 2021: 19.0%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 10.63% and Tier 1 capital adequacy ratio to 12.46%. The internal targets were approved in December 2021 by the Group's Supervisory Board, after the completion of the annual supervisory assessment by the Financial Supervision Authority.

The minimum requirement for own funds and eligible liabilities (MREL) is 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 milion 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 144.8% as at the end of March (31 December 2021: 142.7%). Financial intermediates' deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 253.6% (31.12.2021: 253.3%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 57% of the balance sheet (31 December 2021: 60%). The ratio of loans to deposits stood at 47% as at the end of the first quarter (31 December 2021: 43%). Group's maturity structure is presented in Note 5.

The Group's credit quality was good. As at the end of March, provisions for estimated loan losses amounted to EUR 19.2 million in the balance sheet, i.e. approximately 0.7% of the loan portfolio (31 December 2021: EUR 19.0 million, 0.7%). Estimated loan losses make up 1 110.9% (31 December 2021: 1 693.6%) of the portfolio of loans overdue for more than 90 days.





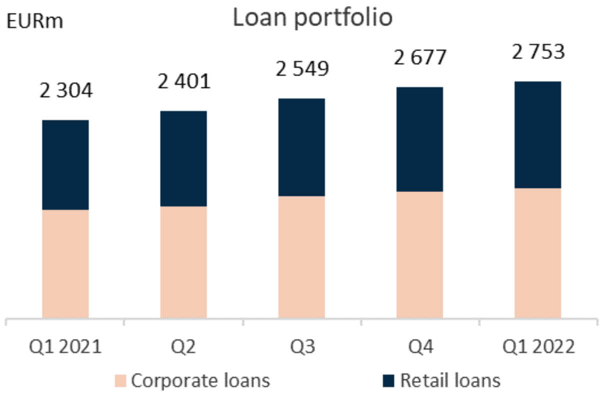
EUR thousand	31.03.2022	Proportion	31.12.2021	Proportion
Loans to customers	2 771 767		2 696 210	
including overdue loans:	21 760	0.8%	16 802	1.1%
1-30 days	16 181	0.6%	13 417	0.8%
31-60 days	3 111	0.1%	1 971	0.1%
61-90 days	735	0.0%	289	0.0%
91 and more days	1 732	0.1%	1 125	0.2%
Impairment of loans	-19 244	-0.7%	-19 049	-0.8%
Impairment % of loans overdue for more than 90 days	1 110.9%		1 693.6%	

Capital base	31.03.2022	31.12.2021	31.12.2020
Paid-in share capital	29 864	29 864	28 819
Share premium	97 361	97 361	71 468
Statutory reserves transferred from net profit	28	4 713	4 713
Other reserves	4 713	47	0
Retained earnings	179 723	179 746	90 434
Intangible assets (subtracted)	-14 650	-14 473	-18 528
Net profit for the reporting period (COREP)	0	0	37 950
Other adjustments	-468	-128	-323
CET1 capital elements or deductions	-12 878	-12 209	-8 358
CET1 instruments of financial sector entities where the institution has a significant investment	-4 014	-4 328	-4 842
CET1 instruments of financial sector entities where the institution has not a significant investment	-5 236	-5 236	0
Tier 1 capital	**274 443**	**275 357**	**201 333**
Additional Tier 1 capital	35 000	35 000	35 000
Total Tier 1 capital	**309 443**	**310 357**	**236 333**
Subordinated debt	75 000	75 000	75 000
Total Tier 2 capital	**75 000**	**75 000**	**75 000**
Net own funds for capital adequacy	**384 443**	**385 357**	**311 333**
Capital requirements			
Central governments and central bank under standard method	0	0	363
Credit institutions and investment companies under standard method	9 044	10 465	8 060
Companies under standard method	1 178 825	1 141 853	865 624
Retail claims under standard method	220 289	212 860	197 849
Public sector under standard method	3	6	3 250
Housing real estate under standard method	304 933	291 338	243 971
Overdue claims under standard methods	14 964	19 332	13 362
Investment funds' shares under standard method	185	190	7 145
Other assets under standard method	88 347	93 939	49 321
Total capital requirements for covering the credit risk and counterparty credit risk	**1 816 590**	**1 769 983**	**1 388 945**
Capital requirement against foreign currency risk under standard method	1 549	3 489	3 950
Capital requirement against interest position risk under standard method	0	0	0
Capital requirement against equity portfolio risks under standard method	2 156	2 079	972
Capital requirement against credit valuation adjustment risks under standard method	1 663	1 211	82
Capital requirement for operational risk under base method	197 920	152 778	124 638
Total capital requirements for adequacy calculation	**2 019 878**	**1 929 540**	**1 518 587**

Capital adequacy (%)	**19.03**	**19.97**	**20.50**
Tier 1 capital ratio (%)	**15.32**	**16.08**	**15.56**
Core Tier 1 capital ratio (%)	**13.59**	**14.27**	**13.26**

Overview of AS LHV Pank Consolidation Group

- (Net) growth in loan volume EUR 75 million
- Net profit EUR 14.9 million
- Opening Pärnu office



EUR million	Q1 2022	Q4 2021	Change %	Q1 2021	Change %	From the beginning of 2022	From the beginning of 2021	Change %
Net interest income	25.88	28.32	-9%	20.76	25%	25.88	20.76	25%
Net fee and commission income	7.79	10.53	-26%	6.37	22%	7.79	6.37	22%
Other financial income	-1.42	-1.15	23%	-0.50	184%	-1.42	-0.50	184%
Total net operating income	32.25	37.70	-14%	26.63	21%	32.25	26.63	21%
Other income	-0.02	0.19	-111%	0.06	NA	-0.02	0.06	NA
Operating expenses	-14.37	-14.27	1%	-11.45	26%	-14.37	-11.45	26%
Loan losses	-0.74	-1.69	-56%	-1.60	-54%	-0.74	-1.60	-54%
Income tax expenses	-2.27	-3.29	-31%	-1.88	21%	-2.27	-1.88	21%
Net profit	14.85	18.64	-20%	11.76	26%	14.85	11.76	26%
Loan portfolio	2 753	2 677	3%	2 304	19%			
Financial investments	467	128	266%	143	228%			
Deposits of customers	5 437	5 847	-7%	4 766	14%			
incl. deposits of financial intermediates	1 850	2 248	-18%	1 648	12%			
Subordinated liabilities	104	89	17%	86	21%			
Equity	293	280	5%	221	33%			

Q1 was successful in terms of business volumes. LHV Bank generated EUR 25.9 million in net interest income and EUR 7.8 million in net fee and commission income. In total, the bank's net income amounted to EUR 32.2 million, expenditure to EUR 14.4 million and loan provisions to EUR 0.7 million. The net profit of LHV Pank amounted to EUR 14.9 million in Q1. This constitutes a 20% decrease from Q4 (18.6) and a 26% increase from Q1 2021 (11.8). Net interest income decreased 9% compared to previous quarter. Net fee and commission income decreased 26% compared to Q4. In Q1 other financial expenses amounted to EUR 1.42 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 17.1 million and net profit EUR 14.9 million.

The increase in net interest income stems from the growth in business volumes. By the end of Q1, the total volume of the bank's loan portfolios amounted to EUR 2 753 million (Q4: EUR 2 677 million). The volume of portfolios grew 3% over the quarter.

