

# Interim Report January – June 2023

## Summary of Results

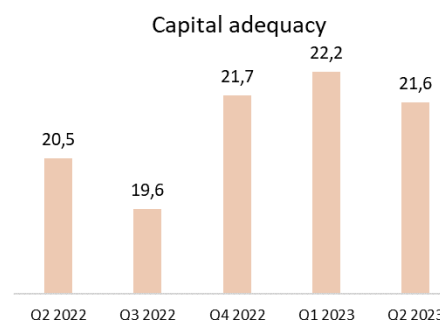
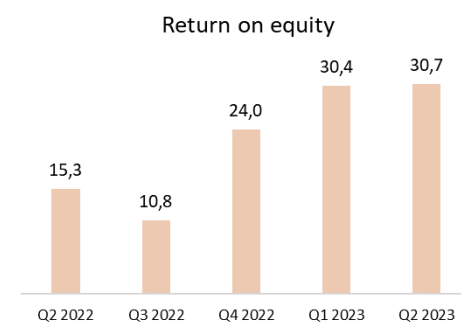
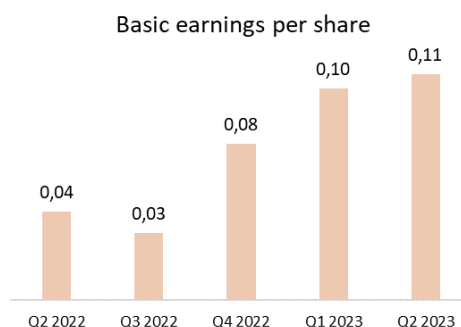
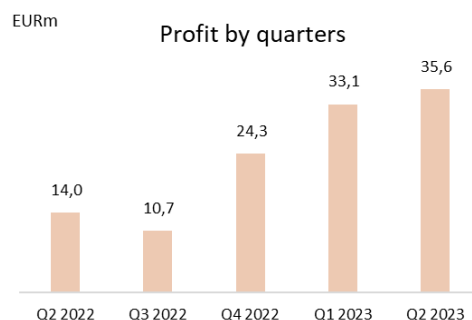
### Q2 2023 in comparison with Q1 2023

- Net profit EUR 35.6 m (EUR 33.1 m), of which EUR 35.4 m (EUR 32.7 m) is attributable to owners of the parent
- Earnings per share EUR 0.11 (EUR 0.1)
- Net income EUR 74.9 m (EUR 68.4 m)
- Operating expenses EUR 33.0 m (EUR 30.6 m)
- Loan and bond provisions EUR 0.8 m (EUR -1.6 m)
- Income tax expenses EUR 5.4 m (EUR 6.3 m)
- Return on equity 30.7% (30.4%)
- Capital adequacy 21.6% (22.2%)

### Q2 2023 in comparison with Q2 2022

- Net profit EUR 35.6 m (EUR 14.0 m), of which EUR 35.4 m (EUR 13.5 m) is attributable to owners of the parent
- Earnings per share EUR 0.11 (EUR 0.04)
- Net income EUR 74.9 m (EUR 37.8 m)
- Operating expenses EUR 33.0 m (EUR 21.1 m)
- Loan and bond provisions EUR 0.8 m (EUR -0.3 m)
- Income tax expenses EUR 5.4 m (EUR 3.2 m)
- Return on equity 30.7% (15.3%)
- Capital adequacy 21.6% (20.5%)

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



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## Summary of financial results

The Group's consolidated net profit in Q2 2023 was EUR 35.6 million, having grown by EUR 2.6 million compared to Q1 2023 and by EUR 21.6 million compared to Q2 2022. The profit for the Group's shareholders was EUR 35.4 million in Q2 2023, which was EUR 2.7 million more than in Q1 2023.

The Group's consolidated net income in Q2 2023 amounted to EUR 74.9 million, having grown by EUR 6.5 million compared to Q1 2023 and by EUR 37 million compared to Q2 2022.

The Group's net interest income grew by 14% in Q2 2023 compared to Q1 2023, amounting to EUR 62.9 million (EUR 55.1 million in Q1 2023).

Net service fee income grew by 4%, amounting to EUR 12.3 million (EUR 11.9 million in Q1 2023). In total, the Group's net revenue grew by 10% in Q2 compared to Q1, amounting to EUR 74.9 million (EUR 68.4 million in Q1 2023).

Operating expenses amounted to EUR 33 million in Q2, having grown by EUR 2.4 million compared to Q1 2023 and by EUR 12 million compared to Q2 2022.

The Group's Q2 operating profit was EUR 41.9 million (EUR 37.8 million in Q1 2023). Write-downs were increased by EUR 0.8 million in Q2 (a decrease of EUR 1.6 million in Q1 2023).

Income tax expense on future disbursements of dividends by subsidiaries at the consolidated level was EUR 0.2 million in Q2.

The Group's Q2 net profit was EUR 35.6 million (EUR 33.1 million in Q1 2023). Compared to Q2 2022, the Group's net interest income grew by 131% and the net service fee income grew by 12%.

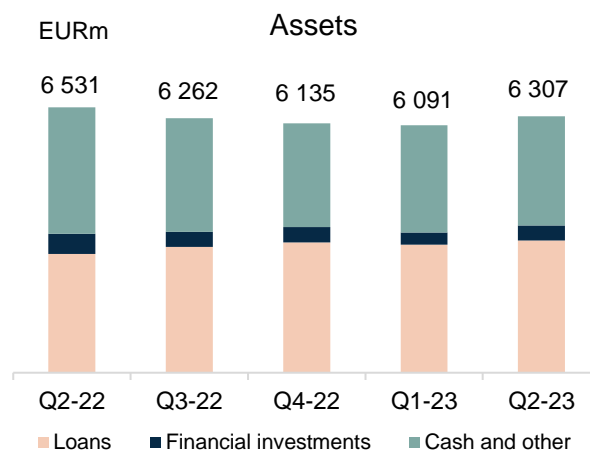
The return on equity owned by LHV's shareholders was 30.7% in Q2 2023, which was 0.3 percentage points higher than in Q1 2023 (30.4%) and 15.4 percentage points lower than in Q2 2022 (15.3%).

The volume of the Group's loans grew to EUR 3 253 million by the end of Q2 (EUR 3 149 million in Q1 2023), having grown by

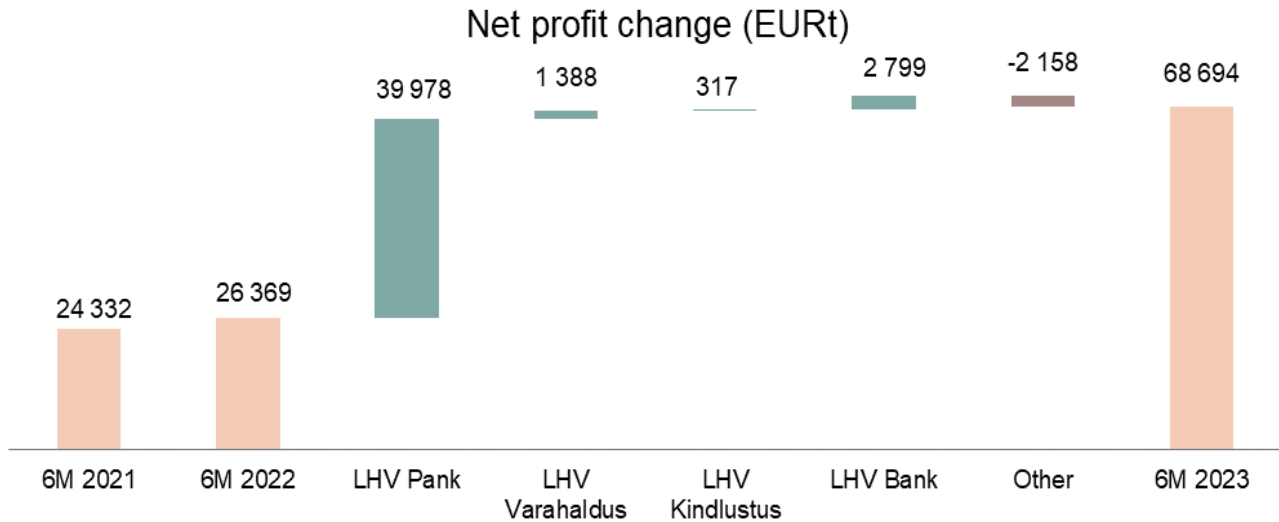
3% in a quarter which equals to EUR 104 million (EUR 59 million in Q1 2023). Compared to Q2 2022, the Group's volume of loans has grown 11%.

The volume of the Group's deposits was EUR 5 062 million at the end of Q2 (EUR 4 867 million in Q1 2023), i.e. an increase of 195 million euros (a decrease of EUR 34 million in the first quarter of 2023). At the same time, the increase came from regular deposits and deposits taken from deposit platforms, because deposits related to payment intermediaries decreased by EUR 174 million (a decrease of EUR 98 million in the first quarter of 2023).

Of the deposits, EUR 4,008 million (EUR 4,341 million in Q1 2023) were call deposits, EUR 777 million (EUR 526 million in Q1) term deposits and EUR 278 million (EUR 0.5 million in Q1) platform deposits.



By business units, AS LHV Pank's consolidated net profit amounted to EUR 34.4 million in Q2 and that of AS LHV Varahaldus amounted to EUR 0.4 million. AS LHV Kindlustus earned a net profit of EUR 0.03 million. The net profit of LHV Bank Ltd. was EUR 1.6 million. The net profit of EveryPay was less than EUR 0.01 million. Viewed separately, LHV Group made a net loss of EUR 0.7 million.



The Bank's net profit at the consolidated level amounted to EUR 34.4 million in Q2 2023, which was EUR 2.9 million less than in the previous quarter (EUR 37.3 million in Q1 2023) and EUR 17.5 million more than in Q2 2022. The number of the Bank's customers grew by 9 700 in a quarter (13 100 in Q1 2023), amounting to a total of 401 000.

The Bank's loan portfolio grew by EUR 149 million in Q2 (a decrease of EUR 60 million in Q1 2023), reaching EUR 3,276 million. Loans that grew the most included loans to Group companies, corporate investment loans, housing loans and factoring.

The deposits of the Bank's customers increased by EUR 213 million in Q2 – the balance of the deposits of payment intermediaries decreased by EUR 174 million, while the platform deposits grew by EUR 277 million and deposits of the ordinary customers grew by EUR 110 million. The total volume of deposits was EUR 5 133 million at the end of Q2.

The net profit of LHV Varahaldus was EUR 0.4 million in Q2 2023 (EUR 0.1 million in Q1 2023). The service fee income of LHV Varahaldus amounted to EUR 2.2 million (EUR 2.1 million in Q1 2023). The operating expenses of LHV Varahaldus amounted to EUR 1.5 million in Q2 2023 (EUR 1.3 million in Q1 2023). Expenses related to non-current assets (including depreciation on customer agreements) were EUR 0.3 million in Q2 2023 (EUR 0.4 million in Q1 2023).

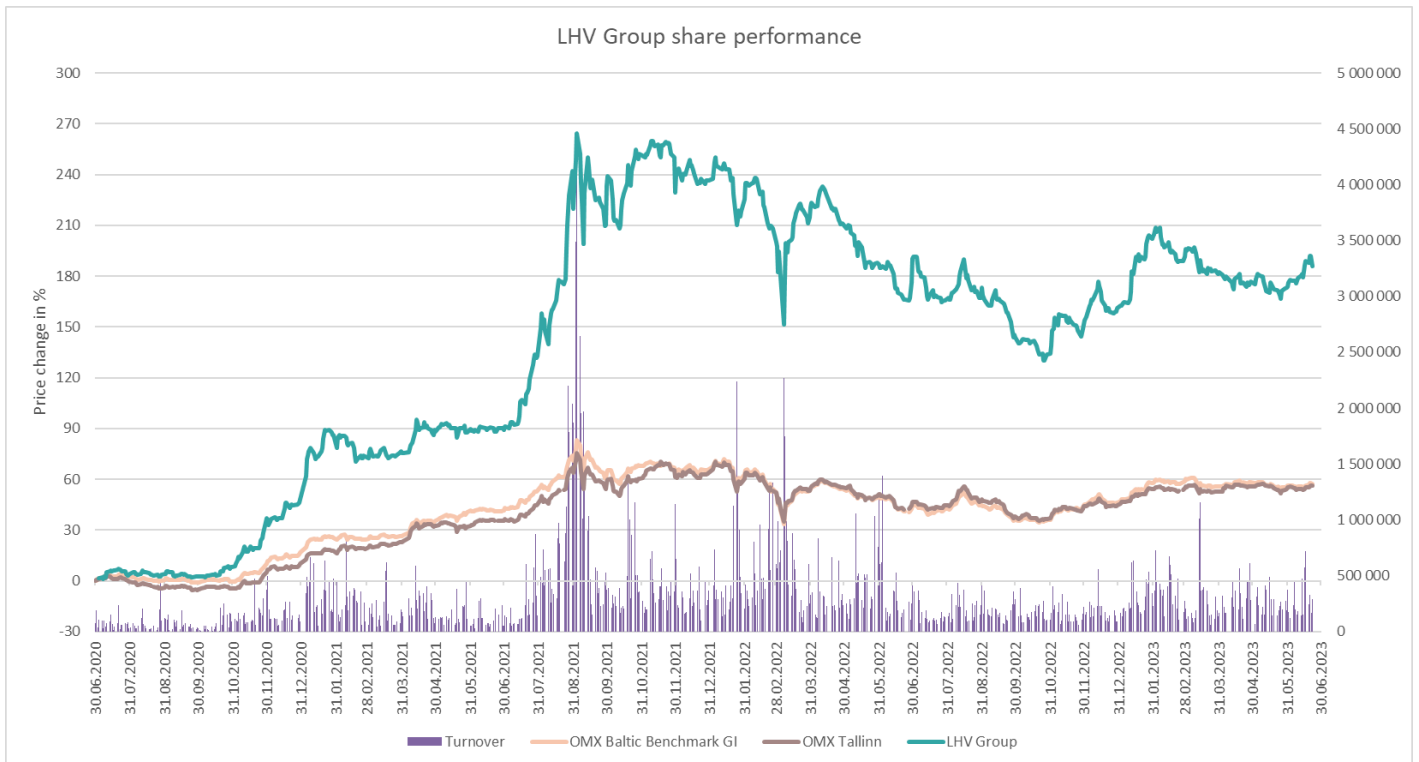
The total volume of funds managed by LHV increased by EUR 14 million in a quarter (an increase of EUR 119 million in Q1 2023).

The number of active 2nd pillar customers decreased by 1 900 in a quarter (a decrease of 900 in Q1 2023).

The net profit of LHV Kindlustus was EUR 0.03 million in Q2 2023 (a loss of EUR 0.5 million in Q1 2023). The volume of gross premiums increased by EUR 0.3 million in the quarter, reaching EUR 8.0 million. Income from insurance activities at LHV Kindlustus increased by EUR 0.7 million in the quarter, to EUR 1.3 million.

As at the end of Q2 2023, the net loan portfolio of LHV Bank amounted to EUR 31.2 million. The net profit of LHV Bank was EUR 1.6 million in Q2 2023 (a loss of EUR 2.5 million in Q1 2023). The net income of LHV Bank was EUR 9.6 million in Q2 2023 (EUR 3.5 million in Q1 2023).

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 benchmark index. LHV Group share has outperformed both indexes and has raised 181%, when comparison indexes have increased by 55% and 56% respectively. Group share price was 3.605 euros in the end of Q2 and based on the stock price, LHV's market value was EUR 1 153 million. When monitoring the share price, it should be taken into account that a 1/10 share split was carried out in the middle of 2022.