The corporate credit portfolio, which includes loans and guarantees, grew EUR 286.0 million in the year (+21%) with quarter-over-quarter growth of EUR 40.3 million (+2%). The greatest source of the growth was loans for real estate activities, which traditionally is the field that has received the most financing from commercial banks, growing EUR 186.1 million during the year (+39%). The bulk of the growth came from financing of commercial real estate projects with a strong rental income stream. Next came loans issued to the financial and insurance activities sector, which grew by EUR 61.5 million from the year before (+80%), and loans to the wholesale and retail trade and motor vehicle repair sector, which grew by EUR 51.5 million (+51%) over the year.

Compared to Q4 of 2021, the growth in the portfolio was most influenced by loans and guarantees issued for real estate activities (quarterly growth of EUR 34.6 million; +6%), followed by the sector engaged in professional, science and technology activities (EUR 23.7 million; +80%) and the financial and insurance activities sector (EUR 12.8 million ; +10%).

The most corporate loans were granted to the real estate sector, which makes up 41% of the bank's corporate loan portfolio. Of real estate loans, the principal part was issued to projects with high-quality rental streams, with real estate developments making up a much smaller share. Most real estate developments financed are located in Tallinn; and projects located in other major Estonian cities and in the vicinity of Tallinn made up 20% of developments. LHV's market share in financing of new development projects in Tallinn made up about one-third at the end of Q1 of 2022. The LHV real estate development portfolio is well-positioned in case market trends should change – the financed developments are in good locations and the projects' risk to planned sales price ratio averages 55%.

After the real estate sector, the most credit was issued to the wholesale and retail trade, the motor vehicle repair sector (10%) and the financial and insurance activities sector (9%). Of sectors that usually run a higher credit risk, HoReCa made up 3%, construction 2% and transport and warehousing 1% of the total volume of the portfolio.

During the quarter, the number of the bank's customers grew by over 16,000. The level of activity of the customers and business volumes in Q1 were impacted by the uncertainty related to the war that started in Ukraine on 24 February; however, in the second half of March, a normal level of activity returned to some extent. Deposits decreased by EUR 410 million over the quarter and loans grew by EUR 75 million.

Ordinary clients' deposits stayed at the same level for the quarter as a whole, and financial intermediaries' deposits decreased by EUR 397 euros. We have stabilized our financial intermediaries deposits portfolio and we aim to keep it at the optimal 2-billion-euro level. As at the end of March, the financial intermediaries deposits balance was EUR 1.85 billion. Deposits raised through deposit platforms are decreasing as an organic process, and as of the end of March, the balance is EUR 5.6 million.

Corporate loans grew by EUR 32 million and retail loans by EUR 43 million. The growth in the corporate loan portfolio has been more modest, but is still according to plan. In Q1, uncertainty related to the war in Ukraine impacted the retail loan portfolio, affecting demand for all loan products in late February and the first half of March. Demand recovered somewhat by the end of March but was off the pace seen in the same period last year. The growth in the retail loan portfolio is being driven by home loans.

The net profit for the quarter was EUR 14.9 million. Compared to last year, profit grew by 26%, but this result is middling and 2 million euros lower than planned. Lower income from service charges was responsible for the shortfall, and in turn related to lower client activity and uncertainty. Loan impairments increased during the quarter by EUR 0.7 million, which is less than originally planned. Compared to last quarter, the higher impairments were due to both the expectation of poorer economic growth, which meant higher model-based impairments; and also a downturn in the ratings of individual clients. As a whole, the quality of the bank's loan portfolio has remained strong and the share of overdue loans continues to be very low.

The war in Ukraine that started on 24 February has impacted the whole world, Estonia and LHV's activities included. Although Estonia has few direct connections to the economies of Russia, Belarus and Ukraine, the ultimate extent of the indirect impacts is still hard to evaluate. Primarily due to the increasing need for resources, the bank's operations are impacted directly by the comprehensive sanctions on Russia and Belarus. LHV Pank and other companies in the LHV Group have supported their clients and Ukraine through different channels – e.g., a 0.5-million-euro financing assistance to the refugee non-profit MTÜ Pagulasabi, and the fact that service fees have been waived on all payments to and from Ukraine since the war began. In addition, the bank is opening bank accounts for refugees – as of the end of March, over 1000 people from Ukraine have opened accounts.

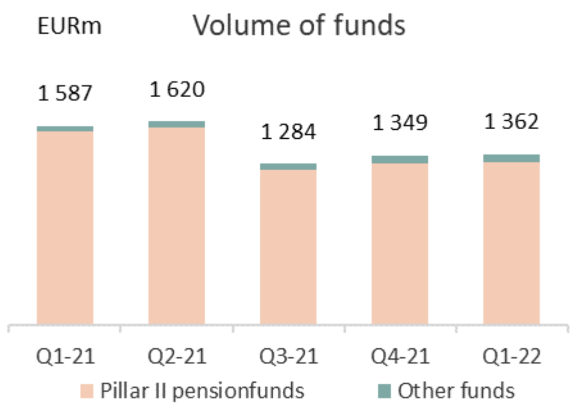
For the bank, the year started in an industrious manner. As to new services, we introduced a virtual card to the market. We started offering overdrafts to merchants who use our card and bank link systems for charging customers. We have added speed and convenience through automation both in the Baltic securities dividend transfer process and leasing application process. On the last day of March, the grand opening was held for the Pärnu office of LHV Pank at Lai 15a, in the Graf Zeppelin building.

We participated in the auction of Estonian government bonds. LHV Pank received EUR 386 million of the 400-million-euro issue.

A survey conducted by Dive found that LHV Pank was, for the sixth time, the bank with the best customer service in Estonia, with an extremely high score – 99.5%. In addition, LHV Pank was picked by CV-Online job site as the top employer in Estonia.

Overview of AS LHV Varahaldus

- Q1 pre-tax profit amounted to EUR 0.2 million
- Net profit was EUR -0.6 million, largely due to the EUR 0.8 million in income tax expenses paid on the 5.1-million-euro dividend payment
- Number of active second-pillar clients at the end of the quarter – 135.000
- Volume of assets in second-pillar funds – more than EUR 1.3 billion, increase of EUR 11 million
- Continuing growth of net assets in third pillar of the pension system



EUR million	Q1 2022	Q4 2021	Change %	Q1 2021	Change %	3M 2022	3M 2021	Change %
Net fee and commission income	2.01	4.5	-56%	2.3	-15%	2.01	2.3	-15%
Net financial income	0.10	0.24	-58%	0.11	-9%	0.10	0.11	-9%
Operating expenses	-1.35	-1.08	25%	-1.25	8%	-1.35	-1.25	8%
Depreciation of non-current assets	-0.53	-0.66	-20%	-0.49	8%	-0.53	-0.49	8%
Profit	0.18	3.0	-94%	0.67	-73%	0.18	0.67	-73%
Financial investments	8.0	8.0	0%	6.9	16%			
Subordinated liabilities	0	0	NA	0.6	-100%			
Equity	28.0	28.0	-21%	26.0	-15%			
Assets under management	1 362.0	1 349.0	1%	1 587.0	-14%			

In Q1, LHV Varahaldus had operating income of EUR 2.0 million, financial income EUR 0.1 million, a profit before income tax of EUR 0.2 million. Net profit was affected by the dividend payment in March and the related income tax expense. The results are largely in accordance with financial plan; the large difference compared to the last quarter of 2021 is due to the success fee in December. The amortisation of intangible non-current assets associated with exiting the second pillar pension system also continues to have an influence on financial results.

Large stock markets closed out Q1 on a declining trend. In euros, MSCI World, SP500 and Euro Stoxx 50 lost 3.1%, 2.3% and 9.0% of their value, respectively. The euro appreciated by 2.7% against the US dollar but in general, the quarter, and March in particular, was more difficult for European markets, where the fallout from the Ukraine war was undoubtedly more direct.

LHV's largest actively managed pension funds posted good results in these difficult circumstances. The values of the M, L and XL units grew during the quarter by 2.0%, 3.8% and 2.3%, which puts them as the three best yielding pension funds on the local market against a generally bear market. It was a more challenging quarter for high equity-risk pension funds – the LHV Pension Fund Index fell by 3.6%, and LHV Pension Fund Green by 5.0%. The conservative funds S and XS fell 0.5% and 0.9%, respectively, but managed to maintain value fairly well against the competition. Social tax revenue – which serves as a comparison index – saw rapid growth in Q1, around 12% a month. This is also influenced by the low comparison base of the first four months of last year.

In Q1, the focus in choosing stock market investments in the largest funds was on companies and sectors that would be capable in an inflationary environment to generate value and generate a return. The largest positions were related to precious metals and commodities, plus the European banking sector and blue-chip Scandinavian companies. The making of the first investments in Riga also bears mentioning, as does the acquisition of four rental properties there, and a high-energy-performance office building on Sõpruse puiestee in Tallinn.

LHV's number of active second-pillar clients at quarter's end was slightly more than 135,000, having dropped by around 3,000 in the three months. The drop was caused by the clients who left the second pillar in early January. The market share did not change much in terms of clients, still around 25%. March also marked the end of the four-month period for submitting applications for leaving the second pillar; the disbursements will be in September. The number of clients leaving was lower than in the previous season, regardless of war in Europe, inflationary pressure and volatility. The volume of assets administered by LHV Varahaldus was close to EUR 1.4 billion by the end of the quarter. The volume of second-pillar assets grew by EUR 11 million in the quarter, and the volume of third-pillar assets also continued growth.

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

Overview of AS LHV Kindlustus

In Q1 of 2022, AS LHV Kindlustus continued active sale of insurance policies and development of its services. Starting from January, LHV Pank clients can view information on their insurance contracts and payment of invoices in the LHV internet and mobile bank, and they can also conveniently download insurance policy documents and report claims.

During the quarter, a number of new cooperation agreements were signed with insurance brokers and agents. The number of insurance contracts and volume of insurance premiums received are growing consistently in all insurance product sale channels.

As of 31 March 2022, LHV Kindlustus had 213,000 valid insurance policies and 146,000 clients.

The gross volume of insurance premiums in Q1 was EUR 1747.8 thousand and the net volume of earned premiums totalled EUR 1262.2 thousand. Vehicle insurance and motor TPL insurance made up 59.0% of the insurance premium volume. In Q1, the first home insurance contracts signed in the previous year expired, all of which were renewed for the next insurance period.

During Q1, 1243 new loss events were registered, and claims adjustment was completed in the case of 981 incidents. As of the end of the quarter, there were 551 open loss files. The net losses incurred in the period together with indirect claims adjustment costs were EUR 1085.6 thousand. Total loss provisions at the end of the period were EUR 721.1 thousand .

The Q1 result was negatively impacted by the extensive Covid-19 losses in travel insurance as well as loss events in vehicle and motor TPL insurance due to the winter season. The loss in the Q1 totalled EUR 496.6 thousand. The result falls short of the forecast above all due to the lower net income, caused by slower than planned sales in property insurance. The volume of operating expenses was lower than planned.

EUR thousand	**Q1 2022**	**Q4 2021**	**Change %**	**Q1 2021**	**Change %**
Gross insurance premiums	1 748	1 559	12%	2 136	-18%
Net earned insurance premiums	1 263	950	33%	91	NA
Net losses incurred	1 030	674	53%	1	NA
Total net operating expenses	731	192	281%	365	100%
Underwriting result	-498	-216	131%	-276	80%
Net profit	-497	-213	133%	-276	80%
Actuarial reserves at the end of the period	4 976	4 778	4%	2 036	144%
Equity at the end of the period	6 159	6 647	-7%	7 176	-14%

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(in thousands of euros)	Note	Q1 2022	3M 2022	Q1 2021	3M 2021
Interest income		32 850	32 850	27 036	27 036
Interest expense		-7 063	-7 063	-6 665	-6 665
Net interest income	9	**25 787**	**25 787**	**20 371**	**20 371**
Fee and commission income		14 815	14 815	13 089	13 089
Fee and commission expense		-4 468	-4 468	-4 359	-4 359
Net fee and commission income	10	**10 347**	**10 347**	**8 730**	**8 730**
Net gains from financial assets measured at fair value		-1 467	-1 467	-427	-427
Foreign exchange rate gains/losses		153	153	52	52
Net gains from financial assets		**-1 314**	**-1 314**	**-375**	**-375**
Other income		55	55	39	39
Other expense		-90	-90	0	0
Total other income		**-35**	**-35**	**39**	**39**
Staff costs		-10 248	-10 248	-7 253	-7 253
Administrative and other operating expenses		-8 618	-8 618	-6 507	-6 507
Total expenses	11	**-18 866**	**-18 866**	**-13 760**	**-13 760**
Profit before impairment losses on loans and advances		**15 919**	**15 919**	**15 005**	**15 005**
Impairment losses on loans and advances	21	-735	-735	-1 601	-1 601
Profit before income tax		**15 184**	**15 184**	**13 404**	**13 404**
Income tax expense		-2 801	-2 801	-1 988	-1 988
Net profit for the reporting period	2	**12 383**	**12 383**	**11 416**	**11 416**
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		-44	-44	58	58
Total profit and other comprehensive income for the reporting period		**12 339**	**12 339**	**11 474**	**11 474**
Total profit of the reporting period attributable to:					
Owners of the parent		11 880	11 880	11 043	11 043
Non-controlling interest		503	503	373	373
Total profit for the reporting period	2	**12 383**	**12 383**	**11 416**	**11 416**
Total profit and other comprehensive income attributable to:					
Owners of the parent		11 836	11 836	11 101	11 101
Non-controlling interest		503	503	373	373
Total profit and other comprehensive income for the reporting period		**12 339**	**12 339**	**11 474**	**11 474**
Basic earnings per share (in euros)	16	0.40	0.40	0.38	0.38
Diluted earnings per share (in euros)	16	0.39	0.39	0.37	0.37

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

Condensed Consolidated Interim Statement of Financial Position

(in thousands of euros)	Note	31.03.2022	31.12.2021
Assets			
Due from central bank	4, 5, 6, 12	3 161 210	3 874 284
Due from credit institutions	4, 5, 6, 12	78 200	106 838
Due from investment companies	4, 6, 12	8 508	6 188
Financial assets at fair value through profit or loss	4, 6, 7	475 843	135 855
Loans and advances to customers	4, 6, 8, 21	2 752 523	2 677 160
Receivables from customers		6 531	9 752
Other financial assets		124	2 236
Other assets		3 271	3 471
Financial investment		5 236	5 236
Tangible assets	19	9 216	8 474
Intangible assets	19	12 142	11 825
Goodwill		3 614	3 614
Total assets	2	**6 516 418**	**6 844 933**
Liabilities			
Loans received from Central Banks (TRTLO)	13	196 961	197 461
Deposits of customers	13	5 410 375	5 807 617
Loans received and debt securities in issue	13	349 519	349 146
Financial liabilities at fair value through profit or loss	7	33	157
Accounts payable and other liabilities	14	113 212	55 373
Subordinated debt	6, 20	110 374	110 378
Total liabilities	2	**6 180 474**	**6 520 132**
Owner's equity			
Share capital		29 864	29 864
Share premium		97 361	97 361
Statutory reserve capital		4 713	4 713
Other reserves		5 593	4 733
Retained earnings		191 626	179 746
Total equity attributable to owners of the parent		**329 157**	**316 417**
Non-controlling interest		6 787	8 384
Total equity		**335 944**	**324 801**
Total liabilities and equity		**6 516 418**	**6 844 933**