**Business volumes**

| EUR million                               | Quarter |         |              | Year    |           |
|---|---------|---------|--------------|---------|-----------|
|   | Q2 2023 | Q1 2023 | over quarter | Q2 2022 | over year |
| Loan portfolio                            | 3 253.5 | 3 149.2 | 3%           | 2 924.5 | 11%       |
| Financial investments                     | 370.3   | 297.0   | 24%          | 498.8   | -26%      |
| Deposits of customers                     | 5 062.4 | 4 866.9 | 4%           | 5 366.6 | -6%       |
| incl. deposits of financial intermediates | 1 265.8 | 1 435.6 | -12%         | 1 755.5 | -36%      |
| Equity (including minority interest)      | 481.8   | 453.9   | 6%           | 384.8   | 25%       |
| Equity (owners' share)                    | 474.5   | 446.9   | 6%           | 377.6   | 26%       |
| Volume of funds managed                   | 1 464.8 | 1 451.0 | 1%           | 1 258.7 | 16%       |
| Client securities                         | 3 513.8 | 3 459.6 | 2%           | 3 294.0 | 7%        |

| <b>Income statement</b>                        |                |                | <b>Quarter</b>      | <b>Q2</b>    | <b>Year</b>      |                |                | <b>Year</b>      |
|--|----------------|----------------|---------------------|--------------|------------------|----------------|----------------|------------------|
| EUR million                                    | <b>Q2 2023</b> | <b>Q1 2023</b> | <b>over quarter</b> | <b>2022</b>  | <b>over year</b> | <b>6M 2023</b> | <b>6M 2022</b> | <b>over year</b> |
| Net interest income                            | 62.90          | 55.11          | 14%                 | 27.18        | 131%             | 118.01         | 52.97          | 123%             |
| Net fee and commission income                  | 12.35          | 11.88          | 4%                  | 11.00        | 12%              | 24.23          | 21.35          | 13%              |
| Other financial income                         | -0.55          | 1.39           | NA                  | -0.34        | 62%              | 0.84           | -1.65          | NA               |
| Total net operating income                     | 74.70          | 68.38          | 9%                  | 37.84        | 97%              | 143.08         | 72.67          | 97%              |
| Other income                                   | 0.20           | 0.01           | 1 900%              | 0.06         | 233%             | 0.21           | 0.02           | 950%             |
| Operating expenses                             | -33.05         | -30.63         | 8%                  | -21.08       | 57%              | -63.68         | -39.95         | 59%              |
| Loan and bond portfolio gains/(-losses)        | -0.81          | 1.58           | NA                  | 0.34         | NA               | 0.77           | -0.40          | NA               |
| Income tax expenses                            | -5.42          | -6.28          | -14%                | -3.18        | 70%              | -11.70         | -5.98          | 96%              |
| <b>Net profit</b>                              | <b>35.62</b>   | <b>33.06</b>   | <b>8%</b>           | <b>13.98</b> | <b>155%</b>      | <b>68.68</b>   | <b>26.36</b>   | <b>161%</b>      |
| Including attributable to owners of the parent | 35.35          | 32.65          | 8%                  | 13.54        | 161%             | 68.00          | 25.42          | 168%             |

| <b>Ratios</b>   |                |                | <b>Quarter</b>      | <b>Q2</b>   | <b>Year</b>      |                |                | <b>Year</b>      |
|---|----------------|----------------|---------------------|-------------|------------------|----------------|----------------|------------------|
| EUR million   | <b>Q2 2023</b> | <b>Q1 2023</b> | <b>over quarter</b> | <b>2022</b> | <b>over year</b> | <b>6M 2023</b> | <b>6M 2022</b> | <b>over year</b> |
| Average equity (attributable to owners of the parent) | 460.7          | 429.9          | 30.8                | 353.4       | 107.3            | 443.7          | 347.0          | 96.7             |
| Return on equity (ROE), %                             | 30.7           | 30.4           | 0.3                 | 15.3        | 15.4             | 30.7           | 14.7           | 16.0             |
| Return on assets (ROA), %                             | 2.3            | 2.2            | 0.1                 | 0.9         | 1.4              | 2.2            | 0.8            | 1.4              |
| Interest-bearing assets, average                      | 6 123.6        | 6 044.9        | 78.7                | 6 480.0     | -356.4           | 6 147.7        | 6 642.0        | -494.3           |
| Net interest margin (NIM) %                           | 4.11           | 3.65           | 0.46                | 1.68        | 2.43             | 3.84           | 1.60           | 2.24             |
| Price spread (SPREAD) %                               | 4.01           | 3.59           | 0.42                | 1.65        | 2.36             | 3.77           | 1.57           | 2.20             |
| Cost/income ratio %                                   | 44.1           | 44.8           | -0.7                | 54.2        | -10.1            | 44.4           | 55.0           | -10.6            |
| Profit attributable to owners before income tax       | 40.7           | 39.1           | 1.6                 | 16.6        | 24.1             | 79.8           | 31.2           | 48.6             |

#### 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

By the beginning of Q2, energy prices had dropped compared to the 2022 peak prices so much that the crude oil price 80 USD per barrel was, considering inflation, practically at the same level as the pandemic-era price of 60-80 USD. Thanks to market stabilization, the price of gas as well – which was still about double that of the pandemic-era average, had dropped severalfold from its peak in 2022. Nevertheless, in its spring 2023 forecast the IMF felt obliged to curb its expectations for world economic growth from 3.4% to 2.8%, and also limited its forecast for 2024 to no more than 3%.

A significant factor for the downward revision was the slowing of growth in the more economically developed world from 2.7% in 2022 to 1.3% in 2023.

The influence of geopolitical risks is exerting downward pressure, and because of that world economic growth may fall short of 2.5% if expected financing conditions are less favourable than expected. Growth in the more economically developed countries will remain around 1% and development in Europe will be more modest than in the US.

Although inflation levels around the world are falling, it is not considered likely that they will drop to the desired level before 2025. For 2023, inflation is expected to drop only slightly, from 8.7% in 2022 to 7%. Moreover, that drop will not be caused so much because of lower core inflation but due to stabilization of prices of raw materials.

It has become harder to drive inflation down because the current reasons for rising prices include a number of supply-side elements which are unaffected by interest rate hikes or whose influence may even be compounded by rising interest rates. It should also be factored in that unemployment has not started palpably increasing in the advanced countries and there is still pressure to raise wages.

Since July 2022, the European Central Bank has announced eight interest rate hikes, the last time by 25 basis points on 21 June 2023 and the refinancing rate has increased over that time from 0 to 4% , which may be the highest point that some participants in the economy can afford.

But in spite of everything, the IMF believes the most important task of central banks and monetary policy will be to return inflation to a normal level, and thus governments should have plans in place to help those in most difficulty due to further increase in interest rates.

The situation is complicated by the fact that the debt level will remain very high worldwide and that makes it harder to respond to new challenges.

The downside risks to the world economy appear to be increased ever more by the fact that the re-opening of the Chinese economy has led to slower and more uncertain growth, which will also continue to be shackled by the unresolved conflicts between the US and China.

Stock prices in the US and Europe have generally been rising in the first half of the year but have yet to return to the level of autumn 2021. The S&P 500 has risen from 3 783 at the beginning of the year to 4 398 on 7 July; Nasdaq from 10 644 to 13 660, DAX from 14 069 to 15 503, FTSE is slightly down from 7 554 to 7 274, but unfortunately the intensive use of state relief measures makes it hard to assess what is actually behind the overwhelming rise. The effects of the government assistance programmes and their different volume and procedures for use are probably also reflected in the fact that US stock markets had not had a downturn yet as of early July.

In the current fraught macroeconomic situation, Estonia's economy is not doing the best in the European Union. Our economy has shrunk for four consecutive quarters measured both year-over-year and quarter-over-quarter. Nothing like this has happened in any other EU member state. The 3.7% contraction in Q1 of this year was the biggest in the EU (Eurostat data). That was natural because it is not realistic to achieve the kind of nominal growth that would offset Estonia's inflation over the last two years, which has been the highest in Europe over that period.

Unfortunately the cumulative 30% price increase over the last two years means that prices in Estonia have nearly converged with the EU average (95% of the latter) and Estonia has become a significantly more expensive country than our competitors Poland (62%), Lithuania (78% and Latvia (83%) and we have to compete on the shrinking or stagnant European market where our workforce unit cost has grown 18.8% over a year and investments are down 3.4%.

We see an analogy on the real estate market, where purchase and rental prices for buildings in 2022 were 200% and 212% higher than they were in 2010, at the same time that the respective figures in Lithuania are 146% and 165%.

Since the issuing of building permits in 2022 (based on area of the footprint) in Estonia decreased by 20% in Estonia and 18% in a key market for us, Sweden, we can presume that the price level of new construction in the near future will remain relatively stable in spite of diminished purchasing power.

It is now clear that much feared residential real estate crash did not happen. Markets reached bottom around the start of the year and a small price rise continued in Q2. In spite of the significantly

higher interest rates, the volume of home loans in arrears is still at a record low level. We forecast similar trends to continue in the second half-year.

The commercial real estate sector has not fared as well. Besides the significantly higher capital expense, many office building owners have to contend with rising vacancy, since many people prefer to continue to work from home due to the habits instilled during the pandemic.

The commercial real estate market is characterized by dormancy and buyers are waiting to see what the new normal in market yield will be. The moment of truth for commercial real estate will probably dawn in the next year or two when it becomes clear whether and on what conditions investors will be able to refinance their so far relatively affordable loans.

Based on the above, it was completely inevitable that the actual individual consumption of the Estonian population – 79% – dropped from around the EU average to among countries with the lowest individual consumption, significantly behind Lithuania (95%), Romania (88%), Poland (86%) and even one percentage point behind Latvia.

The challenge is that a growth in internal demand cannot be counted on and we have become palpably more expensive in competition between countries.

The greater than average economic problems faced by Estonia are also shown by the fact that while the employment rate grew in

Europe in Q1, Estonia was among the five countries where employment dropped – true, only marginally. Unfortunately, on the basis of data showing monthly setbacks for industrial output and export, there is reason to expect that there will be perceptible consolidation in the second half-year in a number of our processing industry sectors.

The above supports the positions of Eesti Pank and the Ministry of Finance that the economic contraction this year will be between 0.6% and 1.5%.

Insofar as the EU as a whole has not been able to return its economy to a growth trajectory despite the support measures adopted, and in the quarterly rankings, the EU's GDP quarter-over-quarter has experienced a 0.1% drop for two consecutive quarters, there is no basis for us to hope that external demand will grow.

Another reason for pessimism is that some of the countries that had thus far managed to keep inflation under control and manage economic growth and total employment are no longer able to do so.



## The Group's Liquidity, Capitalisation and Asset Quality

As at 30 June 2023, the Group's own funds stood at EUR 502.4 million (31 December 2022: EUR 495.0 million). LHV Group own funds are calculated based on regulative requirements.

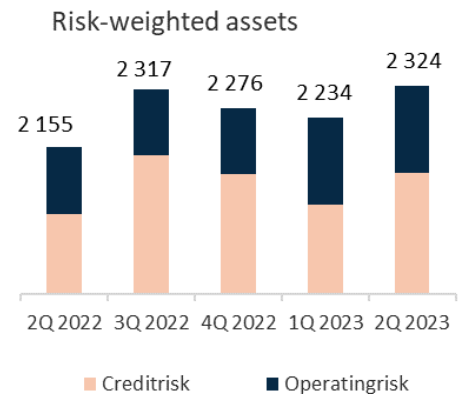
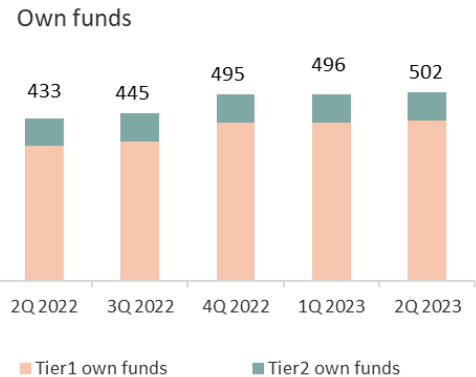
Compared to Group's internal capital adequacy ratio target 19.2%, the Group is capitalised good enough as at the end of the reporting period, with the capital adequacy ratio is amounting to 21.6% (31 December 2022: 21.7%). In addition to total capital adequacy targets the Group has also set internal targets for the core Tier 1 capital adequacy ratio to 14.20% and Tier 1 capital adequacy ratio to 16.35%. The internal targets were approved in December 2022 by the Group's Supervisory Board, after the completion of the annual supervisory assessment by the Financial Supervision Authority. LHV Group includes only that part of the current year's profit for which the European Central Bank has given permission as part of its own funds. Obtaining the permit is done with the referrer, but it is also applied to the reporting quarter afterwards, which is why the capitalization ratios also change, and the Group reflects them in the next report.

The minimum requirement for own funds and eligible liabilities (MREL) is a building block of the resolution plan and LHV has to maintain sufficient own funds and qualifying liabilities which can be used to cover losses in resolution planning. On 21st of June 2021 Estonian FSA set two separate MREL ratios on the consolidation group level for LHV Group. MREL-TREA is calculated based on total risk weighted assets. MREL-LRE is calculated based on total assets. On 26th of September 2022 the Estonian FSA applied new MREL target levels that are applicable for LHV Group. The final targets for the MREL ratios have been applied with a transitional period until 1st of January 2024. The final target levels of the ratios have been set at 24.57% for MREL-TREA and 5.91% for MREL-LRE. The current interim targets are 19.08% (MREL-TREA) and 5.91% (MREL-LRE). LHV Group issued EUR 100 million of MREL eligible bonds in September 2021 in order to fulfil the MREL target ratios. LHV Group issued in Q4 2022 additional MREL eligible unsecured bonds in the amount of EUR 88 million, to fulfil MREL targets.

The Group's liquidity coverage ratio (LCR), as defined by the Basel Committee, stood at 162.6% as at the end of June (31 December 2022: 139.7%). Financial intermediates' deposits in Bank are covered 100% with liquid assets. Excluding the financial intermediates deposits the Groups LCR is 326.2% (31.12.2022: 231.5%). The Group recognises cash and bond portfolios as liquidity buffers. These accounted for 47% of the balance sheet (31 December 2022: 46%). The ratio of loans to deposits stood at

61% as at the end of the fourth quarter (31 December 2022: 61%). Group's maturity structure is presented in Note 5.

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



The credit quality of the group remained at a good level. A loan discount reserve of 18.6 million euros was formed in the balance sheet at the end of June to cover estimated loan losses. As of the end of the second quarter, the fair value of the collateral of the loan portfolio is 12% higher than the book value of the loan portfolio.

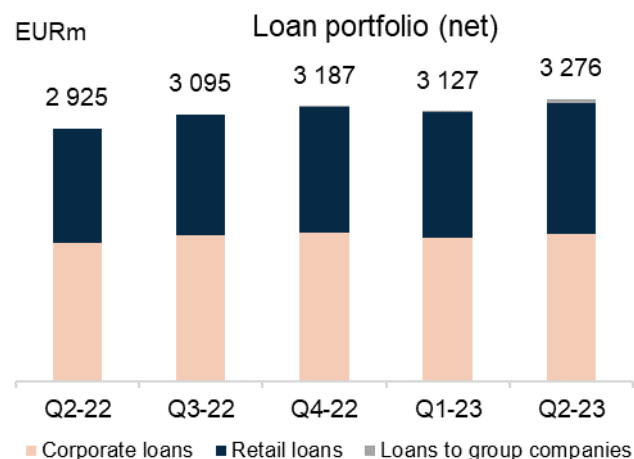
|                      | Over-collateralized loans |                          | Under-collateralized loans |                          | Total            |                          |
|----------------------|---------------------------|--------------------------|----------------------------|--------------------------|------------------|--------------------------|
|                      | Carrying value            | Fair value of collateral | Carrying value             | Fair value of collateral | Carrying value   | Fair value of collateral |
| <b>Stage 1</b>       | <b>1 593 382</b>          | <b>2 591 378</b>         | <b>1 423 284</b>           | <b>796 339</b>           | <b>3 016 666</b> | <b>3 387 717</b>         |
| Corporate Lending    | 704 694                   | 1 041 729                | 1 019 511                  | 537 361                  | 1 724 205        | 1 579 090                |
| Consumer Financing   | 0                         | 0                        | 94 821                     | 0                        | 94 821           | 0                        |
| Investment Financing | 7 764                     | 28 631                   | 2 332                      | 1 832                    | 10 096           | 30 463                   |
| Leasing              | 8 165                     | 14 067                   | 119 028                    | 84 048                   | 127 193          | 98 115                   |
| Private Lending      | 872 759                   | 1 506 951                | 187 592                    | 173 098                  | 1 060 351        | 1 680 049                |
| <b>Stage 2</b>       | <b>128 344</b>            | <b>192 165</b>           | <b>101 708</b>             | <b>51 857</b>            | <b>230 052</b>   | <b>244 022</b>           |
| Corporate Lending    | 54 050                    | 77 565                   | 57 069                     | 29 683                   | 111 119          | 107 248                  |
| Consumer Financing   | 0                         | 0                        | 9 672                      | 0                        | 9 672            | 0                        |
| Investment Financing | 2                         | 7                        | 1                          | 1                        | 3                | 8                        |
| Leasing              | 2 646                     | 3 407                    | 24 924                     | 13 788                   | 27 570           | 17 195                   |
| Private Lending      | 71 646                    | 111 186                  | 10 042                     | 8 385                    | 81 688           | 119 571                  |
| <b>Stage 3</b>       | <b>6 165</b>              | <b>12 397</b>            | <b>612</b>                 | <b>383</b>               | <b>6 777</b>     | <b>12 780</b>            |
| Corporate Lending    | 2 015                     | 2 861                    | 28                         | 27                       | 2 043            | 2 888                    |
| Consumer Financing   | 0                         | 0                        | 119                        | 0                        | 119              | 0                        |
| Investment Financing | 4                         | 15                       | 1                          | 1                        | 5                | 16                       |
| Leasing              | 269                       | 539                      | 464                        | 355                      | 733              | 894                      |
| Private Lending      | 3 877                     | 8 982                    | 0                          | 0                        | 3 877            | 8 982                    |