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

Condensed Consolidated Interim Statement of Cash Flows

(in thousands of euros)	Note	Q1 2022	3M 2022	Q1 2021	3M 2021
Cash flows from operating activities					
Interest received		32 755	32 755	26 550	26 550
Interest paid		-6 291	-6 291	-6 319	-6 319
Fees and commissions received		14 940	14 940	13 000	13 000
Fees and commissions paid		-4 468	-4 468	-4 359	-4 359
Other income received		-170	-170	120	120
Staff costs paid		-8 719	-8 719	-6 326	-6 326
Administrative and other operating expenses paid		-6 896	-6 896	-5 386	-5 386
Income tax		-4 896	-4 896	-4 418	-4 418
Cash flows from operating activities before change in operating assets and liabilities		**16 255**	**16 255**	**12 862**	**12 862**
Net increase/decrease in operating assets:					
Net increase/(decrease) in financial assets at fair value through profit or loss		-109	-109	-368	-368
Loans and advances to customers		-76 369	-76 369	-97 099	-97 099
Mandatory reserve at central bank		3 576	3 576	-6 520	-6 520
Security deposits		2 112	2 112	-90	-90
Other assets		4 851	4 851	5 413	5 413
Net increase/decrease in operating liabilities:					
Demand deposits of customers		-401 565	-401 565	637 308	637 308
Term deposits of customers		3 695	3 695	-23 435	-23 435
Loans received		0	0	73	73
Prepayments of loans received		-221	-221	0	0
Financial liabilities held for trading at fair value through profit and loss		-124	-124	-215	-215
Other liabilities		58 195	58 195	48 345	48 345
Net cash generated from/used in operating activities		**-389 704**	**-389 704**	**576 274**	**576 274**
Cash flows from investing activities					
Purchase of non-current assets		-2 399	-2 399	-1 297	-1 297
Net changes of investment securities at fair value through profit or loss		-341 346	-341 346	180 257	180 257
Net cash flows from/used in investing activities		**-343 745**	**-343 745**	**178 960**	**178 960**
Cash flows from financing activities					
Dividends paid		-2 100	-2 100	-2 100	- 2 100
Loans received (non-preferred bonds)		0	0	40 000	40 000
Repayments of the principal of lease liabilities		-364	-364	-155	-155
Net cash flows from/used in financing activities		**-2 464**	**-2 464**	**37 745**	**37 745**
Effect of exchange rate changes on cash and cash equivalents	6	**97**	**97**	**111**	**111**
Net increase/decrease in cash and cash equivalents		**-735 816**	**-735 816**	**793 089**	**793 089**
Cash and cash equivalents at the beginning of the period		3 930 012	3 930 012	2 352 284	2 352 284
Cash and cash equivalents at the end of the period	12	**3 194 196**	**3 194 196**	**3 145 373**	**3 145 373**

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

Condensed Consolidated Interim Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	**Total equity attributable to owners of LHV Group**	Non-controlling interest	**Total equity**
Balance as at 01.01.2021	**28 819**	**71 468**	**4 713**	**3 409**	**128 385**	**236 794**	**8 482**	**245 276**
Dividends paid	0	0	0	0	0	0	-2 100	**-2 100**
Share options	0	0	0	585	0	**585**	0	**585**
Profit for the reporting period	*0*	*0*	*0*	*0*	*11 043*	***11 043***	*373*	***11 416***
Other comprehensive income/loss	*0*	*0*	*0*	*58*	*0*	***58***	*0*	***58***
Total profit and other comprehensive income for the reporting period	0	0	0	58	11 043	**11 101**	373	**11 474**
Balance as at 31.03.2021	**28 819**	**71 468**	**4 713**	**4 052**	**139 428**	**248 480**	**6 755**	**255 235**
Balance as at 01.01.2022	**29 864**	**97 361**	**4 713**	**4 733**	**179 746**	**316 417**	**8 384**	**324 801**
Dividends paid	0	0	0	0	0	0	-2 100	**-2 100**
Share options	0	0	0	904	0	904	0	**904**
Profit for the reporting period	*0*	*0*	*0*	*0*	*11 880*	*11 880*	*503*	***12 383***
Other comprehensive income/loss	*0*	*0*	*0*	*-44*	*0*	*-44*	*0*	***-44***
Total profit and other comprehensive income for the reporting period	0	0	0	-44	11 880	11 836	503	**12 339**
Balance as at 31.03.2022	**29 864**	**97 361**	**4 713**	**5 593**	**191 626**	**329 157**	**6 787**	**335 944**

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 2021, which comply with the International Financial Reporting Standards, as adopted by the European Union (IFRS EU).

These condensed consolidated interim financial statements have been reviewed, not audited and do not contain the entire range of information required for the preparation of complete financial statements. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report prepared for the year ended 31 December 2021, which has been prepared in accordance with the International Financial Reporting Standards (IFRS EU).

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

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

NOTE 2 Business Segments

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

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

Q1 2022	Retail banking	Corporate banking	Asset manage-ment	Hire-purchase and consumer finance in Estonia	Financial intermediates	Insurance	UK LHV Ltd	Other activities	Total
Interest income	9 379	16 487	0	2 866	3 513	0	0	605	32 850
Interest expense	-1 312	-2 298	0	-420	-2 542	0	0	-491	-7 063
Net interest income	**8 067**	**14 189**	**0**	**2 446**	**971**	**0**	**0**	**114**	**25 787**
Fee and commission income	2 885	553	1 959	195	9 435	142	0	-354	14 815
Fee and commission expense	-649	-24	0	-180	-3 661	0	0	46	-4 468
Net fee and commission income	**2 236**	**529**	**1 959**	**15**	**5 774**	**142**	**0**	**-308**	**10 347**
Other income	2	30	0	0	-78	0	0	11	-35
Net income	**10 305**	**14 748**	**1 959**	**2 461**	**6 667**	**142**	**0**	**-183**	**36 099**
Net gains from financial assets	-72	0	102	0	7	0	-1	-1 351	-1 314

Administrative and other operating expenses, staff costs	-5 073	-3 064	-1 877	-563	-4 942	-641	-1 637	-1 069	-18 866
Operating profit	**5 160**	**11 684**	**184**	**1 898**	**1 732**	**-498**	**-1 638**	**-2 603**	**15 919**
Impairment losses on loans and advances	-732	-217	0	218	-4	0	0	0	-735
Income tax	-199	-380	-830	-1 107	-126	0	0	-159	-2 801
Net profit	**4 229**	**11 087**	**-646**	**1 009**	**1 602**	**-498**	**-1 638**	**-2 762**	**12 383**