| <b>Capital base</b>  | <b>30.06.2023</b> | <b>31.12.2022</b> | <b>31.12.2021</b> |
|--|-------------------|-------------------|-------------------|
| Paid-in share capital  | 31 983            | 31 542            | 29 864            |
| Share premium  | 143 372           | 141 186           | 97 361            |
| Statutory reserves transferred from net profit   | -327              | 4 713             | 4 713             |
| Other reserves   | 4 713             | -1 441            | 47                |
| Retained earnings  | 219 426           | 216 189           | 179 746           |
| Intangible assets (subtracted)   | -23 399           | -23 333           | -14 473           |
| Net profit for the reporting period (COREP)  | 0                 | 0                 | 0                 |
| Other adjustments  | -355              | -369              | -128              |
| CET1 capital elements or deductions  | 0                 | 0                 | -12 209           |
| CET1 instruments of financial sector entities where the institution has a significant investment     | -3 028            | -3 351            | -4 328            |
| CET1 instruments of financial sector entities where the institution has not a significant investment | 0                 | -180              | -5 236            |
| <b>Tier 1 capital</b>  | <b>372 386</b>    | <b>364 956</b>    | <b>275 357</b>    |
| Additional Tier 1 capital  | 55 000            | 55 000            | 35 000            |
| <b>Total Tier 1 capital</b>  | <b>427 386</b>    | <b>419 956</b>    | <b>310 357</b>    |
| Subordinated debt  | 75 000            | 75 000            | 75 000            |
| <b>Total Tier 2 capital</b>  | <b>75 000</b>     | <b>75 000</b>     | <b>75 000</b>     |
| <b>Net own funds for capital adequacy</b>  | <b>502 386</b>    | <b>494 956</b>    | <b>385 357</b>    |
| <b>Capital requirements</b>  |                   |                   |                   |
| Central governments and central bank under standard method   | 0                 | 0                 | 0                 |
| Credit institutions and investment companies under standard method                                   | 13 951            | 11 553            | 10 465            |
| Companies under standard method  | 1 163 930         | 1 204 523         | 1 141 853         |
| Retail claims under standard method  | 227 987           | 219 031           | 212 860           |
| Public sector under standard method  | 0                 | 0                 | 6                 |
| Housing real estate under standard method  | 550 831           | 513 483           | 291 338           |
| Overdue claims under standard methods  | 9 317             | 8 004             | 19 332            |
| Investment funds' shares under standard method   | 187               | 186               | 190               |
| Other assets under standard method   | 96 885            | 102 697           | 93 939            |
| <b>Total capital requirements for covering the credit risk and counterparty credit risk</b>          | <b>2 063 088</b>  | <b>2 059 477</b>  | <b>1 769 983</b>  |

|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Capital requirement against foreign currency risk under standard method             | 374              | 18 324           | 3 489            |
| Capital requirement against interest position risk under standard method            | 0                | 0                | 0                |
| Capital requirement against equity portfolio risks under standard method            | 785              | 740              | 2 079            |
| Capital requirement against credit valuation adjustment risks under standard method | 2 091            | 2 228            | 1 211            |
| Capital requirement for operational risk under base method                          | 259 437          | 197 920          | 152 778          |
| <b>Total capital requirements for adequacy calculation</b>                          | <b>2 325 775</b> | <b>2 278 689</b> | <b>1 929 540</b> |
| <b>Capital adequacy (%)</b>   | <b>21.60</b>     | <b>21.72</b>     | <b>19.97</b>     |
| <b>Tier 1 capital ratio (%)</b>   | <b>18.38</b>     | <b>18.43</b>     | <b>16.08</b>     |
| <b>Core Tier 1 capital ratio (%)</b>  | <b>16.01</b>     | <b>16.02</b>     | <b>14.27</b>     |

## Overview of AS LHV Pank Consolidation Group

- Net profit EUR 34.4 million



| EUR million  | Q2 2023      | Q1 2023      | Change %   | Q2 2022      | Change %    | From the beginning of 2023 | From the beginning of 2022 | Change %    |
|--|--------------|--------------|------------|--------------|-------------|----------------------------|----------------------------|-------------|
| Net interest income  | 56.09        | 52.90        | 6%         | 27.23        | 106%        | 108.99                     | 53.11                      | 105%        |
| Net fee and commission income                              | 5.51         | 7.55         | -27%       | 7.64         | -28%        | 13.06                      | 15.43                      | -15%        |
| Other financial income                                     | -0.44        | 1.18         | NA         | 0.08         | NA          | 0.74                       | -1.35                      | NA          |
| Total net operating income                                 | 61.17        | 61.63        | -1%        | 34.95        | 75%         | 122.80                     | 67.20                      | 83%         |
| Other income   | 0.22         | 0.03         | 620%       | 0.07         | 192%        | 0.25                       | 0.05                       | 356%        |
| Operating expenses   | -21.08       | -20.78       | 1%         | -15.64       | 35%         | -41.86                     | -30.01                     | 40%         |
| Loan and bond portfolio gains/(-losses)                    | -0.60        | 1.59         | NA         | 0.34         | NA          | 0.99                       | -0.40                      | NA          |
| Income tax expenses  | -5.25        | -5.15        | 2%         | -2.79        | 88%         | -10.40                     | -5.06                      | 105%        |
| <b>Net profit</b>  | <b>34.45</b> | <b>37.32</b> | <b>-8%</b> | <b>16.94</b> | <b>103%</b> | <b>71.77</b>               | <b>31.79</b>               | <b>126%</b> |
| Loan portfolio   | 3 276        | 3 127        | 5%         | 2 925        | 12%         |                            |                            |             |
| Financial investments                                      | 323          | 281          | 15%        | 484          | -33%        |                            |                            |             |
| Deposits of customers incl. deposits of financial entities | 5 133        | 4 919        | 4%         | 5 425        | -5%         |                            |                            |             |
| Subordinated liabilities                                   | 1 336        | 1 488        | -10%       | 1 756        | -35%        |                            |                            |             |
| Equity   | 114          | 114          | 0%         | 99           | 15%         |                            |                            |             |
|  | 458          | 423          | 8%         | 307          | 17%         |                            |                            |             |

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

LHV Pank calculates a 14% advance income tax and the respective income tax expenses was EUR 5.2 million in Q2.

Income tax expense on future disbursements of dividends by subsidiaries at the consolidated level was EUR 0.1 million in Q2.

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

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

The total volume of the Bank's loan portfolio reached EUR 3,276 million by the end of Q2 (Q1 2023: EUR 3,127 million). The volume of the portfolio grew by 5% during the quarter. The volume

of loans grew by EUR 149 million in Q2 (a decrease of EUR 60 million in Q1 2023). The net retail loan portfolio grew by 3% during the quarter, reaching EUR 1,508 million (Q1 2023: EUR 1 466 million). The net corporate loan portfolio grew by 3% during the quarter, reaching EUR 1 714 million (Q1 2023: EUR 1 661 million).

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

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

The corporate credit portfolio, which includes loans and guarantees, grew EUR 125.0 million over the year (+7%) with quarter-over-quarter growth of EUR 65.5 million (+4%). The greatest source of the growth was loans issued to the power, gas, steam and conditioned air sector, which grew by EUR 132.4 million (+219%) over the year. Next came loans to companies engaged in financial and insurance activities, which grew EUR 49.6 million from the year before (+36%) and loans issued to manufacturing companies, which grew EUR 21.1 million (+15%) over the year.

On the backdrop of the Estonian economy cooling down, companies continue to be tentative in making investment decisions. Despite this, LHV managed to grow its credit portfolio in a quarter-on-quarter view. Compared to Q1 of 2023, portfolio growth was most influenced by the power, gas, steam and conditioned air sector (quarterly growth EUR 87.9 million; +84%), followed by the financial and insurance sector (EUR 52.8 million; +39%), and the sector engaged in wholesale and retail sale and the repair of motor vehicles and motorbikes (EUR 22.4 million; +17%).

The majority of corporate loans were granted to the real estate sector, which makes up 38% of the Bank's corporate loan portfolio. Of real estate loans, the principal part was issued to projects with high-quality rental streams, with real estate developments making up a much smaller share. Most of the financed real estate developments are located in Tallinn, while projects located in other major Estonian cities and in the vicinity of Tallinn made up about 40% of developments. LHV's market share of new development financing in Tallinn made up about one-quarter by estimate at the end of Q2 2023. The LHV real estate development portfolio is well-positioned in case market

trends should change – the financed developments are in good locations and the risk to planned sales price ratio averages 47%.

After the real estate sector, the largest amount of credit has been issued to companies in the power, gas, steam and conditioned air sector (10%) and to companies engaged in financial and insurance activities (10%). Of sectors that usually run a higher credit risk, construction makes up 3%, HoReCa 2% and transport and warehousing 1% of the total volume of the portfolio.

Over the quarter, the number of the bank's clients grew by 9700. Client activity levels remained good. Deposits increased by EUR 213 million over the quarter, and loans increased by EUR 149 million.

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

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

Net profit for the quarter was EUR 34 million. The strong second-quarter result was positively influenced mainly by interest income. Due to higher interest income and lower write-downs, net profit exceeded the planned target by EUR 19 million by the end of Q2. Service charge income and current expenses are as planned, and the higher than expected other expenses is due to increase in the instalment to the guarantee fund and reserves.

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

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

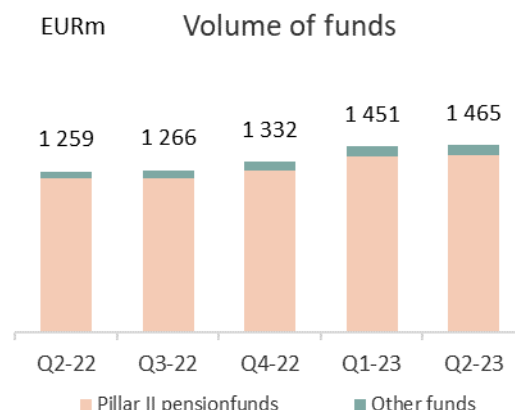
The greatest focus during Q2 lay on deposits and we repeatedly increased interest rates offered on the term deposits in order to be the best bank for clients to save and grow their money. In April, we unveiled the Youth Bank 2.0 campaign, which represented an update of everything we offer. We garnered ideas for developing

investing services from LHV Hackathon. We added a currency exchange option to the mobile app and started giving the Financial Portal a makeover. By the end of the quarter, the number of bank clients crossed the 400 000 mark, which confirms that we are on the right path and we are still committed to growth.

At the end of April, LHV chose the new winner of the LHV New Composition Award Au-tasu: Ülo Krigul and his work Süntesaatorikontsert (Synthesizer Concerto). Late May brought the 36th annual May Run, which has been sponsored by LHV for many years now. It drew 13 000 runners. The 2 ,000-euro prize fund of the LHV Home Improvement Loan support competition "Kes teeb ära?" ("Who will get it done?") is being used to renovate the park terrace of the Kose-Uuemõisa Manor, which has a long history.

## Overview of AS LHV Varahaldus

- Net profit for Q2 was EUR 0.4 million
- More than 128,000 active second-pillar customers by the end of the quarter
- Volume of assets in second-pillar funds – EUR 1.4 billion, increase of EUR 10 million in a quarter
- Third-pillar net assets continue to grow, increase of EUR 4 million over the three months



| EUR million                        | Q2 2023 | Q1 2023 | Change % | Q2 2022 | Change % | 6M 2023 | 6M 2022 | Change % |
|------------------------------------|---------|---------|----------|---------|----------|---------|---------|----------|
| Net fee and commission income      | 2.21    | 2.13    | 4%       | 2.0     | 11%      | 4.34    | 3.96    | 10%      |
| Net financial income               | 0.01    | 0.17    | -94%     | -0.41   | NA       | 0.18    | -0.31   | NA       |
| Operating expenses                 | -1.45   | -1.32   | 10%      | -1.33   | 9%       | -2.77   | -2.68   | 3%       |
| Depreciation of non-current assets | -0.35   | -0.40   | -13%     | -0.49   | -29%     | -0.75   | -1.02   | -26%     |
| Profit                             | 0.42    | 0.58    | 28%      | -0.23   | NA       | 1.00    | -0.05   | NA       |
| Financial investments              | 8.0     | 8.0     | 0%       | 9       | 0%       |         |         |          |
| Equity                             | 21.0    | 20.0    | 5%       | 22.0    | -5%      |         |         |          |
| Assets under management            | 1 465.0 | 1 451.0 | 1%       | 1 259   | 16%      |         |         |          |

In Q2, LHV Varahaldus had operating income of EUR 2.2 million and net profit was EUR 0.4 million. The results corresponded largely to financial plan, with minimal differences in both income and expenses from what was anticipated at the start of the year. Yields on funds were slightly less than expected in the H1, due to which financial income from the growth in value of own units and, as a result, net profit fell EUR 0.1 million short of the planned level. Compared to last quarter and last year, the effect of amortisation of intangible assets related to departure of clients from the second pillar of the pension system has become more modest.

Q2 and indeed H1 as a whole were very positive for larger equity markets. Growth and indices were primarily driven by big tech firms, while the results of other sectors remained significantly more modest. Measured in euros, the prices of MSCI World, SP500 and Euro Stoxx 50 rose 12.6%, 13.7% and 18.4%, respectively. The main keywords continue to be inflation and central bank interest rate movements, the labour market was strong in both US and Europe. As shown by the US and UK, the share of market indices comprised by the largest companies was close to or even slightly over historical peak levels; market concentration remains very high.

For LHV's largest actively managed pension funds, the quarter was complicated considering that the key positions of listed markets (raw materials, energy) did not follow the general market sentiment. The values of M and XL units were up 0.3% for the quarter, while pension fund L was down a minimal 0.1%. Pension fund Green was down 1.2%. The pension fund Index performed better, rising 4.2% over the quarter. The conservative funds S and XS each rose 0.8%. The growth of social tax receipts – which serves as a comparison index – grew very rapidly also in Q2, being more than 11% higher each month, year-over-year. The labour market in Estonia remains very strong.

The largest investments in Q2 were related to local bonds. Among other things, we subscribed instruments issued by Siauliu Bank, which is expected to have a high return, and Baltic Horizon. Of the various sectors, we continue to be most invested into precious metals and energy.

The number of LHV's active second-pillar clients was more than 128 000 at the end of the quarter, dropping slightly less than 2 000 clients over the three months. The decrease was primarily caused by clients exiting the second pillar, but the sales figures were more modest than in previous quarters. The percentage of leavers remains low. The four-month window for applying to exit

the second pillar, which ends in July, may be the lowest so far, judging by the figures at quarter's end. Market share measured by number of clients did not significantly change, remaining near 25%. The volume of assets managed by LHV Varahaldus was close to EUR 1.465 billion by the end of the quarter - growth during the quarter was EUR 14 million.

In early June, a long-time employee of LHV Varahaldus Eve Sirel became the third member of the management board of LHV Varahaldus. Her areas of responsibility will be operations and risk control. The management board will continue to be a three-member body.

The portfolio of all actively managed funds and distribution of asset classes largely correspond to the long-term goal, where the M, L and XL portfolio are largely invested into unlisted asset classes with less dependence on stock markets. We keep a close eye on developments on the stock markets and are prepared to quickly adjust our positions depending on the circumstances. We also devote extra attention to liquidity to ensure capability of more aggressive investing if desired, and naturally to be able to make payments to clients exiting or changing funds.



## Overview of AS LHV Kindlustus

AS LHV Kindlustus continued to grow the volumes of its insurance portfolio in Q2 2023. Gross insurance premiums grew by 3.45% and net earned premiums by 23.1% compared to Q1 2023. During the quarter, 37.6 thousand new insurance contracts were concluded, with premiums totalling EUR 9.1 million. The volume of insurance premiums from the health insurance production solution marketed in cooperation with Confido was EUR 1.75 million in Q2. The number of insurance contracts and the volume of premiums continues to grow across insurance products in all the sales channels. The company is exceeding the goals for growth set in the 2023 financial plan.

The development of insurance information systems continued. In Q2 2023, the company introduced claims handling software that helps make the handling process more efficient and supports the improvement of risk selection quality. In addition to the above, the development of sales software also continued.

As at 30 June 2023, LHV Kindlustus had 223 thousand valid insurance contracts and 159 thousand customers.

The volume of gross insurance premiums was EUR 7,978 thousand and the net earned insurance premiums totalled EUR

5,568 thousand in Q2. Vehicle and motor TPL insurance made up 52% and health insurance 28% of the volume of insurance premiums in Q2.

During Q2, 12 456 new loss events were registered, and claims adjustment was completed in 12 464 incidents. As at the end of the quarter, a total of 2 272 claim files were open. The net losses incurred in the period together with indirect claims adjustment costs were EUR 3 691 thousand.