3M 2022	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Insurance**	**UK LHV Ltd**	**Other activities**	**Total**
Interest income	9 379	16 487	0	2 866	3 513	0	0	605	32 850
Interest expense	-1 312	-2 298	0	-420	-2 542	0	0	-491	-7 063
Net interest income	**8 067**	**14 189**	**0**	**2 446**	**971**	**0**	**0**	**114**	**25 787**
Fee and commission income	2 885	553	1 959	195	9 435	142	0	-354	14 815
Fee and commission expense	-649	-24	0	-180	-3 661	0	0	46	-4 468
Net fee and commission income	**2 236**	**529**	**1 959**	**15**	**5 774**	**142**	**0**	**-308**	**10 347**
Other income	2	30	0	0	-78	0	0	11	**-35**
Net income	**10 305**	**14 748**	**1 959**	**2 461**	**6 667**	**142**	**0**	**-183**	**36 099**
Net gains from financial assets	-72	0	102	0	7	0	-1	-1 351	-1 314
Administrative and other operating expenses, staff costs	-5 073	-3 064	-1 877	-563	-4 942	-641	-1 637	-1 069	-18 866
Operating profit	**5 160**	**11 684**	**184**	**1 898**	**1 732**	**-498**	**-1 638**	**-2 603**	**15 919**
Impairment losses on loans and advances	-732	-217	0	218	-4	0	0	0	-735
Income tax	-199	-380	-830	-1 107	-126	0	0	-159	-2 801
Net profit	**4 229**	**11 087**	**-646**	**1 009**	**1 602**	**-498**	**-1 638**	**-2 762**	**12 383**
Total assets 31.03.2022	**2 748 873**	**3 720 586**	**23 494**	**72 656**	**0**	**15 997**	**7 575**	**-72 763**	**6 516 418**
Total liabilities 31.03.2022	**3 125 541**	**674 622**	**1 492**	**58 959**	**2 389 027**	**9 838**	**369**	**-79 374**	**6 180 474**

Q1 2021	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermedia tes**	**Insurance**	**Other activitie s**	**Total**
Interest income	8 290	13 628	0	2 957	305	0	1 856	27 036
Interest expense	-433	-2 469	-12	-433	-2	0	-3 316	-6 665

Net interest income	**7 857**	**11 159**	**-12**	**2 524**	**303**	**0**	**-1 460**	**20 371**
Fee and commission income	2 835	316	2 307	189	7 385	89	-32	13 089
Fee and commission expense	-489	-6	0	-166	-3 695	0	-3	-4 359
Net fee and commission	**2 346**	**310**	**2 307**	**23**	**3 690**	**89**	**-35**	**8 730**
Other income	**-6**	**7**	**0**	**0**	**38**	**0**	**0**	**39**
Net income	**10 197**	**11 476**	**2 295**	**2 547**	**4 031**	**89**	**-1 495**	**29 140**
Net gains from financial assets	-25	0	125	0	0	0	-475	-375
Administrative and other operating expenses, staff costs	-3 983	-2 403	-1 755	-419	-3 218	-363	-1 619	-13 760
Operating profit	**6 189**	**9 073**	**665**	**2 128**	**813**	**-274**	**-3 589**	**15 005**
Impairment losses on loans and advances	-216	-860	0	-490	-8	0	-27	-1 601
Income tax	-560	-792	-1 241	-1 184	-226	0	2 015	-1 988
Net profit	**5 413**	**7 421**	**-576**	**454**	**579**	**-274**	**-1 601**	**11 416**

3M 2021	**Retail banking**	**Corporate banking**	**Asset manage-ment**	**Hire-purchase and consumer finance in Estonia**	**Financial intermediates**	**Insurance**	**Other activites**	**Total**
Interest income	8 290	13 628	0	2 957	305	0	1 856	27 036
Interest expense	-433	-2 469	-12	-433	-2	0	-3 316	-6 665
Net interest income	**7 857**	**11 159**	**-12**	**2 524**	**303**	**0**	**-1 460**	**20 371**
Fee and commission income	2 835	316	2 307	189	7 385	89	-32	13 089
Fee and commission expense	-489	-6	0	-166	-3 695	0	-3	-4 359
Net fee and commission income	**2 346**	**310**	**2 307**	**23**	**3 690**	**89**	**-35**	**8 730**
Other income	**-6**	**7**	**0**	**0**	**38**	**0**	**0**	**39**
Net income	**10 197**	**11 476**	**2 295**	**2 547**	**4 031**	**89**	**-1 495**	**29 140**
Net gains from financial assets	-25	0	125	0	0	0	-475	-375
Administrative and other operating expenses, staff costs	-3 983	-2 403	-1 755	-419	-3 218	-363	-1 619	-13 760
Operating profit	**6 189**	**9 073**	**665**	**2 128**	**813**	**-274**	**-3 589**	**15 005**
Impairment losses on loans and advances	-216	-860	0	-490	-8	0	-27	-1 601
Income tax	-560	-792	-1 241	-1 184	-226	0	2 015	-1 988
Net profit from continued operations	**5 413**	**7 421**	**-576**	**454**	**579**	**-274**	**-1 601**	**11 416**
Total assets 31.03.2021	**1 974 165**	**3 497 092**	**28 674**	**66 562**	**169 214**	**9 542**	**-62 826**	**5 682 423**
Total liabilities 31.03.2021	**2 498 474**	**1 466 496**	**2 460**	**54 021**	**1 466 496**	**2 365**	**-63 124**	**5 427 188**

NOTE 3 Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2021. There have been no major changes in the risk management department or in any risk management policies since the year end. The impact of COVID-19 on the Group's operations needs to be reported separately. The crisis mainly affects three risks: personnel risk, liquidity risk and credit risk.

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

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

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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 originaal payment schedules and remaining payment holidays end by end of 2021. Only few customers require special attention. Second wave of pandemia 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

31.03.2022	**Estonia**	**Germany**	**Other EU**	**USA**	**UK**	**Other**	**Total**
Due from banks and investment companies	3 092 284	0	76 010	26 279	53 248	97	**3 247 918**
Financial assets at fair value	397 617	8	78 192	21	2	3	**475 843**
Loans and advances to customers	2 729 483	565	16 645	869	810	4 151	**2 752 523**
Receivables from customers	6 531	0	0	0	0	0	**6 531**
Other financial assets	24	0	0	100	0	0	**124**
Total financial assets	**6 225 939**	**573**	**170 847**	**27 269**	**54 060**	**4 251**	**6 482 939**
Loans received from Central Banks (TRTLO)	196 961	0	0	0	0	0	**196 961**
Deposits of customers and loans received	3 500 910	54 606	1 101 303	94 706	612 538	46 312	**5 410 375**
Loans received and bonds issued	349 519	0	0	0	0	0	**349 519**
Subordinated debt	110 374	0	0	0	0	0	**110 374**
Financial liabilities at fair value	33	0	0	0	0	0	**33**
Accounts payable and other financial liabilities	104 127	0	0	0	0	0	**104 127**
Total financial liabilities	**4 261 924**	**54 606**	**1 101 303**	**94 706**	**612 538**	**46 312**	**6 171 389**

Unused loan commitments in the amount of EUR 605 666 thousand are for the residents of Estonia.

31.12.2021	Estonia	Germany	Other EU	USA	UK	Other	Total
Due from banks and investment companies	3 611 765	0	76 010	29 900	269 593	42	**3 987 310**
Financial assets at fair value	55 949	6	79 709	30	2	159	**135 855**
Loans and advances to customers	2 652 960	781	17 292	903	849	4 375	**2 677 160**
Receivables from customers	9 752	0	0	0	0	0	**9 752**
Other financial assets	117	0	0	2 119	0	0	**2 236**
Total financial assets	**6 330 543**	**787**	**173 011**	**32 952**	**270 444**	**4 576**	**6 812 313**
Loans received from Central Banks (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.