The frequency of losses was relatively stable in major insurance types. A major home insurance fire loss took place, adjustment is currently on-going. The company's profit in Q2 was EUR 33 thousand. The result falls short of the financial forecast mainly due to unforeseen non-recurrent costs in the amount of EUR 160 thousand. The company's volume of operating expenses as at 30 June 2023 met expectations.

| EUR thousand                  | Q2 2023 | Q1 2023 | Change % | Q2 2022 | Change % |
|-------------------------------|---------|---------|----------|---------|----------|
| Gross insurance premiums      | 7 978   | 7 712   | 3%       | 4 612   | 73%      |
| Net earned insurance premiums | 5 540   | 4 499   | 23%      | 1 648   | 236%     |
| Net losses incurred           | 3 692   | 3 509   | 5%       | 1 045   | 253%     |
| Total net operating expenses  | 1 850   | 1 505   | 23%      | 838     | 121%     |
| Underwriting result           | -2      | -515    | -100%    | -235    | -99%     |
| Net profit                    | 33      | -450    | NA       | -237    | NA       |

As of the end of Q2, LHV Kindlustus employed 39 people.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

| <i>(in thousands of euros)</i>   | Note | Q2 2023        | 6M 2023        | Q2 2022        | 6M 2022        |
|--|------|----------------|----------------|----------------|----------------|
| Interest income  |      | 79 312         | 143 789        | 33 498         | 66 348         |
| Interest expense   |      | -16 412        | -25 781        | -6 314         | -13 377        |
| <b>Net interest income</b>   | 9    | <b>62 900</b>  | <b>118 008</b> | <b>27 184</b>  | <b>52 971</b>  |
| Fee and commission income  |      | 17 150         | 32 794         | 15 445         | 30 260         |
| Fee and commission expense   |      | -4 798         | -8 565         | -4 441         | -8 909         |
| <b>Net fee and commission income</b>   | 10   | <b>12 352</b>  | <b>24 229</b>  | <b>11 004</b>  | <b>21 351</b>  |
| Net gains from financial assets measured at fair value   |      | -535           | -650           | -351           | -1 818         |
| Foreign exchange rate gains/losses   |      | -12            | 1 488          | 8              | 161            |
| <b>Net gains from financial assets</b>   |      | <b>-547</b>    | <b>838</b>     | <b>-343</b>    | <b>-1 657</b>  |
| Other income   |      | 207            | 227            | 57             | 55             |
| Other expense  |      | -10            | -17            | 0              | -90            |
| <b>Total other income</b>  |      | <b>197</b>     | <b>210</b>     | <b>57</b>      | <b>22</b>      |
| Staff costs  |      | -15 851        | -31 518        | -11 747        | -21 995        |
| Administrative and other operating expenses  |      | -17 189        | -32 144        | -9 332         | -17 950        |
| <b>Total expenses</b>  | 11   | <b>-33 040</b> | <b>-63 662</b> | <b>-21 079</b> | <b>-39 945</b> |
| <b>Profit before impairment losses</b>   |      | <b>41 862</b>  | <b>79 623</b>  | <b>16 823</b>  | <b>32 742</b>  |
| Change in financial investments  |      | -180           | -180           | 0              | 0              |
| Impairment losses on loans and bonds   | 21   | -629           | 954            | 341            | -394           |
| <b>Profit before income tax</b>  |      | <b>41 862</b>  | <b>80 397</b>  | <b>17 164</b>  | <b>32 348</b>  |
| Income tax expense   |      | -5 422         | -11 703        | -3 177         | -5 978         |
| <b>Net profit for the reporting period</b>   | 2    | <b>35 631</b>  | <b>68 694</b>  | <b>13 987</b>  | <b>26 370</b>  |
| <b>Other comprehensive income/loss:</b>  |      |                |                |                |                |
| Items that may be reclassified subsequently to profit or loss:   |      |                |                |                |                |
| Unrealized exchange differences arising on the translation of the financial statements of foreign operations |      | 819            | 1 115          | -79            | -123           |
| <b>Total profit and other comprehensive income for the reporting period</b>                                  |      | <b>36 450</b>  | <b>69 809</b>  | <b>13 908</b>  | <b>26 247</b>  |
| <b>Total profit of the reporting period attributable to:</b>   |      |                |                |                |                |
| Owners of the parent   |      | 35 353         | 68 007         | 13 543         | 25 423         |
| Non-controlling interest   |      | 278            | 687            | 444            | 947            |
| <b>Total profit for the reporting period</b>   | 2    | <b>35 631</b>  | <b>68 694</b>  | <b>13 987</b>  | <b>26 370</b>  |
| <b>Total profit and other comprehensive income attributable to:</b>  |      |                |                |                |                |
| Owners of the parent   |      | 36 172         | 69 122         | 13 464         | 25 300         |
| Non-controlling interest   |      | 278            | 687            | 444            | 947            |
| <b>Total profit and other comprehensive income for the reporting period</b>                                  |      | <b>36 450</b>  | <b>69 809</b>  | <b>13 908</b>  | <b>26 247</b>  |
| Basic earnings per share (in euros)  | 16   | 0.11           | 0.21           | 0.44           | 0.84           |
| Diluted earnings per share (in euros)  | 16   | 0.11           | 0.21           | 0.43           | 0.82           |

The Notes on pages 22 to 37 are an integral part of the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Financial Position

| <i>(in thousands of euros)</i>                             | Note        | 30.06.2023       | 31.12.2022       |
|--|-------------|------------------|------------------|
| <b>Assets</b>  |             |                  |                  |
| Due from central bank                                      | 4, 5, 6, 12 | 2 469 376        | 2 390 964        |
| Due from credit institutions                               | 4, 5, 6, 12 | 126 318          | 87 933           |
| Due from investment companies                              | 4, 6, 12    | 8 414            | 3 391            |
| Financial assets at fair value through profit or loss      | 4, 6, 7     | 14 575           | 9 354            |
| Financial assets at amortized cost                         | 7           | 354 713          | 364 230          |
| Loans and advances to customers                            | 4, 6, 8, 21 | 3 253 495        | 3 208 572        |
| Receivables from customers                                 |             | 27 694           | 21 019           |
| Other financial assets                                     |             | 124              | 124              |
| Other assets   |             | 8 489            | 6 775            |
| Financial investment                                       |             | 1 000            | 1 180            |
| Tangible assets  | 19          | 17 961           | 16 859           |
| Intangible assets  | 19          | 14 405           | 13 853           |
| Goodwill   |             | 10 748           | 10 748           |
| <b>Total assets</b>  | 2           | <b>6 307 315</b> | <b>6 135 002</b> |
| <b>Liabilities</b>   |             |                  |                  |
| Loans received from Central Banks (TLTRO)                  | 13          | 49 972           | 147 841          |
| Deposits of customers                                      | 13          | 5 062 368        | 4 900 515        |
| Loans received and debt securities in issue                | 13          | 461 124          | 438 642          |
| Financial liabilities at fair value through profit or loss | 7           | 558              | 3 850            |
| Accounts payable and other liabilities                     | 14          | 120 176          | 92 462           |
| Subordinated debt  | 6, 20       | 131 301          | 130 843          |
| <b>Total liabilities</b>                                   | 2           | <b>5 825 499</b> | <b>5 714 153</b> |
| <b>Owner's equity</b>                                      |             |                  |                  |
| Share capital  |             | 31 983           | 31 542           |
| Share premium  |             | 143 372          | 141 186          |
| Statutory reserve capital                                  |             | 4 713            | 4 713            |
| Other reserves   |             | 7 028            | 5 683            |
| Retained earnings  |             | 287 433          | 229 817          |
| <b>Total equity attributable to owners of the parent</b>   |             | <b>474 529</b>   | <b>412 941</b>   |
| Non-controlling interest                                   |             | 7 287            | 7 908            |
| <b>Total equity</b>  |             | <b>481 816</b>   | <b>420 849</b>   |
| <b>Total liabilities and equity</b>                        |             | <b>6 307 315</b> | <b>6 135 002</b> |

The Notes on pages 22 to 37 are an integral part of the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Cash Flows

| <i>(in thousands of euros)</i>   | Note | Q2 2023          | 6M 2023          | Q2 2022          | 6M 2022          |
|--|------|------------------|------------------|------------------|------------------|
| <b>Cash flows from operating activities</b>  |      |                  |                  |                  |                  |
| Interest received  |      | 78 249           | 140 901          | 33 264           | 66 019           |
| Interest paid  |      | -9 860           | -15 592          | -6 441           | -12 732          |
| Fees and commissions received  |      | 17 200           | 32 846           | 15 320           | 30 260           |
| Fees and commissions paid  |      | -4 798           | -8 565           | -4 441           | -8 909           |
| Other income received  |      | -49              | -372             | 204              | 34               |
| Staff costs paid   |      | -14 642          | -28 205          | -10 023          | -18 742          |
| Administrative and other operating expenses paid   |      | -14 673          | -26 795          | -6 711           | -13 607          |
| Income tax   |      | -5 568           | -12 369          | -263             | -5 159           |
| <b>Cash flows from operating activities before change in operating assets and liabilities</b>                            |      | <b>45 859</b>    | <b>81 849</b>    | <b>20 909</b>    | <b>37 164</b>    |
| <b>Net increase/decrease in operating assets:</b>  |      |                  |                  |                  |                  |
| Net increase/(decrease) in financial assets at fair value through profit or loss   |      | 1 799            | -602             | -3 355           | -3 464           |
| Loans and advances to customers  |      | -104 966         | -34 603          | -170 919         | -247 288         |
| Mandatory reserve at central bank  |      | -1 674           | -1 925           | 359              | 3 935            |
| Security deposits  |      | 0                | 0                | 0                | 2 112            |
| Other assets   |      | -7 638           | -14 198          | -3 165           | 1 686            |
| <b>Net increase/decrease in operating liabilities:</b>   |      |                  |                  |                  |                  |
| Demand deposits of customers   |      | -335 798         | -641 181         | -28 764          | -430 329         |
| Term deposits of customers   |      | 526 283          | 796 230          | -15 158          | -11 463          |
| Prepayments of loans received  |      | -49 065          | -97 656          | -50 258          | -50 479          |
| Financial liabilities held for trading at fair value through profit and loss   |      | -3 143           | -3 292           | 258              | 134              |
| Other liabilities  |      | 26 648           | 27 868           | 52 014           | 110 209          |
| <b>Net cash generated from/used in operating activities</b>  |      | <b>98 305</b>    | <b>112 490</b>   | <b>-198 079</b>  | <b>-587 783</b>  |
| <b>Cash flows from investing activities</b>  |      |                  |                  |                  |                  |
| Purchase of non-current assets   |      | -4 134           | -5 422           | -8 805           | -11 204          |
| Acquisition of subsidiaries and affiliates   |      | 0                | 0                | -8 966           | -8 966           |
| Net changes of investment securities at fair value through profit or loss and of investment securities at amortized cost |      | -74 437          | 4 436            | -9 820           | -351 166         |
| <b>Net cash flows from/used in investing activities</b>  |      | <b>-78 571</b>   | <b>-986</b>      | <b>-27 591</b>   | <b>-371 236</b>  |
| <b>Cash flows from financing activities</b>  |      |                  |                  |                  |                  |
| Paid in share capital (incl. share premium)  |      | 2 627            | 2 627            | 45 504           | 45 504           |
| Dividends paid   |      | -12 617          | -13 842          | -11 946          | -14 046          |
| Loans received   |      | 18 631           | 18 631           | 0                | 0                |
| Repayments of the principal of lease liabilities   |      | -428             | -951             | -380             | -744             |
| <b>Net cash flows from/used in financing activities</b>  |      | <b>8 213</b>     | <b>6 465</b>     | <b>-33 178</b>   | <b>30 714</b>    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>  | 6    | <b>311</b>       | <b>1 927</b>     | <b>115</b>       | <b>17</b>        |
| <b>Net increase/decrease in cash and cash equivalents</b>  |      | <b>28 258</b>    | <b>119 896</b>   | <b>-192 606</b>  | <b>-928 422</b>  |
| Cash and cash equivalents at the beginning of the period   |      | 2 525 237        | 2 433 599        | 3 194 196        | 3 930 012        |
| <b>Cash and cash equivalents at the end of the period</b>  | 12   | <b>2 553 495</b> | <b>2 553 495</b> | <b>3 001 590</b> | <b>3 001 590</b> |

The Notes on pages 22 to 37 are an integral part of the condensed consolidated interim financial statements

## Condensed Consolidated Interim Statement of Changes in Equity

| <i>(in thousands of euros)</i>                                       | Share capital | Share premium  | Statutory reserve capital | Other reserves | Retained earnings | Total equity attributable to owners of LHV Group | Non-controlling interest | Total equity   |
|--|---------------|----------------|---------------------------|----------------|-------------------|--|--------------------------|----------------|
| <b>Balance as at 01.01.2022</b>                                      | <b>29 864</b> | <b>97 361</b>  | <b>4 713</b>              | <b>4 733</b>   | <b>179 746</b>    | <b>316 417</b>                                   | <b>8 384</b>             | <b>324 801</b> |
| Paid in share capital  | 1 678         | 43 825         | 0                         | 0              | 0                 | 45 503   | 0                        | 45 503         |
| Dividends paid   | 0             | 0              | 0                         | 0              | -11 946           | -11 946  | -2 100                   | -14 046        |
| Share options  | 0             | 0              | 0                         | 78             | 2 209             | 2 287  | 0                        | 2 287          |
| <i>Profit for the reporting period</i>                               | <i>0</i>      | <i>0</i>       | <i>0</i>                  | <i>0</i>       | <i>25 432</i>     | <i>25 423</i>                                    | <i>947</i>               | <i>26 370</i>  |
| <i>Other comprehensive income/loss</i>                               | <i>0</i>      | <i>0</i>       | <i>0</i>                  | <i>-123</i>    | <i>0</i>          | <i>-123</i>                                      | <i>0</i>                 | <i>-123</i>    |
| Total profit and other comprehensive income for the reporting period | 0             | 0              | 0                         | -123           | 25 432            | 25 300   | 947                      | 26 247         |
| <b>Balance as at 30.06.2022</b>                                      | <b>31 542</b> | <b>141 186</b> | <b>4 713</b>              | <b>4 688</b>   | <b>195 432</b>    | <b>377 561</b>                                   | <b>7 231</b>             | <b>384 792</b> |
| <br>   |               |                |                           |                |                   |  |                          |                |
| <b>Balance as at 01.01.2023</b>                                      | <b>31 542</b> | <b>141 186</b> | <b>4 713</b>              | <b>5 683</b>   | <b>229 817</b>    | <b>412 941</b>                                   | <b>7 908</b>             | <b>420 849</b> |
| Paid in share capital  | 441           | 2 186          | 0                         | 0              | 0                 | 2 627  | 0                        | 2 627          |
| Dividends paid   | 0             | 0              | 0                         | 0              | -12 617           | -12 617  | -1 225                   | -13 842        |
| Change in accounting methods   | 0             | 0              | 0                         | 0              | -153              | -153   | -83                      | -236           |
| Share options  | 0             | 0              | 0                         | 230            | 2 379             | 2 609  | 0                        | 2 609          |
| <i>Profit for the reporting period</i>                               | <i>0</i>      | <i>0</i>       | <i>0</i>                  | <i>0</i>       | <i>68 007</i>     | <i>68 007</i>                                    | <i>687</i>               | <i>68 694</i>  |
| <i>Other comprehensive income/loss</i>                               | <i>0</i>      | <i>0</i>       | <i>0</i>                  | <i>1 115</i>   | <i>0</i>          | <i>1 115</i>                                     | <i>0</i>                 | <i>1 115</i>   |
| Total profit and other comprehensive income for the reporting period | 0             | 0              | 0                         | 1 115          | 68 007            | 69 122   | 687                      | 69 809         |
| <b>Balance as at 30.06.2023</b>                                      | <b>31 983</b> | <b>143 372</b> | <b>4 713</b>              | <b>7 028</b>   | <b>287 433</b>    | <b>474 529</b>                                   | <b>7 287</b>             | <b>481 816</b> |

The Notes on pages 22 to 37 are an integral part of the condensed consolidated interim financial statements

# Notes to the Condensed Consolidated Interim Financial Statements

## NOTE 1 Accounting Policies

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

The accounting policies and methods of computation used in the preparation of the interim report are the same as the accounting policies and methods of computation used in the annual report for the year ended 31 December 2022, which comply with the International Financial Reporting Standards, as adopted by the European Union (IFRS EU).

These condensed consolidated interim financial statements have been reviewed, not audited and do not contain the entire range of information required for the preparation of complete financial statements. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report

prepared for the year ended 31 December 2022, which has been prepared in accordance with the International Financial Reporting Standards (IFRS EU).

The applicable accounting policies have not changed compared to the previous financial year, except for the treatment of the liquidity portfolio treated at the market price. We reclassified this portfolio to accounting at amortized cost at the beginning of the second quarter. It was a fundamental change in the risk taken by the business line.

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

## NOTE 2 Business Segments

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

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

|                                      | Retail banking | Corporate banking | Asset management | Hire-purchase and consumer finance in Estonia | Financial intermediates | Insurance    | UK LHV Ltd   | Other activities | Total         |
|--------------------------------------|----------------|-------------------|------------------|---|-------------------------|--------------|--------------|------------------|---------------|
| <b>Q2 2023</b>                       |                |                   |                  |   |                         |              |              |                  |               |
| Interest income                      | 20 700         | 31 549            | 1                | 3 866   | -6 473                  | 81           | 7 755        | 21 834           | 79 312        |
| Interest expense                     | 10 669         | -12 333           | 0                | -1 438  | 7 002                   | -36          | -336         | -19 939          | -16 412       |
| <b>Net interest income</b>           | <b>31 369</b>  | <b>19 216</b>     | <b>1</b>         | <b>2 428</b>                                  | <b>529</b>              | <b>45</b>    | <b>7 419</b> | <b>1 895</b>     | <b>62 900</b> |
| Fee and commission income            | 8 589          | 1 651             | 2 211            | 233   | 786                     | 1 260        | 2 253        | 167              | 17 150        |
| Fee and commission expense           | -4 790         | -764              | 0                | -214  | 114                     | 0            | -45          | 902              | -4 798        |
| <b>Net fee and commission income</b> | <b>3 799</b>   | <b>887</b>        | <b>2 211</b>     | <b>19</b>                                     | <b>900</b>              | <b>1 260</b> | <b>2 208</b> | <b>1 069</b>     | <b>12 352</b> |
| <b>Other income</b>                  | <b>2</b>       | <b>187</b>        | <b>0</b>         | <b>0</b>                                      | <b>0</b>                | <b>-3</b>    | <b>0</b>     | <b>11</b>        | <b>197</b>    |
| <b>Net income</b>                    | <b>35 170</b>  | <b>20 290</b>     | <b>2 212</b>     | <b>2 447</b>                                  | <b>1 429</b>            | <b>1 302</b> | <b>9 627</b> | <b>2 975</b>     | <b>75 449</b> |

|  |               |               |            |              |               |           |              |               |               |
|--|---------------|---------------|------------|--------------|---------------|-----------|--------------|---------------|---------------|
| Net gains from financial assets                          | 58            | 0             | 6          | 0            | 0             | -49       | -66          | -495          | -547          |
| Administrative and other operating expenses, staff costs | -10 460       | -4 722        | -1 797     | -1 002       | -2 957        | -1 219    | -7 958       | -2 925        | -33 040       |
| <b>Operating profit</b>                                  | <b>24 768</b> | <b>15 568</b> | <b>421</b> | <b>1 445</b> | <b>-1 528</b> | <b>34</b> | <b>1 603</b> | <b>-445</b>   | <b>41 862</b> |
| Impairment losses on loans and advances                  | 330           | 365           | 0          | -874         | 0             | 0         | -26          | -604          | -809          |
| Income tax   | -2 420        | -1 891        | 0          | -186         | -497          | 0         | 0            | -429          | -5 422        |
| <b>Net profit</b>  | <b>22 678</b> | <b>14 043</b> | <b>421</b> | <b>385</b>   | <b>-2 025</b> | <b>34</b> | <b>1 577</b> | <b>-1 478</b> | <b>35 631</b> |

|  | Retail banking   | Corporate banking | Asset management | Hire-purchase and consumer finance in Estonia | Financial intermediates | Insurance     | UK LHV Ltd    | Other activities | Total            |
|--|------------------|-------------------|------------------|---|-------------------------|---------------|---------------|------------------|------------------|
| <b>6M 2023</b>   |                  |                   |                  |   |                         |               |               |                  |                  |
| Interest income  | 38 111           | 59 066            | 1                | 7 661   | -8 683                  | 106           | 10 587        | 36 940           | 143 789          |
| Interest expense   | 21 939           | -23 884           | 0                | -2 684  | 14 095                  | -62           | -405          | -34 780          | -25 781          |
| <b>Net interest income</b>                               | <b>60 050</b>    | <b>35 182</b>     | <b>1</b>         | <b>4 977</b>                                  | <b>5 412</b>            | <b>44</b>     | <b>10 182</b> | <b>2 160</b>     | <b>118 008</b>   |
| Fee and commission income                                | 16 014           | 2 946             | 4 336            | 479   | 4 267                   | 1 812         | 2 977         | -37              | 32 794           |
| Fee and commission expense                               | -8 599           | -1 466            | 0                | -398  | -127                    | 0             | -69           | 2 094            | -8 565           |
| <b>Net fee and commission income</b>                     | <b>7 415</b>     | <b>1 480</b>      | <b>4 336</b>     | <b>81</b>                                     | <b>4 140</b>            | <b>1 812</b>  | <b>2 908</b>  | <b>2 057</b>     | <b>24 229</b>    |
| <b>Other income</b>                                      | <b>1</b>         | <b>190</b>        | <b>0</b>         | <b>0</b>                                      | <b>0</b>                | <b>-6</b>     | <b>0</b>      | <b>25</b>        | <b>210</b>       |
| <b>Net income</b>  | <b>67 466</b>    | <b>36 852</b>     | <b>4 337</b>     | <b>5 058</b>                                  | <b>9 552</b>            | <b>1 850</b>  | <b>13 090</b> | <b>4 243</b>     | <b>142 447</b>   |
| Net gains from financial assets                          | 21               | 0                 | 178              | 0   | 0                       | -16           | -67           | 722              | 838              |
| Administrative and other operating expenses, staff costs | -20 182          | -9 148            | -3 519           | -1 944  | -6 935                  | -2 250        | -13 922       | -5 761           | -63 662          |
| <b>Operating profit</b>                                  | <b>47 305</b>    | <b>27 704</b>     | <b>996</b>       | <b>3 114</b>                                  | <b>2 617</b>            | <b>-416</b>   | <b>-899</b>   | <b>-796</b>      | <b>79 623</b>    |
| Impairment gains/(-losses) on loans and bond portfolio   | 67               | 3 104             | 0                | -1 703  | 0                       | 0             | -35           | -659             | 774              |
| Income tax   | -4 186           | -4 004            | -488             | -352  | -600                    | 0             | 0             | -2 072           | -11 703          |
| <b>Net profit</b>  | <b>43 186</b>    | <b>26 804</b>     | <b>508</b>       | <b>1 059</b>                                  | <b>2 017</b>            | <b>-416</b>   | <b>-934</b>   | <b>-3 527</b>    | <b>68 694</b>    |
| <b>Total assets 30.06.2023</b>                           | <b>2 603 783</b> | <b>3 350 502</b>  | <b>21 654</b>    | <b>94 692</b>                                 | <b>0</b>                | <b>43 158</b> | <b>97 059</b> | <b>96 467</b>    | <b>6 307 315</b> |
| <b>Total liabilities 30.06.2023</b>                      | <b>3 912 052</b> | <b>635 236</b>    | <b>642</b>       | <b>77 698</b>                                 | <b>1 132 701</b>        | <b>38 633</b> | <b>61 032</b> | <b>-32 495</b>   | <b>5 825 499</b> |

|  | Retail banking | Corporate banking | Asset management | Hire-purchase and consumer finance in Estonia | Financial intermediates | Insurance   | LHV UK Ltd    | Other activities | Total         |
|--|----------------|-------------------|------------------|---|-------------------------|-------------|---------------|------------------|---------------|
| <b>Q2 2022</b>   |                |                   |                  |   |                         |             |               |                  |               |
| Interest income  | 9 636          | 17 487            | 0                | 3 052   | 2 508                   | 6           | 0             | 809              | 33 498        |
| Interest expense   | -1 757         | -3 948            | 0                | -693  | -1 764                  | 0           | -63           | 1 911            | -6 314        |
| <b>Net interest income</b>                               | <b>7 879</b>   | <b>13 539</b>     | <b>0</b>         | <b>2 359</b>                                  | <b>744</b>              | <b>6</b>    | <b>-63</b>    | <b>2 720</b>     | <b>27 184</b> |
| Fee and commission income                                | 6 720          | 1 291             | 2 000            | 203   | 4 831                   | 484         | 0             | -83              | 15 445        |
| Fee and commission expense                               | -3 938         | -785              | 0                | -209  | -475                    | 0           | 0             | 965              | -4 441        |
| <b>Net fee and commission income</b>                     | <b>2 781</b>   | <b>506</b>        | <b>2 000</b>     | <b>-5</b>                                     | <b>4 356</b>            | <b>484</b>  | <b>0</b>      | <b>882</b>       | <b>11 004</b> |
| <b>Other income</b>                                      | <b>17</b>      | <b>21</b>         | <b>0</b>         | <b>0</b>                                      | <b>0</b>                | <b>0</b>    | <b>0</b>      | <b>19</b>        | <b>57</b>     |
| <b>Net income</b>  | <b>10 677</b>  | <b>14 066</b>     | <b>2 000</b>     | <b>2 354</b>                                  | <b>5 100</b>            | <b>490</b>  | <b>-63</b>    | <b>3 621</b>     | <b>38 245</b> |
| Net gains from financial assets                          | 22             | 0                 | -411             | 0   | 0                       | -6          | -1            | 53               | -343          |
| Administrative and other operating expenses, staff costs | -7 898         | -3 991            | -1 823           | -719  | -2 971                  | -720        | -2 031        | -926             | -21 079       |
| <b>Operating profit</b>                                  | <b>2 801</b>   | <b>10 075</b>     | <b>-234</b>      | <b>1 635</b>                                  | <b>2 129</b>            | <b>-236</b> | <b>-2 095</b> | <b>2 748</b>     | <b>16 823</b> |
| Impairment gains/(-losses) on loans and bond portfolio   | -45            | 492               | 0                | -95   | -3                      | 0           | 0             | -8               | 341           |
| Income tax   | -825           | -1 135            | 0                | -148  | -343                    | 0           | 0             | -726             | -3 177        |
| <b>Net profit</b>  | <b>1 931</b>   | <b>9 432</b>      | <b>-234</b>      | <b>1 392</b>                                  | <b>1 783</b>            | <b>-236</b> | <b>-2 095</b> | <b>2 014</b>     | <b>13 987</b> |

|                                      | Retail banking | Corporate banking | Asset management | Hire-purchase and consumer finance in Estonia | Financial intermediates | Insurance  | UK LHV Ltd | Other activities | Total         |
|--------------------------------------|----------------|-------------------|------------------|---|-------------------------|------------|------------|------------------|---------------|
| <b>6M 2022</b>                       |                |                   |                  |   |                         |            |            |                  |               |
| Interest income                      | 18 581         | 34 471            | 0                | 5 918   | 5 965                   | 6          | 0          | 1 407            | 66 348        |
| Interest expense                     | -3 540         | -7 569            | 0                | -1 166  | -4 244                  | 0          | -63        | 3 206            | -13 377       |
| <b>Net interest income</b>           | <b>15 041</b>  | <b>26 902</b>     | <b>0</b>         | <b>4 752</b>                                  | <b>1 721</b>            | <b>6</b>   | <b>-63</b> | <b>4 613</b>     | <b>52 971</b> |
| Fee and commission income            | 13 236         | 2 477             | 3 959            | 402   | 9 980                   | 626        | 0          | -420             | 30 260        |
| Fee and commission expense           | -7 459         | -1 818            | 0                | -392  | -1 003                  | 0          | 0          | 1 762            | -8 909        |
| <b>Net fee and commission income</b> | <b>5 777</b>   | <b>659</b>        | <b>3 959</b>     | <b>10</b>                                     | <b>8 977</b>            | <b>626</b> | <b>0</b>   | <b>1 342</b>     | <b>21 351</b> |



|  |                  |                  |               |               |                  |               |               |                |                  |
|--|------------------|------------------|---------------|---------------|------------------|---------------|---------------|----------------|------------------|
| <b>Other income</b>                                      | <b>-67</b>       | <b>52</b>        | <b>0</b>      | <b>0</b>      | <b>1</b>         | <b>0</b>      | <b>0</b>      | <b>35</b>      | <b>22</b>        |
| <b>Net income</b>  | <b>20 751</b>    | <b>27 613</b>    | <b>3 959</b>  | <b>4 762</b>  | <b>10 699</b>    | <b>632</b>    | <b>-63</b>    | <b>5 990</b>   | <b>74 344</b>    |
| Net gains from financial assets                          | -25              | 2                | -309          | 0             | 1                | -5            | -2            | -1 320         | -1 657           |
| Administrative and other operating expenses, staff costs | -15 166          | -7 934           | -3 700        | -1 402        | -5 893           | -1 361        | -3 668        | -821           | -39 945          |
| <b>Operating profit</b>                                  | <b>5 560</b>     | <b>19 681</b>    | <b>-50</b>    | <b>3 360</b>  | <b>4 807</b>     | <b>-734</b>   | <b>-3 733</b> | <b>3 849</b>   | <b>32 742</b>    |
| Impairment losses on loans and advances                  | -147             | -359             | 0             | 125           | -3               | 0             | 0             | -10            | -394             |
| Income tax   | -1 454           | -1 995           | -830          | -280          | -559             | 0             | 0             | -860           | -5 978           |
| <b>Net profit</b>  | <b>3 959</b>     | <b>17 327</b>    | <b>-880</b>   | <b>3 205</b>  | <b>4 245</b>     | <b>-734</b>   | <b>-3 733</b> | <b>2 979</b>   | <b>26 370</b>    |
| <b>Total assets 30.06.2022</b>                           | <b>2 684 738</b> | <b>3 637 184</b> | <b>22 579</b> | <b>80 531</b> | <b>0</b>         | <b>20 484</b> | <b>9 496</b>  | <b>75 845</b>  | <b>6 530 857</b> |
| <b>Total liabilities 30.06.2022</b>                      | <b>3 492 831</b> | <b>6 14 698</b>  | <b>589</b>    | <b>65 056</b> | <b>1 996 567</b> | <b>14 541</b> | <b>4 397</b>  | <b>-42 615</b> | <b>6 146 064</b> |

### NOTE 3 Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2022. There have been no major changes in the risk management department or in any risk management policies since the year end. The impact of COVID-19 on the Group's operations needs to be reported separately. The crisis mainly affects three risks: personnel risk, liquidity risk and credit risk.

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

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

They made it possible to reduce the share of expensive platform deposits in financing and, together with the increased funding

from the TLTRO III program, to finance the purchase of Danske's portfolio of local governments and companies at the beginning of the fourth quarter.

The escalated conflict in Ukraine in early 2022, did not have direct impact to LHV credit portfolio, because of historical restrictive lending to customers exposed to risks outside EU. However, increasing energy prices need to be considered, when issuing credits both to corporates and retail clients going forward. For example, some business models need to change and both commercial and residential buildings need to become more energy efficient.

During the second half of the year 2022, the Estonian economy has entered a mild recession. So far, the cooling economy has had no negative impact on the credit portfolio quality. As opposite, both the forborne and the overdue portfolio have been continuously shrinking throughout the year 2022. LHV is continuously monitoring credit portfolio quality and is in close dialog with customers, so that in case of a need, potential risks could be mitigated.