NOTE 5 Breakdown of Assets and Liabilities by Contractual Maturity Dates

31.03.2022	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						
Loans received from Centrral Banks (TLTRO)	0	0	0	197 000	0	**197 000**
Deposits from customers	5 247 365	44 124	116 104	2 810	0	**5 410 403**
Loans received and bonds issued	0	253	887	352 538	0	**353 678**
Subordinated debt	0	1 891	5 738	122 439	0	**130 068**
Accounts payable and other financial liabilities	0	104 127	0	0	0	**104 127**
Unused loan commitments	0	605 666	0	0	0	**605 666**
Financial guarantees by contractual amounts	0	53 334	0	0	0	**53 334**
Foreign exchange derivatives (gross settled)	0	125 581	0	0	0	**125 581**
Financial liabilities at fair value	0	33	0	0	0	**33**
Total liabilities	**5 247 365**	**935 009**	**122 729**	**674 787**	**0**	**6 979 890**
Financial assets by contractual maturity dates						
Due from banks and investment companies	3 247 365	0	0	0	0	**3 247 365**
Financial assets at fair value (debt securities)	0	305	389 946	76 346	487	**467 084**
Loans and advances to customers	0	191 875	407 497	1 776 363	1 021 664	**3 397 399**
Receivables from customers	0	6 531	0	0	0	**6 531**
Foreign exchange derivatives (gross settled)	0	125 578	0	0	0	**125 578**
Other financial assets	124	0	0	0	0	**124**
Total financial assets	**3 247 489**	**324 289**	**797 443**	**1 852 709**	**1 022 151**	**7 244 081**
Maturity gap from financial assets and liabilities	**-1 999 876**	**-610 720**	**674 714**	**1 177 922**	**1 022 151**	**264 191**

31.12.2021	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities by contractual maturity dates						

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

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

NOTE 6 Open Foreign Currency Positions

31.03.2022	**EUR**	**CHF**	**GBP**	**SEK**	**USD**	**Other**	**Total**
Assets bearing currency risk							
Due from banks and investment companies	2 976 505	1 303	242 653	1 928	18 557	6 971	**3 247 918**
Financial assets at fair value	475 699	0	2	1	27	114	**475 843**
Loans and advances to customers	2 744 639	66	371	602	6 542	303	**2 752 523**
Receivables from customers	5 818	1	285	278	173	-23	**6 531**
Other financial assets	124	0	0	0	0	0	**124**
Total assets bearing currency risk	**6 202 785**	**1 370**	**243 310**	**2 809**	**25 299**	**7 365**	**6 482 939**
Liabilities bearing currency risk							
Loans received from Central Banks (TRTLO)	196 961	0	0	0	0	0	**196 961**
Deposits from customers	5 040 937	5 489	218 936	7 778	126 548	10 686	**5 410 375**
Loans received and bonds issued	349 519	0	0	0	0	0	**349 519**
Financial liabilities at fair value	0	0	0	1	27	5	**33**
Accounts payable and other financial liabilities	81 851	62	15 382	436	5 564	833	**104 127**
Subordinated debt	110 374	0	0	0	0	0	**110 374**
Total liabilities bearing currency risk	**5 779 642**	**5 551**	**234 318**	**8 215**	**132 139**	**11 524**	**6 171 389**
Open gross position derivative assets at contractual value	0	4 187	0	5 322	112 305	3 767	**125 581**
Open gross position derivative liabilities at contractual value	125 581	0	0	0	0	0	**125 581**
Open foreign currency position	**297 562**	**6**	**8 992**	**-84**	**5 464**	**-392**	**311 549**

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 bond issued	349 146	0	0	0	0	0	**349 146**
Financial liabilities at fair value	0	0	0	16	123	18	**157**
Accounts payable and other financial liabilities	36 376	218	6 456	217	5 676	319	**49 262**
Subordinated debt	110 378	0	0	0	0	0	**110 378**
Total liabilities bearing currency risk	**6 102 464**	**5 254**	**278 240**	**8 070**	**106 948**	**13 045**	**6 514 021**
Open gross position derivative assets at contractual value	0	3 872	0	6 454	82 496	9 026	**101 848**
Open gross position derivative liabilities at contractual value	101 848	0	0	0	0	0	**101 848**
Open foreign currency position	**296 011**	**3**	**-242**	**81**	**2 920**	**-481**	**298 292**

NOTE 7 Fair Value of Financial Assets and Liabilities

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

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

	Level 1	Level 2	Level 3	31.03.2022	Level 1	Level 2	Level 3	31.12.2021
Financial assets at fair value through profit and loss								
Shares and fund units*	739	7 710	0	**8 449**	727	7 620	0	**8 347**
Bonds at fair value through profit and loss	467 281	0	0	**467 281**	127 504	0	0	**127 504**
Interest rate swaps and foreign exchange forwards	0	113	0	**113**	0	4	0	**4**
Total financial assets	**468 020**	**7 823**	**0**	**475 843**	**128 231**	**7 624**	**0**	**135 855**
Financial liabilities at fair value through profit and loss								
Interest rate swaps and foreign exchange	0	33	0	**33**	0	157	0	**157**
Total financial liabilities	**0**	**33**	**0**	**33**	**0**	**157**	**0**	**157**

*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 710 (31.12.2021: 7 620) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 0.5% of the number of units in each of the mandatory pension fund managed by it.

Hierarchy levels:

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

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

As at 31.03.2022 the fair value of corporate loans and overdraft is EUR 41 483 thousand (2.64%) higher than their carrying amount (31.12.2021: 5 795 thousand, 0.38% higher). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of retail loans does not materially differ from their carrying amount as at 31 March 2022 and 31 December 2021. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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

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

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

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

Subordinated loans in the amount of EUR 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	31.03.2022	%
Individuals	937 617	108 004	8 696	-2 036	1 052 281	38,2%
Agriculture	40 665	4 866	19	-145	45 405	1,6%
Mining and Quarrying	532	1 299	0	-29	1 802	0,1%
Manufacturing	118 813	33 957	221	-881	152 110	5,5%
Energy	34 689	1 077	0	-220	35 546	1,3%
Water and sewerage	25 504	452	0	-254	25 702	0,9%
Construction	91 565	4 606	445	-1 825	94 791	3,4%
Wholesale and retail trade	116 273	25 023	803	-1 447	140 652	5,1%
Transportation and storage	13 421	10 845	96	-676	23 686	0,9%
Accommodation and catering	4 927	25 571	49	-1 730	28 817	1,0%
Information and communication	10 896	821	2	-23	11 696	0,4%
Financial activities	119 362	371	0	-354	119 379	4,3%
Real estate activities	603 523	81 954	2 012	-3 038	684 451	24,9%
Professional, scientific and technical activities	41 996	6 891	302	-205	48 984	1,8%
Administrative and support service activities	109 034	3 859	134	-3 140	109 887	4,0%
Local municipalities	92 776	306	0	0	93 082	3,4%
Education	4 492	259	0	-88	4 663	0,2%
Health care	8 678	3 236	0	-92	11 822	0,4%
Arts and entertainment	28 458	24 889	52	-2 995	50 404	1,8%
Other service activities	16 189	1 205	35	-66	17 363	0,6%
Total	**2 419 410**	**339 491**	**12 866**	**-19 244**		
Provision	-9 036	-8 148	-2 060			
Total loan portfolio	**2 410 374**	**331 343**	**10 806**		**2 752 523**	**100%**