### NOTE 4 Breakdown of Financial Assets and Liabilities by Countries

| <b>30.06.2023</b>                       | <b>Estonia</b> | <b>Germany</b> | <b>Other EU</b> | <b>USA</b> | <b>UK</b> | <b>Other</b> | <b>Total</b>     |
|---|----------------|----------------|-----------------|------------|-----------|--------------|------------------|
| Due from banks and investment companies | 2 137 367      | 0              | 314 806         | 30 959     | 120 976   | 0            | <b>2 604 108</b> |
| Financial assets at fair value          | 11 233         | 11             | 3 035           | 292        | 2         | 2            | <b>14 575</b>    |
| Financial assets at amortized cost      | 162 922        | 4 988          | 154 086         | 0          | 32 717    | 0            | <b>354 713</b>   |
| Loans and advances to customers         | 3 194 586      | 933            | 20 823          | 564        | 31 958    | 4 631        | <b>3 253 495</b> |
| Receivables from customers              | 27 468         | 0              | 0               | 0          | 226       | 0            | <b>27 694</b>    |

|  |                  |                |                |               |                |               |                  |
|--|------------------|----------------|----------------|---------------|----------------|---------------|------------------|
| Other financial assets                           | 24               | 0              | 0              | 100           | 0              | 0             | 124              |
| <b>Total financial assets</b>                    | <b>5 533 600</b> | <b>5 932</b>   | <b>492 750</b> | <b>31 915</b> | <b>185 879</b> | <b>4 633</b>  | <b>6 254 709</b> |
| Loans received from Central Banks (TLTRO)        | 49 972           | 0              | 0              | 0             | 0              | 0             | 49 972           |
| Deposits of customers and loans received         | 3 745 827        | 135 495        | 815 957        | 28 796        | 255 337        | 80 956        | 5 062 368        |
| Loans received and bonds issued                  | 511 090          | 0              | 0              | 0             | 0              | 0             | 511 096          |
| Subordinated debt                                | 131 301          | 0              | 0              | 0             | 0              | 0             | 131 301          |
| Financial liabilities at fair value              | 558              | 0              | 0              | 0             | 0              | 0             | 558              |
| Accounts payable and other financial liabilities | 102 631          | 0              | 0              | 0             | 7 112          | 0             | 109 743          |
| <b>Total financial liabilities</b>               | <b>4 541 379</b> | <b>135 495</b> | <b>815 957</b> | <b>28 796</b> | <b>262 449</b> | <b>80 956</b> | <b>5 865 038</b> |

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

| <b>31.12.2022</b>                                | <b>Estonia</b>   | <b>Germany</b> | <b>Other EU</b> | <b>USA</b>    | <b>UK</b>      | <b>Other</b>  | <b>Total</b>     |
|--|------------------|----------------|-----------------|---------------|----------------|---------------|------------------|
| Due from banks and investment companies          | 1 938 118        | 0              | 329 496         | 24 727        | 189 847        | 101           | 2 482 288        |
| Financial assets at fair value                   | 244 845          | 4 973          | 123 735         | 21            | 3              | 6             | 373 584          |
| Loans and advances to customers                  | 3 161 803        | 612            | 17 867          | 622           | 22 974         | 4 694         | 3 208 572        |
| Receivables from customers                       | 21 019           | 0              | 0               | 0             | 0              | 0             | 21 019           |
| Other financial assets                           | 24               | 0              | 0               | 100           | 0              | 0             | 124              |
| <b>Total financial assets</b>                    | <b>5 365 809</b> | <b>5 585</b>   | <b>471 098</b>  | <b>25 470</b> | <b>212 823</b> | <b>4 801</b>  | <b>6 085 587</b> |
| Loans received from Central Banks (TLTRO)        | 147 841          | 0              | 0               | 0             | 0              | 0             | 147 841          |
| Deposits of customers and loans received         | 3 617 636        | 5 292          | 794 100         | 14 890        | 439 714        | 28 883        | 4 900 515        |
| Loans received and bonds issued                  | 438 642          | 0              | 0               | 0             | 0              | 0             | 438 642          |
| Subordinated debt                                | 130 843          | 0              | 0               | 0             | 0              | 0             | 130 843          |
| Financial liabilities at fair value              | 3 850            | 0              | 0               | 0             | 0              | 0             | 3 850            |
| Accounts payable and other financial liabilities | 84 125           | 0              | 0               | 0             | 0              | 0             | 84 125           |
| <b>Total financial liabilities</b>               | <b>4 422 937</b> | <b>5 292</b>   | <b>794 100</b>  | <b>14 890</b> | <b>439 714</b> | <b>28 883</b> | <b>5 705 816</b> |

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

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

| <b>30.06.2023</b>                                | <b>On demand</b> | <b>0-3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>Over 5 years</b> | <b>Total</b>     |
|--|------------------|-------------------|--------------------|------------------|---------------------|------------------|
| <b>Liabilities by contractual maturity dates</b> |                  |                   |                    |                  |                     |                  |
| Loans received from Central Banks (TLTRO)        | 0                | 50 400            | 0                  | 0                | 0                   | 50 400           |
| Deposits from customers                          | 4 004 163        | 293 857           | 735 977            | 44 041           | 0                   | 5 078 038        |
| Loans received and bonds issued                  | 0                | 2 068             | 1 203              | 475 712          | 0                   | 478 982          |
| Subordinated debt                                | 0                | 1 881             | 66 019             | 81 925           | 0                   | 149 825          |
| Accounts payable and other financial liabilities | 0                | 109 743           | 0                  | 0                | 0                   | 109 743          |
| Unused loan commitments                          | 0                | 478 761           | 0                  | 0                | 0                   | 478 761          |
| Financial guarantees by contractual amounts      | 0                | 54 073            | 0                  | 0                | 0                   | 54 073           |
| Foreign exchange derivatives (gross settled)     | 0                | 152 704           | 0                  | 0                | 0                   | 152 704          |
| Financial liabilities at fair value              | 0                | 558               | 0                  | 0                | 0                   | 558              |
| <b>Total liabilities</b>                         | <b>4 004 163</b> | <b>1 093 645</b>  | <b>803 198</b>     | <b>601 677</b>   | <b>0</b>            | <b>6 553 083</b> |

**Financial assets by contractual maturity dates**

|  |                  |                |                |                  |                  |                  |
|--|------------------|----------------|----------------|------------------|------------------|------------------|
| Due from banks and investment companies          | 2 604 108        | 0              | 0              | 0                | 0                | <b>2 604 108</b> |
| Financial assets at fair value (debt securities) | 0                | 104 107        | 171 978        | 78 682           | 5 423            | <b>360 191</b>   |
| Loans and advances to customers                  | 0                | 169 635        | 478 024        | 2 326 776        | 1 534 169        | <b>4 508 604</b> |
| Receivables from customers                       | 0                | 27 694         | 0              | 0                | 0                | <b>27 694</b>    |
| Foreign exchange derivatives (gross settled)     | 0                | 152 704        | 0              | 0                | 0                | <b>152 704</b>   |
| Other financial assets                           | 124              | 0              | 0              | 0                | 0                | <b>124</b>       |
| <b>Total financial assets</b>                    | <b>2 604 232</b> | <b>454 140</b> | <b>650 002</b> | <b>2 405 458</b> | <b>1 539 592</b> | <b>7 653 425</b> |

|   |                   |                 |                 |                  |                  |                  |
|---|-------------------|-----------------|-----------------|------------------|------------------|------------------|
| <b>Maturity gap from financial assets and liabilities</b> | <b>-1 399 931</b> | <b>-639 504</b> | <b>-153 196</b> | <b>1 803 781</b> | <b>1 539 592</b> | <b>1 100 342</b> |
|---|-------------------|-----------------|-----------------|------------------|------------------|------------------|

| <b>31.12.2022</b>                                | <b>On demand</b> | <b>0-3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>Over 5 years</b> | <b>Total</b>     |
|--|------------------|-------------------|--------------------|------------------|---------------------|------------------|
| <b>Liabilities by contractual maturity dates</b> |                  |                   |                    |                  |                     |                  |
| Loans received from Central Banks (TLTRO)        | 0                | 0                 | 0                  | 150 082          |                     | <b>150 082</b>   |
| Deposits from customers                          | 4 643 310        | 95 807            | 143 740            | 18 082           | 0                   | <b>4 900 939</b> |
| Loans received and bonds issued                  | 0                | 0                 | 2 000              | 452 250          | 0                   | <b>454 250</b>   |
| Subordinated debt                                | 0                | 2 406             | 46694              | 105538           | 0                   | <b>154 638</b>   |
| Accounts payable and other financial liabilities | 0                | 84 125            | 0                  | 0                | 0                   | <b>84 125</b>    |
| Unused loan commitments                          | 0                | 601 093           | 0                  | 0                | 0                   | <b>601 093</b>   |
| Financial guarantees by contractual amounts      | 0                | 52 577            | 0                  | 0                | 0                   | <b>52 577</b>    |
| Foreign exchange derivatives (gross settled)     | 0                | 171 694           | 0                  | 0                | 0                   | <b>171 694</b>   |
| Financial liabilities at fair value              | 0                | 3 850             | 0                  | 0                | 0                   | <b>3 850</b>     |
| <b>Total liabilities</b>                         | <b>4 643 310</b> | <b>1 011 552</b>  | <b>192 434</b>     | <b>725 952</b>   | <b>0</b>            | <b>6 573 248</b> |

**Financial assets by contractual maturity dates**

|  |                  |                |                |                  |                  |                  |
|--|------------------|----------------|----------------|------------------|------------------|------------------|
| Due from banks and investment companies          | 2 428 288        | 0              | 0              | 0                | 0                | <b>2 428 288</b> |
| Financial assets at fair value (debt securities) | 0                | 236 130        | 4 966          | 123 519          | 471              | <b>365 086</b>   |
| Loans and advances to customers                  | 0                | 186 547        | 487 298        | 2 115 010        | 1 258 430        | <b>4 047 285</b> |
| Receivables from customers                       | 0                | 21 019         | 0              | 0                | 0                | <b>21 019</b>    |
| Foreign exchange derivatives (gross settled)     | 0                | 171 694        | 0              | 0                | 0                | <b>171 694</b>   |
| Other financial assets                           | 124              | 0              | 0              | 0                | 0                | <b>124</b>       |
| <b>Total financial assets</b>                    | <b>2 428 412</b> | <b>615 390</b> | <b>492 264</b> | <b>2 238 529</b> | <b>1 258 901</b> | <b>7 033 496</b> |

|   |                   |                 |                |                  |                  |                |
|---|-------------------|-----------------|----------------|------------------|------------------|----------------|
| <b>Maturity gap from financial assets and liabilities</b> | <b>-2 214 898</b> | <b>-396 162</b> | <b>299 830</b> | <b>1 512 577</b> | <b>1 258 901</b> | <b>460 248</b> |
|---|-------------------|-----------------|----------------|------------------|------------------|----------------|

It is possible to take a short-term loan from the central bank against the security of the majority of instruments in the bond portfolio.

All cashflows from financial assets and –liabilities except derivatives include all contractual cash flows.

**NOTE 6 Open Foreign Currency Positions**

| <b>30.06.2023</b>                         | <b>EUR</b>       | <b>CHF</b>   | <b>GBP</b>     | <b>SEK</b>   | <b>USD</b>    | <b>Other</b>  | <b>Total</b>     |
|---|------------------|--------------|----------------|--------------|---------------|---------------|------------------|
| <b>Assets bearing currency risk</b>       |                  |              |                |              |               |               |                  |
| Due from banks and investment companies   | 2 444 255        | 1 557        | 137 128        | 3 313        | 8 994         | 8 860         | <b>2 604 108</b> |
| Financial assets at fair value            | 335 994          | 0            | 32 719         | 1            | 34            | 540           | <b>369 288</b>   |
| Loans and advances to customers           | 3 161 772        | 31           | 84 447         | 126          | 6 876         | 242           | <b>3 253 495</b> |
| Receivables from customers                | 19 001           | 3            | 3 351          | 0            | 4 800         | 539           | <b>27 694</b>    |
| Other financial assets                    | 124              | 0            | 0              | 0            | 0             | 0             | <b>124</b>       |
| <b>Total assets bearing currency risk</b> | <b>5 961 146</b> | <b>1 592</b> | <b>257 646</b> | <b>3 440</b> | <b>20 704</b> | <b>10 181</b> | <b>6 254 709</b> |

**Liabilities bearing currency risk**

|   |                  |              |                |               |                |               |                  |
|---|------------------|--------------|----------------|---------------|----------------|---------------|------------------|
| Loans received from Central Banks (TLTRO)                       | 49 972           | 0            | 0              | 0             | 0              | 0             | <b>49 972</b>    |
| Deposits from customers   | 4 713 541        | 6 906        | 170 105        | 9 376         | 152 998        | 9 442         | <b>5 062 368</b> |
| Loans received and bonds issued                                 | 461 124          | 0            | 0              | 0             | 0              | 0             | <b>461 124</b>   |
| Financial liabilities at fair value                             | 558              | 0            | 0              | 0             | 0              | 0             | <b>558</b>       |
| Accounts payable and other financial liabilities                | 76 867           | 0            | 24 475         | 759           | 6 162          | 1 478         | <b>109 742</b>   |
| Subordinated debt   | 131 301          | 0            | 0              | 0             | 0              | 0             | <b>131 301</b>   |
| <b>Total liabilities bearing currency risk</b>                  | <b>5 433 363</b> | <b>6 907</b> | <b>194 580</b> | <b>10 135</b> | <b>159 160</b> | <b>10 920</b> | <b>5 815 065</b> |
| Open gross position derivative assets at contractual value      | 604              | 5 309        | 0              | 6 754         | 139 126        | 911           | <b>152 704</b>   |
| Open gross position derivative liabilities at contractual value | 152 100          | 0            | 0              | 0             | 0              | 604           | <b>152 704</b>   |
| <b>Open foreign currency position</b>                           | <b>376 288</b>   | <b>-6</b>    | <b>63 066</b>  | <b>59</b>     | <b>670</b>     | <b>-432</b>   | <b>439 645</b>   |

| 31.12.2022  | EUR              | CHF          | GBP            | SEK           | USD            | Other        | Total            |
|---|------------------|--------------|----------------|---------------|----------------|--------------|------------------|
| <b>Assets bearing currency risk</b>                             |                  |              |                |               |                |              |                  |
| Due from banks and investment companies                         | 2 255 128        | 1 466        | 197 580        | 2 538         | 17 806         | 7 769        | <b>2 482 288</b> |
| Financial assets at fair value                                  | 373 514          | 0            | 2              | 1             | 26             | 42           | <b>373 584</b>   |
| Loans and advances to customers                                 | 3 180 499        | 74           | 22 306         | 385           | 5 068          | 241          | <b>3 208 572</b> |
| Receivables from customers                                      | 25 865           | 5            | 751            | 241           | -4 512         | -1 330       | <b>21 019</b>    |
| Other financial assets  | 124              | 0            | 0              | 0             | 0              | 0            | <b>124</b>       |
| <b>Total assets bearing currency risk</b>                       | <b>5 835 130</b> | <b>1 545</b> | <b>220 639</b> | <b>3 164</b>  | <b>18 388</b>  | <b>6 721</b> | <b>6 085 587</b> |
| <b>Liabilities bearing currency risk</b>                        |                  |              |                |               |                |              |                  |
| Loans received from Central Banks (TLTRO)                       | 147 841          | 0            | 0              | 0             | 0              | 0            | <b>147 841</b>   |
| Deposits from customers   | 4 533 633        | 5 323        | 193 442        | 10 968        | 148 058        | 9 089        | <b>4 900 515</b> |
| Loans received and bond issued                                  | 438 642          | 0            | 0              | 0             | 0              | 0            | <b>438 642</b>   |
| Financial liabilities at fair value                             | 0                | 0            | 0              | 0             | 3 849          | 1            | <b>3 850</b>     |
| Accounts payable and other financial liabilities                | 65 099           | 19           | 9 757          | 172           | 8 987          | 91           | <b>84 125</b>    |
| Subordinated debt   | 130 843          | 0            | 0              | 0             | 0              | 0            | <b>130 843</b>   |
| <b>Total liabilities bearing currency risk</b>                  | <b>5 316 058</b> | <b>5 343</b> | <b>203 199</b> | <b>11 140</b> | <b>160 895</b> | <b>9 182</b> | <b>5 705 817</b> |
| Open gross position derivative assets at contractual value      | 9 403            | 3 757        | 0              | 8 001         | 148 162        | 2 371        | <b>171 694</b>   |
| Open gross position derivative liabilities at contractual value | 162 291          | 0            | 0              | 0             | 9 403          | 0            | <b>171 694</b>   |
| <b>Open foreign currency position</b>                           | <b>366 183</b>   | <b>-40</b>   | <b>17 440</b>  | <b>25</b>     | <b>-3 748</b>  | <b>-89</b>   | <b>379 770</b>   |

## 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  | 30.06.2023    | Level 1      | Level 2      | Level 3  | 31.12.2022   |
|--|--------------|--------------|----------|---------------|--------------|--------------|----------|--------------|
| <b>Financial assets at fair value through profit and loss</b>      |              |              |          |               |              |              |          |              |
| Shares and fund units*   | 803          | 7 763        | 0        | <b>8 566</b>  | 1 075        | 7 474        | 0        | <b>8 549</b> |
| Bonds at fair value through profit and loss                        | 5 390        | 0            | 0        | <b>5 390</b>  | 765          | 0            | 0        | <b>765</b>   |
| Interest rate swaps and foreign exchange forwards                  | 0            | 619          | 0        | <b>619</b>    | 0            | 40           | 0        | <b>40</b>    |
| <b>Total financial assets</b>                                      | <b>6 193</b> | <b>8 382</b> | <b>0</b> | <b>14 575</b> | <b>1 840</b> | <b>7 514</b> | <b>0</b> | <b>9 354</b> |
| <b>Financial liabilities at fair value through profit and loss</b> |              |              |          |               |              |              |          |              |
| Interest rate swaps and foreign exchange                           | 0            | 558          | 0        | <b>558</b>    | 0            | 3 850        | 0        | <b>3 850</b> |
| <b>Total financial liabilities</b>                                 | <b>0</b>     | <b>558</b>   | <b>0</b> | <b>558</b>    | <b>0</b>     | <b>3 850</b> | <b>0</b> | <b>3 850</b> |

\*Shares and fund units include the Group companies' AS LHV Varahaldus investment into pension fund units in the amount of EUR 7 763 (31.12.2022: 7 474) thousand. Pursuant to the Investment Funds Act, the mandatory shares of LHV Varahaldus as the management company is 0.5% of the number of units in each of the mandatory pension fund managed by it.

As of June 30, 2023, the liquidity portfolio in the amount of EUR 354 713 thousand is reflected in the amortised cost and the loss from the revaluation of the portfolio is reflected in the income statement in the line Impairment losses on loans and bonds in the total amount of EUR 86 thousand.

Hierarchy levels:

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

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

As at 30.06.2023 the fair value of corporate loans and overdraft is EUR 57 905 thousand (3.23% higher than their carrying amount (31.12.2022: 37 846 thousand, 2.11% higher). Loans are issued in the bank's business segments on market conditions. Therefore, the fair value of retail loans does not materially differ from their carrying amount as at 30 June 2023 and 31 December 2022. In determining the fair value of loans, considerable management judgements are used (discounted cash flow method with current market interest is used for the valuation). Loans issued are thus categorised under hierarchy level 3.

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

Leveraged loans, hire-purchase and credit cards granted to customers are of sufficiently short-term nature and they have

been issued at market terms, therefore the fair market rate of interest and also the fair value of loans do not change significantly during the loan term. The fair value level of leveraged loans, hirepurchase, credit cards and consumer loans is 3 as significant judgmental assumptions are used for the valuation process.

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

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

Subordinated loans in the amount of EUR 20 000 thousand were received in 2022, subordinated loans in the amount of EUR 50 000 thousand were received in 2020 subordinated loans in the amount of EUR 40 000 thousand were received in 2019 and EUR 20 000 thousand were received in 2018. Subordinated loans were issued on market terms and considering the movements in loan and interest market, we can say that the market conditions are similar as they were when issuing the subordinated loans so that the fair value of the loans does not materially differ from their carrying value. In determining the fair value of loans, considerable management judgements are used. Subordinated debt are thus categorised under hierarchy level 3.

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

| 30.06.2023                 | Stage 1   | Stage 2 | Stage 3 | Provision | Total     | %     |
|----------------------------|-----------|---------|---------|-----------|-----------|-------|
| Individuals                | 1 190 646 | 94 944  | 5 446   | -3 924    | 1 287 112 | 39.6% |
| Agriculture                | 105 957   | 2 517   | 12      | -199      | 108 287   | 3.3%  |
| Mining and Quarrying       | 1 050     | 779     | 82      | -107      | 1 804     | 0.1%  |
| Manufacturing              | 119 426   | 40 618  | 964     | -1 423    | 159 585   | 4.9%  |
| Energy                     | 131 373   | 997     | 0       | -701      | 131 669   | 4.0%  |
| Water and sewerage         | 28 037    | 275     | 0       | -302      | 28 010    | 0.9%  |
| Construction               | 122 911   | 4 895   | 103     | -1 826    | 126 083   | 3.9%  |
| Wholesale and retail trade | 147 105   | 7 033   | 187     | -1 064    | 153 261   | 4.7%  |
| Transportation and storage | 15 554    | 10 380  | 0       | -667      | 25 267    | 0.8%  |

|   |                  |                |              |                |                  |             |
|---|------------------|----------------|--------------|----------------|------------------|-------------|
| Accommodation and catering                        | 12 099           | 2 801          | 429          | -225           | 15 104           | 0.5%        |
| Information and communication                     | 11 864           | 1 430          | 29           | -46            | 13 277           | 0.4%        |
| Financial activities                              | 105 518          | 5 920          | 0            | -605           | 110 833          | 3.4%        |
| Real estate activities                            | 725 440          | 26 386         | 2 039        | -3 645         | 750 220          | 23.1%       |
| Professional, scientific and technical activities | 89 039           | 4 516          | 17           | -239           | 93 333           | 2.9%        |
| Administrative and support service activities     | 90 949           | 2 258          | 24           | -519           | 92 712           | 2.8%        |
| Local municipalities                              | 73 068           | 119            | 0            | -127           | 73 060           | 2.2%        |
| Education   | 4 876            | 553            | 0            | -323           | 5 106            | 0.2%        |
| Health care                                       | 14 262           | 904            | 0            | -126           | 15 040           | 0.5%        |
| Arts and entertainment                            | 29 525           | 27 676         | 0            | -2 475         | 54 726           | 1.7%        |
| Other service activities                          | 7 624            | 1 416          | 11           | -45            | 9 006            | 0.3%        |
| <b>Total</b>                                      | <b>3 026 323</b> | <b>236 417</b> | <b>9 343</b> | <b>-18 588</b> |                  |             |
| Provision   | -9 657           | -6 364         | -2 567       |                |                  |             |
| <b>Total loan portfolio</b>                       | <b>3 016 666</b> | <b>230 053</b> | <b>6 776</b> |                | <b>3 253 495</b> | <b>100%</b> |

| <b>31.12.2022</b>                                 | <b>Stage 1</b>   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Provision</b> | <b>Total</b>     | <b>%</b>    |
|---|------------------|----------------|----------------|------------------|------------------|-------------|
| Individuals                                       | 1 127 636        | 115 433        | 5 446          | -3 157           | 1 245 358        | 38.8%       |
| Agriculture                                       | 76 817           | 2 743          | 0              | -112             | 79 448           | 2.5%        |
| Mining and Quarrying                              | 1 038            | 519            | 122            | -49              | 1 630            | 0.1%        |
| Manufacturing                                     | 126 670          | 28 626         | 81             | -1 308           | 154 069          | 4.8%        |
| Energy  | 92 186           | 1 305          | 0              | -321             | 93 170           | 2.9%        |
| Water and sewerage                                | 29 314           | 90             | 0              | -275             | 29 129           | 0.9%        |
| Construction                                      | 106 356          | 5 243          | 58             | -1 716           | 109 941          | 3.4%        |
| Wholesale and retail trade                        | 144 586          | 6 599          | 69             | -924             | 150 330          | 4.7%        |
| Transportation and storage                        | 15 198           | 10 323         | 1              | -691             | 24 831           | 0.8%        |
| Accommodation and catering                        | 11 844           | 23 446         | 44             | -1 531           | 33 803           | 1.1%        |
| Information and communication                     | 10 839           | 3 004          | 1              | -34              | 13 810           | 0.4%        |
| Financial activities                              | 119 436          | 9 337          | 0              | -823             | 127 950          | 4.0%        |
| Real estate activities                            | 757 443          | 34 577         | 1 558          | -3 269           | 790 309          | 24.6%       |
| Professional, scientific and technical activities | 68 001           | 7 313          | 30             | -171             | 75 173           | 2.3%        |
| Administrative and support service activities     | 115 072          | 4 563          | 32             | -3 116           | 116 551          | 3.6%        |
| Local municipalities                              | 79 272           | 0              | 0              | -127             | 79 145           | 2.5%        |
| Education   | 5 151            | 596            | 0              | -302             | 5 445            | 0.2%        |
| Health care                                       | 14 312           | 541            | 0              | -86              | 14 767           | 0.5%        |
| Arts and entertainment                            | 27 619           | 30 225         | 15             | -2 588           | 55 271           | 1.7%        |
| Other service activities                          | 6 970            | 1 503          | 11             | -42              | 8 442            | 0.3%        |
| <b>Total</b>                                      | <b>2 935 760</b> | <b>285 986</b> | <b>7 468</b>   | <b>-20 642</b>   |                  |             |
| Provision   | -10 938          | -7 632         | -2 072         |                  |                  |             |
| <b>Total loan portfolio</b>                       | <b>2 924 822</b> | <b>278 354</b> | <b>5 396</b>   |                  | <b>3 208 572</b> | <b>100%</b> |

## NOTE 9 Net Interest Income

| <b>Interest income</b>                                | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
|---|----------------|----------------|----------------|----------------|
| From balances with credit institutions and investment | 1 603          | 3 442          | 671            | 934            |
| From central bank                                     | 18 388         | 31 755         | 488            | 988            |
| From debt securities                                  | 2 650          | 3 194          | -243           | -342           |
| Leasing   | 2 645          | 4 989          | 1 441          | 2 881          |

|  |                |                |               |                |
|--|----------------|----------------|---------------|----------------|
| Leverage loans and lending of securities | 312            | 679            | 428           | 863            |
| Consumer loans                           | 2 988          | 5 880          | 2 245         | 4 303          |
| Hire purchase                            | 878            | 1 782          | 807           | 1 615          |
| Corporate loans                          | 32 923         | 61 237         | 17 853        | 35 181         |
| Credit card loans                        | 245            | 477            | 199           | 394            |
| Mortgage loans                           | 15 198         | 27 624         | 6 186         | 11 717         |
| Private loans                            | 904            | 1 746          | 568           | 1 122          |
| Other loans                              | 580            | 984            | 2 855         | 6 692          |
| <b>Total</b>                             | <b>79 312</b>  | <b>143 789</b> | <b>33 498</b> | <b>66 348</b>  |
| <b>Interest expense</b>                  |                |                |               |                |
| Deposits of customers and loans received | -11 692        | -16 368        | -1 250        | -2 412         |
| Balances with the central bank           | 0              | 0              | -2 946        | -6 732         |
| Other interest expense                   | -92            | -310           | 0             | 0              |
| Subordinated liabilities                 | -4 628         | -9 103         | -2 118        | -4 233         |
| including loans between related parties  | -89            | -178           | -81           | -162           |
| <b>Total</b>                             | <b>-16 412</b> | <b>-25 781</b> | <b>-6 314</b> | <b>-13 377</b> |
| <b>Net interest income</b>               | <b>62 900</b>  | <b>118 008</b> | <b>27 184</b> | <b>52 971</b>  |

#### Interest income on loans by customer location

| (interest on bank balances and bonds excluded): | Q2 2023       | 6M 2023        | Q2 2022       | 6M 2022       |
|---|---------------|----------------|---------------|---------------|
| Estonia   | 56 227        | 104 537        | 32 582        | 64 768        |
| UK  | 444           | 861            | 0             | 0             |
| <b>Total</b>                                    | <b>56 671</b> | <b>105 398</b> | <b>32 582</b> | <b>64 768</b> |

## NOTE 10 Net Fee and Commission Income

| Fee and commission income                              | Q2 2023        | 6M 2023        | Q2 2022        | 6M 2022        |
|--|----------------|----------------|----------------|----------------|
| Security brokerage and commissions paid                | 1 046          | 2 154          | 1 023          | 2 445          |
| Asset management and similar fees                      | 3 810          | 7 484          | 3 407          | 6 683          |
| Currency exchange fees conversion revenues             | 1 275          | 2 704          | 2 201          | 4 505          |
| Fees from cards and payments                           | 7 769          | 15 230         | 6 420          | 613 064        |
| Other fee and commission income                        | 3 250          | 5 222          | 2 394          | 3 563          |
| <b>Total</b>   | <b>17 150</b>  | <b>32 794</b>  | <b>15 445</b>  | <b>30 260</b>  |
| <b>Fee and commission expense</b>                      |                |                |                |                |
| Security brokerage and commissions paid                | -626           | -1 230         | -598           | -1 237         |
| Expenses related to cards                              | -2 461         | -3 834         | -1 768         | -3 480         |
| Expenses related to acquiring                          | -1 693         | -3 396         | -1 837         | -3 480         |
| Other fee and commission expense                       | -18            | -105           | -238           | -712           |
| <b>Total</b>   | <b>-4 798</b>  | <b>-8 565</b>  | <b>-4 441</b>  | <b>-8 909</b>  |
| <b>Net fee and commission income</b>                   | <b>12 352</b>  | <b>24 229</b>  | <b>11 004</b>  | <b>21 351</b>  |
| <b>Fee and commission income by customer location:</b> |                |                |                |                |
|  | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
| Estonia  | 12 933         | 26 755         | 13 558         | 26 463         |
| Great Britain  | 4 217          | 6 039          | 1 887          | 3 797          |
| <b>Total</b>   | <b>17 150</b>  | <b>32 794</b>  | <b>15 445</b>  | <b>30 260</b>  |

## NOTE 11 Operating Expenses

|   | Q2 2023       | 6M 2023       | Q2 2022       | 6M 2022       |
|---|---------------|---------------|---------------|---------------|
| Wages, salaries and bonuses               | 11 677        | 23 347        | 8 966         | 16 768        |
| Social security and other taxes*          | 4 174         | 8 171         | 2 781         | 5 227         |
| <b>Total personnel expenses</b>           | <b>15 851</b> | <b>31 518</b> | <b>11 747</b> | <b>21 995</b> |
| IT expenses                               | 3 747         | 6 883         | 1 577         | 3 241         |
| Information services and bank services    | 403           | 830           | 341           | 640           |
| Marketing expenses                        | 1 087         | 1 896         | 655           | 1 617         |
| Office expenses                           | 982           | 1 533         | 435           | 851           |
| Transportation and communication expenses | 130           | 278           | 137           | 269           |
| Staff training and business trip expenses | 401           | 752           | 339           | 594           |
| Other outsourced services                 | 3 113         | 5 828         | 2 000         | 4 195         |
| Other administrative expenses             | 4 889         | 9 376         | 1 594         | 2 697         |
| Depreciation of non-current assets        | 1 974         | 3 959         | 1 487         | 2 825         |
| Operational lease payments                | 215           | 389           | 491           | 599           |
| Other operating expenses                  | 248           | 420           | 276           | 422           |
| <b>Total other operating expenses</b>     | <b>17 189</b> | <b>32 144</b> | <b>9 332</b>  | <b>17 950</b> |
| <b>Total operating expenses</b>           | <b>33 040</b> | <b>63 662</b> | <b>21 079</b> | <b>39 945</b> |

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

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

|  | 30.06.2023       | 31.12.2022       |
|--|------------------|------------------|
| Demand and term deposits with maturity less than 3 months* | 134 732          | 91 324           |
| Statutory reserve capital with the central bank            | 50 613           | 48 689           |
| Demand deposit from central bank*                          | 2 418 763        | 2 342 275        |
| <b>Total</b>   | <b>2 604 108</b> | <b>2 482 288</b> |

\*Cash and cash equivalents in the Statement of Cash Flows

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 8 414 thousand (31 December 2022: EUR 3 391 thousand). All other demand and term deposits are held with credit institutions and the central bank.

The minimum reserve requirement as at 30 June 2023 was 1% (31 December 2022: 1%) of all financial resources (customer deposits and loans received). The reserve requirement is to be fulfilled as a monthly average in euros or in the foreign financial assets approved by the central bank.

## NOTE 13 Deposits of Customers and Loans Received

| Deposits by type           | Individuals      | Financial entities | Non-financial entities | Public sector | 30.06.2023       |
|----------------------------|------------------|--------------------|------------------------|---------------|------------------|
| Demand deposits            | 898 271          | 1 216 579          | 1 811 759              | 74 956        | 4 001 565        |
| Term deposits              | 564 578          | 48 038             | 420 951                | 19 642        | 1 053 209        |
| Accrued interest liability | 2 740            | 1 133              | 3 437                  | 284           | 7 594            |
| <b>Total</b>               | <b>1 465 589</b> | <b>1 265 750</b>   | <b>2 236 147</b>       | <b>94 882</b> | <b>5 062 368</b> |



| <b>Deposits by type</b>    | <b>Individuals</b> | <b>Financial entities</b> | <b>Non-financial entities</b> | <b>Public sector</b> | <b>31.12.2022</b> |
|----------------------------|--------------------|---------------------------|-------------------------------|----------------------|-------------------|
| Demand deposits            | 1 065 135          | 1 477 182                 | 2 042 117                     | 58 406               | 4 642 840         |
| Term deposits              | 63 208             | 23 046                    | 146 137                       | 24 587               | 256 978           |
| Accrued interest liability | 336                | 192                       | 156                           | 13                   | 697               |
| <b>Total</b>               | <b>1 128 679</b>   | <b>1 500 420</b>          | <b>2 188 410</b>              | <b>83 006</b>        | <b>4 900 515</b>  |

| <b>Loans received 30.06.2023</b> | <b>TLTRO</b>   | <b>Covered bonds</b> | <b>Preferred senior bond</b> | <b>Total loans received and dept securities in issue</b> |
|----------------------------------|----------------|----------------------|------------------------------|--|
| Loans received                   | 50 000         | 249 429              | 210 145                      | 459 574  |
| Accrued interest liability       | -28            | 15                   | 1 535                        | 1 550  |
| <b>Total</b>                     | <b>49 972</b>  | <b>249 444</b>       | <b>211 680</b>               | <b>461 124</b>   |
| <b>Loans received 31.12.2022</b> | <b>TLTRO</b>   | <b>Covered bonds</b> | <b>Preferred senior bond</b> | <b>Total loans received and dept securities in issue</b> |
| Loans received                   | 150 000        | 249 284              | 188 672                      | 437 956  |
| Accrued interest liability       | -2 159         | 141                  | 545                          | 686  |
| <b>Total</b>                     | <b>147 841</b> | <b>249 425</b>       | <b>189 217</b>               | <b>438 642</b>   |

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

In September 2021, LHV Group issued EUR 100 million of preferred bonds with a four-year maturity, which includes the option to call back the transaction after the third year. The issue received a Baa3 rating and was listed on the Dublin Stock Exchange.

In November 2022, LHV Group Carried out a tap issue of senior unsecured bonds with a maturity date in September 2025. As a

result, LHV raised additional funds in the amount of EUR 88 million. The nominal value of the issued bonds increased by 100 million euros. Since it was an increase in the volume of previously issued bonds, the terms and conditions of the new bonds are identical to the previous issue.