	Stage 1	Stage 2	Stage 3	Provision	31.12.2021	%
Individuals	886 127	114 863	11 328	-2 392	1 009 926	37.7%
Agriculture	63 843	4 809	21	-214	68 459	3.1%
Mining and Quarrying	923	1 114	0	-18	2 019	0.1%
Manufacturing	125 985	26 328	255	-930	151 638	6.9%
Energy	57 403	1 729	0	-627	58 505	2.6%
Water and sewerage	23 172	573	0	-240	23 505	1.1%
Construction	80 323	3 990	477	-1 778	83 012	3.8%
Wholesale and retail trade	126 082	5 186	848	-486	131 630	6.0%
Transportation and storage	25 730	3 057	101	-136	28 752	1.3%
Accommodation and catering	5 526	25 036	159	-2 041	28 680	1.3%
Information and communication	10 600	294	8	-24	10 878	0.5%
Financial activities	85 481	327	0	-303	85 505	3.9%
Real estate activities	569 902	85 688	1 995	-3 260	654 325	29.6%
Professional, scientific and technical activities	39 062	5 344	482	-219	44 669	2.0%
Administrative and support service activities	113 860	3 698	155	-3 268	114 445	5.2%
Local municipalities	97 307	315	0	0	97 622	4.4%
Education	4 035	275	31	-14	4 327	0.2%
Health care	9 766	3 441	3	-71	13 139	0.6%
Arts and entertainment	24 155	27 576	64	-2 963	48 832	2.2%
Other service activities	16 463	856	38	-65	17 292	0.8%
Total	**2 365 745**	**314 499**	**15 965**	**-19 049**		
Provision	-9 472	-7 444	-2 133			
Total loan portfolio	**2 356 273**	**307 055**	**13 832**		**2 677 160**	**100%**

NOTE 9 Net Interest Income

Interest income	**Q1 2022**	**3M 2022**	**Q1 2021**	**3M 2021**
From balances with credit institutions and investment	263	263	87	87
From central bank	500	500	250	250
From debt securities	-99	-99	-116	-116
Leasing	1 440	1 440	1 446	1 446
Leverage loans and lending of securities	435	435	355	355
Consumer loans	2 058	2 058	2 046	2 046
Hire purchase	808	808	911	911
Corporate loans	17 328	17 328	14 069	14 069
Credit card loans	195	195	235	235
Mortgage loans	5 531	5 531	4 787	4 787
Private loans	554	554	554	554
Other loans	3 837	3 837	2 412	2 412
Total	**32 850**	**32 850**	**27 036**	**27 036**
Interest expense				
Deposits of customers and loans received	-1 162	-1 162	-1 571	-1 571
Balances with the central bank	-3 786	-3 786	-2 913	-2 913
Subordinated liabilities	-2 115	-2 115	-2 181	-2 181
including loans between related parties	-81	-81	-80	-80
Total	**-7 063**	**-7 063**	**-6 665**	**-6 665**
Net interest income	**25 787**	**25 787**	**20 371**	**20 371**

Interest income on loans by customer location (interest on bank balances and bonds excluded):	Q1 2022	3M 2022	Q1 2021	3M 2021
Estonia	32 186	32 186	26 815	26 815
Total	**32 186**	**32 186**	**26 815**	**26 815**

NOTE 10 Net Fee and Commission Income

Fee and commission income	Q1 2022	3M 2022	Q1 2021	3M 2021
Security brokerage and commissions paid	1 422	1 422	1 612	1 612
Asset management and similar fees	3 276	3 276	3 320	3 320
Currency exchange fees conversion revenues	2 304	2 304	1 892	1 892
Fees from cards and payments	6 644	6 644	4 918	4 918
Fees from insurance services	-125	-125	0	0
Other fee and commission income	1 294	1 294	1 347	1 347
Total	**14 815**	**14 815**	**13 089**	**13 089**
Fee and commission expense				
Security brokerage and commissions paid	-639	-639	-486	-486
Expenses related to cards	-1 712	-1 712	-1 587	-1 587
Expenses related to acquiring	-1 643	-1 643	-1 626	-1 626
Other fee and commission expense	-474	-474	-660	-660
Total	**-4 468**	**-4 468**	**-4 359**	**-4 359**
Net fee and commission income	**10 347**	**10 347**	**8 730**	**8 730**

Fee and commission income by customer location:	Q1 2022	3M 2022	Q1 2021	3M 2021
Estonia	12 972	12 972	11 219	11 216
Great Britain	1 843	1 843	1 873	1 873
Total	**14 815**	**14 815**	**13 089**	**13 089**

NOTE 11 Operating Expenses

	Q1 2022	3M 2022	Q1 2021	3M 2021
Wages, salaries and bonuses	7 805	7 805	5 586	5 586
Social security and other taxes*	2 443	2 443	1 667	1 667
Total personnel expenses	**10 248**	**10 248**	**7 253**	**7 253**
IT expenses	1 664	1 664	1 020	1 020
Information services and bank services	299	299	352	352
Marketing expenses	962	962	532	532
Office expenses	416	416	191	191
Transportation and communication expenses	132	132	60	60
Staff training and business trip expenses	255	255	35	35
Other outsourced services	2 195	2 195	1 212	1 212
Other administrative expenses	1 103	1 103	1 779	1 779
Depreciation of non-current assets	1 338	1 338	958	958
Operational lease payments	108	108	272	272
Other operating expenses	146	146	96	96
Total other operating expenses	**8 618**	**8 618**	**6 507**	**6 507**
Total operating expenses	**18 866**	**18 866**	**13 760**	**13 760**

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

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

	31.03.2022	31.12.2021
Demand and term deposits with maturity less than 3 months*	86 708	113 026
Statutory reserve capital with the central bank	53 722	57 298
Demand deposit from central bank*	3 107 488	3 816 986
Total	**3 247 918**	**3 987 310**
*Cash and cash equivalents in the Statement of Cash Flows	3 194 196	3 930 012

The breakdown of receivables by countries has been presented in Note 4. Demand deposits include receivables from investment companies in the total amount of EUR 8 508 thousand (31 December 2021: EUR 6 188 thousand). All other demand and term deposits are held with credit institutions and the central bank.

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

NOTE 13 Deposits of Customers and Loans Received

Deposits/loans by type	Individuals	Financial intermediates	Legal entities	Public sector	31.03.2022
Demand deposits	1 060 275	2 063 121	1 963 912	160 717	5 248 025
Term deposits	36 186	15 567	88 638	22 587	162 978
Accrued interest liability	295	-915	-9	1	-628
Total	**1 096 756**	**2 077 773**	**2 052 541**	**183 305**	**5 410 375**

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

Loans received 31.03.2022	TRTLO	Covered bonds	Preferred senior bond	Total loans received and dept securities in issue
Loans received	200 000	249 053	100 000	349 053
Accrued interest liability	-3 039	202	264	466
Total	**196 961**	**249 255**	**100 264**	**349 519**

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

In June 2020, LHV Pank made a successful debut issue of EUR 250 million in covered bonds to international investors. 31 institutional investors participated in the 5-year issue and the interest rate was 0.12%. The issue by LHV Pank was the first debut issue since the beginning of the COVID-19 crisis. The issue received an Aa1 rating from Moodys and was listed on the Dublin Stock Exchange.

In September, 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.

The nominal interest rate of the deposits of customers and loans granted equals to their effective interest rate, as no other significant fees have been implemented.