In 2020, the Bank raised EUR 200 million in negative interest funds through the TLTRO III program offered by the European Central Bank. In the second quarter 2022, the Bank returned early loan of 50 million euros to the European Central Bank and the same amount was also returned in first quarter 2023.

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

## NOTE 14 Accounts payable and other liabilities

| <b>Financial liabilities</b>             | <b>30.06.2023</b> | <b>31.12.2022</b> |
|--|-------------------|-------------------|
| Trade payables and payables to merchants | 5 973             | 1 943             |
| Other short-term financial liabilities   | 12 357            | 10 676            |
| Lease liabilities                        | 6 480             | 6 766             |
| Payments in transit                      | 46 011            | 40 101            |
| Financial guarantee contracts issued     | 1 229             | 1 228             |
| Liabilities from insurance services      | 37 693            | 23 411            |
| <b>Subtotal</b>                          | <b>109 743</b>    | <b>84 125</b>     |
| <b>Not financial liabilities</b>         |                   |                   |
| Performance guarantee contracts issued   | 1 585             | 1 058             |
| Tax liabilities                          | 3 460             | 3 086             |
| Payables to employees                    | 4 647             | 3 457             |
| Other short-term liabilities             | 742               | 736               |

|                 |                |               |
|-----------------|----------------|---------------|
| <b>Subtotal</b> | <b>10 434</b>  | <b>8 337</b>  |
| <b>Total</b>    | <b>120 176</b> | <b>92 462</b> |

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

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

## 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.

|  | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022*</b> | <b>6M 2022*</b> |
|--|----------------|----------------|-----------------|-----------------|
| Total profit (incl. discontinued operations) attributable to owners of the parent (EUR thousand)               | 35 353         | 68 007         | 13 543          | 25 423          |
| Weighted average number of shares (in thousands of units)  | 317 629        | 316 527        | 307 033         | 288 940         |
| Basic earnings per share (EUR)   | 0.11           | 0.21           | 0.04            | 0.08            |
| Weighted average number of shares used for calculating the diluted earnings per shares (in thousands of units) | 323 313        | 322 513        | 313 322         | 298 150         |
| Diluted earnings per share (EUR)   | 0.11           | 0.21           | 0.04            | 0.08            |

\* 2022 data is adjusted according to share split carried out in Q3 2022.

## NOTE 17 Capital Management

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

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

The amount of capital that the Group managed as of 30.06.2023 was 502 386 thousand euros (31.12.2022: 494 956 thousand euros). The goals of the Group's capital management are set based on both the regulative requirements and additional internal buffer.

The Group follows the general principles in its capital management:

- The Group must be adequately capitalized at all times, ensuring the necessary capital to ensure economic preservation in all situations;

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

| <b>Capital base</b>  | <b>30.06.2023</b> | <b>31.12.2022</b> |
|--|-------------------|-------------------|
| Paid-in share capital  | 31 983            | 31 542            |
| Share premium  | 143 372           | 141 186           |
| Reserves   | 4 713             | 4 713             |
| Other reserves   | -327              | -1 447            |
| Accumulated loss   | 219 426           | 170,010           |
| Intangible assets (subtracted)   | -23 399           | -23 333           |
| Profit for the reporting period (COREP)  | 0                 | 49 179            |
| Other adjustments  | -355              | -369              |
| CET1 capital elements or deductions  | 0                 | 0                 |
| CET1 instruments of financial sector entities where the institution has a significant investment     | -3 028            | -3 351            |
| CET1 instruments of financial sector entities where the institution has not a significant investment | 0                 | -180              |
| <b>Total Core Tier 1 capital</b>   | <b>372 386</b>    | <b>364 956</b>    |
| Additional Tier 1 capital  | 55 000            | 55 000            |
| <b>Total Tier 1 capital</b>  | <b>427 386</b>    | <b>419 956</b>    |
| Subordinated liabilities   | 75 000            | 75 000            |
| <b>Total Tier 2 capital</b>  | <b>75 000</b>     | <b>75 000</b>     |
| <b>Total net own funds</b>   | <b>502 386</b>    | <b>494 956</b>    |

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.

| <b>Transactions</b>                                | <b>Q2 2023</b> | <b>6M 2023</b> | <b>Q2 2022</b> | <b>6M 2022</b> |
|--|----------------|----------------|----------------|----------------|
| <b>Interest income</b>                             | <b>97</b>      | <b>178</b>     | <b>30</b>      | <b>61</b>      |
| incl. management                                   | 34             | 80             | 13             | 26             |
| incl. shareholders that have significant influence | 63             | 98             | 17             | 35             |
| <b>Fee and commission income</b>                   | <b>58</b>      | <b>116</b>     | <b>3</b>       | <b>6</b>       |
| Incl. management                                   | 8              | 16             | 2              | 4              |
| incl. shareholders that have significant influence | 50             | 100            | 1              | 3              |
| <b>Interest expenses from deposits</b>             | <b>22</b>      | <b>44</b>      | <b>4</b>       | <b>8</b>       |
| incl. management                                   | 2              | 4              | 1              | 2              |
| incl. shareholders that have significant influence | 20             | 40             | 3              | 6              |

|  |           |            |           |            |
|--|-----------|------------|-----------|------------|
| <b>Interest expenses from subordinated loans</b>   | <b>89</b> | <b>181</b> | <b>81</b> | <b>162</b> |
| incl. management                                   | 2         | 4          | 3         | 6          |
| incl. shareholders that have significant influence | 87        | 174        | 78        | 156        |

| <b>Balances</b>                                    | <b>30.06.2023</b> | <b>31.12.2022</b> |
|--|-------------------|-------------------|
| <b>Loans and receivables as at the year-end</b>    | <b>8 461</b>      | <b>7 570</b>      |
| incl. management                                   | 4 474             | 3 901             |
| incl. shareholders that have significant influence | 3 987             | 3 669             |
| <b>Deposits as at the year-end</b>                 | <b>12 007</b>     | <b>7 763</b>      |
| incl. management                                   | 1 391             | 765               |
| incl. shareholders that have significant influence | 10 616            | 6 998             |
| <b>Subordinated loans as at the year-end</b>       | <b>4 434</b>      | <b>4 434</b>      |
| incl. management                                   | 148               | 148               |
| incl. shareholders that have significant influence | 4 286             | 4 286             |

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

Loans granted to related parties are issued at market conditions.

In Q2, salaries and other compensations paid to the management of the parent AS LHV Group and its subsidiaries totalled EUR 832 thousand (Q2 2022: EUR 688 thousand), including all taxes. As at 30.06.2023, remuneration for June and accrued holiday pay in the amount of EUR 188 thousand (31.12.2022: EUR 214 thousand) is reported as a payable to management. The Group

did not have any long-term payables or commitments to the members of the Management Board and the Supervisory Board as at 30.06.2023 and 31.12.2022 (pension liabilities, termination benefits, etc.). In Q2 2023, the remuneration paid to the members of the Group's Supervisory Board totalled EUR 27 thousand (Q2 2022: EUR 27 thousand).

Management is related to the share-based compensation plan. In Q2 2023 the share-based compensation to management amounted to EUR 588 thousand (Q2 2022: EUR 618 thousand).

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

## NOTE 19 Tangible and intangible assets

| <i>(in thousands of euros)</i>            | <b>Tangible assets</b> | <b>Right of use assets</b> | <b>Total tangible assets</b> | <b>Intangible assets</b> | <b>Costs incurred for the acquisition of customer contracts</b> | <b>Total intangible assets</b> |
|---|------------------------|----------------------------|------------------------------|--------------------------|---|--------------------------------|
| <b>Balance as at 31.12.2021</b>           |                        |                            |                              |                          |   |                                |
| 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                        |
| <b>Carrying amount 31.12.2021</b>         | <b>4 432</b>           | <b>4 042</b>               | <b>8 474</b>                 | <b>3 764</b>             | <b>8 061</b>  | <b>11 825</b>                  |
| Purchase of non-current assets            | 6 527                  | 5 642                      | 12 169                       | 3 745                    | 0   | 3 745                          |
| Depreciation/amortisation charge          | -1 431                 | -2 377                     | -3 808                       | -1 990                   | -1 503  | -3 493                         |
| Tangible and intangible assets added by   |                        |                            |                              |                          |   |                                |
| the acquisition of a subsidiary           | 23                     | 0                          | 23                           | 896                      | 0   | 896                            |
| Write-off of on-current assets            | -13                    | 0                          | -13                          | -366                     | 0   | -366                           |

|   |               |              |               |              |              |               |
|---|---------------|--------------|---------------|--------------|--------------|---------------|
| Capitalised selling costs                 | 0             | 0            | 0             | 0            | 881          | 881           |
| <b>Balance as at 31.12.2022</b>           |               |              |               |              |              |               |
| Cost                                      | 15 815        | 12 165       | 27 980        | 15 421       | 17 595       | 33 016        |
| Accumulated depreciation and amortisation | -6 264        | -4 858       | -11 122       | -9 006       | -10 156      | -19 162       |
| <b>Carrying amount 31.12.2022</b>         | <b>9 551</b>  | <b>7 307</b> | <b>16 858</b> | <b>6 415</b> | <b>7 439</b> | <b>13 854</b> |
| Purchase of non-current assets            | 1 905         | 867          | 2 772         | 2 219        | 0            | 2 219         |
| Depreciation/amortisation charge          | -717          | -1 143       | -1 860        | -1 428       | -671         | -2 099        |
| Recalculation of the accumulated          | 86            | 189          | 275           | 537          | 0            | 537           |
| Write-off of on-current assets            | -72           | -12          | -84           | 0            | 0            | 0             |
| Capitalised selling costs                 | 0             | 0            | 0             | 0            | 431          | 431           |
| <b>Balance as at 30.06.2023</b>           |               |              |               |              |              |               |
| Cost                                      | 17 806        | 13 221       | 31 027        | 18 177       | 18 026       | 36 203        |
| Accumulated depreciation and amortisation | -7 053        | -6 013       | -13 066       | -10 971      | -10 827      | -21 798       |
| <b>Carrying amount 30.06.2023</b>         | <b>10 753</b> | <b>7 208</b> | <b>17 961</b> | <b>7 206</b> | <b>7 199</b> | <b>14 405</b> |

## NOTE 20 Subordinated debts

Subordinated debts (in thousands of euros)

|  | Year<br>issue | of | Amount  | Interest<br>rate | Maturity date     |
|--|---------------|----|---------|------------------|-------------------|
| Subordinated Tier 2 liabilities            | 2018          |    | 20 000  | 6.0%             | November 28 2028  |
| Subordinated Tier 2 liabilities            | 2019          |    | 20 000  | 6.0%             | November 28 2028  |
| Subordinated Tier 2 liabilities            | 2020          |    | 35 000  | 6.0%             | September 30 2030 |
| Additional subordinated Tier 2 liabilities | 2019          |    | 20 000  | 8.0%             | Perpetual         |
| Additional subordinated Tier 2 liabilities | 2020          |    | 15 000  | 9.5%             | Perpetual         |
| Additional subordinated Tier 2 liabilities | 2022          |    | 20 000  | 10.5%            | Perpetual         |
| Subordinated debt as at 31.12.2022         |               |    | 130 000 |                  |                   |
| Subordinated debt as at 30.06.2023         |               |    | 130 000 |                  |                   |

## NOTE 21 Changes in impairments

| <b>Changes in impairments</b> | <b>Balance as at<br/>01.01</b> | <b>Impairment<br/>provisions/reversals<br/>set up during the year</b> | <b>Written off during the<br/>reporting period</b> | <b>Balance<br/>as at<br/>30.06</b> |
|-------------------------------|--------------------------------|---|--|------------------------------------|
| Corporate loans               | -15 498                        | -2 482  | 5 221  | -12 759                            |
| Consumer loans                | -2 108                         | -1 260  | 548  | -2 820                             |
| Investment financing          | -13                            | -5  | 2  | -16                                |
| Leasing                       | -2 009                         | -176  | 216  | -1 969                             |
| Private loans                 | -1 014                         | -141  | 131  | -1 024                             |
| <b>Total 2023</b>             | <b>-20 642</b>                 | <b>-4 064</b>   | <b>6 118</b>                                       | <b>-18 588</b>                     |

| <b>Changes in impairments</b> | <b>Balance as at<br/>01.01</b> | <b>Impairment<br/>provisions/reversals<br/>set up during the year</b> | <b>Written off during the<br/>reporting period</b> | <b>Balance<br/>as at<br/>31.12</b> |
|-------------------------------|--------------------------------|---|--|------------------------------------|
| Corporate loans               | -15 288                        | -5 426  | 5 216  | -15 498                            |
| Consumer loans                | -1 320                         | -2 092  | 1 303  | -2 108                             |
| Investment financing          | -130                           | -8  | 125  | -13                                |
| Leasing                       | -1 250                         | -1 204  | 445  | -2 009                             |
| Private loans                 | -1 061                         | -593  | 641  | -1 014                             |

|                   |                |               |              |                |
|-------------------|----------------|---------------|--------------|----------------|
| <b>Total 2022</b> | <b>-19 049</b> | <b>-9 323</b> | <b>7 730</b> | <b>-20 642</b> |
|-------------------|----------------|---------------|--------------|----------------|

## Shareholders of AS LHV Group

AS LHV Group has a total of 319 832 743 ordinary shares, with a nominal value of 0.1 euro.

**As at 30 June 2023, AS LHV Group has 35 940 shareholders:**

- 147 584 344 shares (46.14%) were held by members of the Supervisory Board and Management Board, and related parties.
- 172 248 399 shares (53.86%) were held by Estonian entrepreneurs and investors, and related parties.

**Top ten shareholders as at 30 June 2023:**

| Number of  | Participation | Name of shareholder          |
|------------|---------------|------------------------------|
| 37 162 070 | 11,6%         | AS Lõhmus Holdings           |
| 33 910 370 | 10,6%         | Viisemann Investments AG     |
| 25 449 470 | 8,0%          | Rain Lõhmus                  |
| 12 446 070 | 3,9%          | Krenno OÜ                    |
| 11 310 000 | 3,5%          | AS Genteel                   |
| 10 875 280 | 3,4%          | AS Amalfi                    |
| 10 828 210 | 3,4%          | Ambient Sound Investments OÜ |
| 7 188 990  | 2,3%          | SIA Krugmans                 |
| 6 691 020  | 2,1%          | Bonaares OÜ                  |
| 6 037 590  | 1,9%          | OÜ Meroona Systems           |

### Shares held by members of the Management Board and Supervisory Board

Madis Toomsalu holds 1 398 440 shares.

Martti Singi holds 911 100 shares and Unitas OÜ holds 77 540 shares.

Meelis Paakspuu holds 663 300 shares.

Jüri Heero holds 818 980 shares and Heero Invest OÜ holds 306 820 shares.

Rain Lõhmus holds 25 449 470 shares, AS Lõhmus Holdings 37 162 070 shares and OÜ Merona Systems 6 037 590 shares.

Andres Viisemann holds 545 840 shares. Viisemann Holdings OÜ holds 1 300 000 shares and Viisemann Investment AG holds 33 910 370 shares.

Tauno Tats does not hold shares. Ambient Sound Investments OÜ holds 10 828 210 shares.

Tiina Mõis holds 49 880 shares. AS Genteel holds 11 310 000 shares.

Heldur Meerits does not hold shares. AS Amalfi holds 10 875 280 shares.

Raivo Hein does not hold shares. OÜ Kakssada Kakskümmend Volti holds 5 003 370 shares, Astrum OÜ holds 3 890 shares and Lame Maakera OÜ holds 483 120 shares.

Sten Tamkivi holds 4 000 shares. OÜ Seikatsu holds 159 390 shares and OÜ Notorious 172 240 shares.

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

## **AS LHV Group**

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

Management board: Madis Toomsalu, Martti Singi, Meelis Paakspuu, Jüri Heero

## **AS LHV Varahaldus**

Supervisory board: Madis Toomsalu, Andres Viisemann, Kadri Kiisel

Management board: Vahur Vallistu, Joel Kukemelk, Eve Sirel

## **AS LHV Pank**

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

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

## **AS LHV Finance**

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

Management board: Heidy Kütt

## **AS LHV Kindlustus**

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

Management board: Tarmo Koll (till 30.06.2023), Martti-Sten Merilai

## **LHV UK Limited**

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

## **AS EveryPay**

Supervisory board: Kadri Kiisel, Madis Toomsalu, Erki Kilu, Andres Kitter

Management board: Lauri Teder



# Signatures of the Management Board to the Condensed Consolidated Interim Report

The Management Board has prepared the summary of results for January to June 2023 period the condensed consolidated interim financial statements of AS LHV Group for the 6-months period ended 30 June 2023.

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

**18.07.2023**

**Madis Toomsalu**

**Martti Singi**

**Meelis Paakspuu**

**Jüri Heero**