NOTE 14 Accounts payable and other liabilities

Financial liabilities	**31.03.2022**	**31.12.2021**
Trade payables and payables to merchants	2 348	2 779
Other short-term financial liabilities	6 547	6 904
Lease liabilities	2 986	3 350
Payments in transit	81 243	27 202
Financial guarantee contracts issued	1 593	1 101
Liabilities from insurance services	9 410	7 926
Subtotal	**104 127**	**49 262**
Not financial liabilities		
Performance guarantee contracts issued	619	543
Tax liabilities	4 446	2 207
Payables to employees	3 245	2 545
Other short-term liabilities	775	816
Subtotal	**9 085**	**6 111**
Total	**113 212**	**55 373**

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

NOTE 15 Contingent Liabilities

Irrevocable transactions	**Performance guarantees**	**Financial guarantees**	**Letter of credit**	**Unused loan commitments**	**Total**
Liability in the contractual amount as at 31 March 2022	21 814	53 334	5 620	605 666	**686 434**
Liability in the contractual amount as at 31 December 2021	19 919	49 409	1 438	679 579	**750 345**

NOTE 16 Basic Earnings and Diluted Earnings Per Share

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

	Q1 2022	**3M 2022**	**Q1 2021**	**3M 2021**
Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)	11 880	11 880	11 043	11 043
Weighted average number of shares (in thousands of units)	29 492	29 492	28 819	28 819
Basic earnings per share (EUR)	0.40	0.40	0,38	0,38
Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units)	30 174	30 174	29 556	29 556
Diluted earnings per share (EUR)	0.39	0.39	0.37	0.37

NOTE 17 Capital Management

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

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

The amount of capital that the Group managed as of 31.03.2022 was 384 443 thousand euros (31.12.2021: 385 357 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.

The Group follows the general principles in its capital management:

- The Group must be adequately capitalized at all times, ensuring the necessary capital to ensure economic preservation in all situations;
- The main focus of the capital management is on tier 1 own funds, because only tier 1 own funds can absorb losses. All other capital layers in use are dependent of tier 1 own funds volume;
- Capital of the Group can be divided in two: 1) regulative minimum capital and 2) capital buffer held by the Group. In order to reach its long-term economic goals the Group must on one hand strive towards proportional lowering of the regulative minimumcapital (through minimizing risks and high transparency). On the other hand, the Group must strive towards sufficient and conservative capital reserve, which will ensure economic preservation even in the event of severe negative risk scenario;
- The risk appetite set by the Group is an important input to capital management planning and capital goal setting. Higher risk appetite requires marinating higher capital buffer.

Capital base	**31.03.2022**	**31.12.2021**
Paid-in share capital	29 864	29 864
Share premium	97 361	97 361
Reserves	4 713	4 713
Other reserves	28	47
Accumulated loss	179 723	179 746
Intangible assets (subtracted)	-14 650	-14 473
Profit for the reporting period (COREP)	0	28 868
Other adjustments	-468	-128
CET1 capital elements or deductions	-12 878	-12 209
CET1 instruments of financial sector entities where the institution has a significant investment	-4 014	-4 328
CET1 instruments of financial sector entities where the institution has not a significant investment	-5 236	-5 236
Total Core Tier 1 capital	**274 443**	**275 357**
Additional Tier 1 capital	35 000	35 000
Total Tier 1 capital	**309 443**	**310 357**
Subordinated liabilities	75 000	75 000
Total Tier 2 capital	**75 000**	**75 000**
Total net own funds	**384 443**	**385 357**

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

NOTE 18 Transactions with related parties

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

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

Transactions	Q1 2022	3M 2022	Q1 2021	3M 2021
Interest income	**31**	**31**	**24**	**24**
incl. management	13	13	13	13
incl. shareholders that have significant influence	18	18	11	11
Fee and commission income	**3**	**3**	**4**	**4**
Incl. management	2	2	1	1
incl. shareholders that have significant influence	1	1	3	3
Interest expenses from deposits	**4**	**4**	**5**	**5**
incl. management	1	1	1	1
incl. shareholders that have significant influence	3	3	4	4
Interest expenses from subordinated loans	**81**	**81**	**80**	**80**
incl. management	3	3	3	3
incl. shareholders that have significant influence	78	78	77	77

Balances	31.03.2022	31.12.2021
Loans and receivables as at the year-end	**4 981**	**6 047**
incl. management	3 040	2 857
incl. shareholders that have significant influence	1 942	3 190
Deposits as at the year-end	**30 956**	**30 639**
incl. management	925	788
incl. shareholders that have significant influence	30 031	29 851
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 Q1, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 570 thousand (Q1 2021: EUR 434 thousand), including all taxes. As at 31.03.2022, remuneration for March and accrued holiday pay in the amount of EUR 142 thousand (31.12.2021: EUR 107 thousand) is reported as a payable to management. The Group did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 31.03.2022 and 31.12.2021 (pension liabilities, termination benefits, etc.). In Q1 2022, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 32 thousand (Q1 2021: EUR 30 thousand).

Management is related to the share-based compensation plan. In Q1 2022 the share-based compensation to management amounted to EUR 397 thousand (Q1 2021: EUR 244 thousand).

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

NOTE 19 Tangible and intangible assets

(in thousands of euros)	**Tangible assets**	**Right of use assets**	**Total tangible assets**	**Intangible assets**	**Costs incurred for the acquisition of customer contracts**	**Total intangible assets**
Balance as at 31.12.2020						
Cost	6 763	5 446	12 209	9 457	15 964	25 421
Accumulated depreciation and amortisation	-3 983	-1 641	-5 624	-5 579	-4 695	-10 274
Carrying amount 31.12.2020	**2 780**	**3 805**	**6 585**	**3 878**	**11 269**	**15 147**
Purchase of non-current assets	2 515	1 077	3 592	2 496	0	2 496
Depreciation/amortisation charge	-863	-773	-1 636	-2 610	-3 958	-6 568
Recalculation of the accumulated	0	-67	-67	0	0	0
Write-off of on-current assets	0	0	0	-807	0	-807
Capitalised selling costs	0	0	0	0	750	750
Balance as at 31.12.2021						
Cost	9 278	6 523	15 801	11 146	16 714	27 860
Accumulated depreciation and amortisation	-4 846	-2 481	-7 327	-7 382	-8 653	-16 035
Carrying amount 31.12.2021	**4 432**	**4 042**	**8 474**	**3 764**	**8 061**	**11 825**
Purchase of non-current assets	1 277	0	1 277	913	0	913
Depreciation/amortisation charge	-283	-252	-535	-400	-404	-804
Recalculation of the accumulated amortisation	0	0	0	0	0	0
Write-off of on-current assets	0	0	0	-1	0	-1
Capitalised selling costs	0	0	0	0	209	209
Balance as at 31.03.2022						
Cost	10 555	6 523	17 078	12 058	16 923	28 981
Accumulated depreciation and amortisation	-5 129	-2 733	-7 862	-7 782	-9 057	-16 839
Carrying amount 31.03.2022	**5 426**	**3 790**	**9 216**	**4 276**	**7 866**	**12 142**

NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)

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

Subordinated debt as at 31.03.2021	110 000
Subordinated debt as at 30.06.2021	110 000
Subordinated debt as at 30.09.2021	110 000
Subordinated debt as at 31.12.2021	110 000
Subordinated debt as at 31.03.2022	110 000

NOTE 21 Changes in impairments

Changes in impairments	**Balance as at 01.01**	**Impairment provisions/reversals set up during the year**	**Written off during the reporting perion**	**Balance as at 31.03**
Corporate loans	-15 288	2 307	-2 251	-15 232
Consumer loans	-1 320	1 318	-1 038	-1 040
Investment financing	-130	130	-132	-132
Leasing	-1 250	1 228	-1 833	-1 855
Private loans	-1 061	260	-184	-985
Total 2022	**-19 049**	**5 243**	**-5 438**	**-19 244**

Changes in impairments	**Balance as at 01.01**	**Impairment provisions/reversals set up during the year**	**Written off during the reporting perion**	**Balance as at 31.12**
Corporate loans	-13 449	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**

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 March 2022, AS LHV Group has 24 018 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 March 2022:

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 March 2022 period the condensed consolidated interim financial statements of AS LHV Group for the 3-months period ended 31 March 2022.

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

19.04.2022

Madis Toomsalu