Company	AS LHV Group
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Attachments:
- LHV Group 2022-08-EN.pdf (http://oam.fi.ee/en/download?id=6775)
- LHV Group 2022-08-ET.pdf (http://oam.fi.ee/en/download?id=6776)

Currency

Title LHV Group results for August 2022

In August, AS LHV Group earned EUR 3.3 million in consolidated net profit. In this regard, AS LHV Pank earned EUR 6.6 million in net profit, with EUR 0.5 million of it originating from the servicing of clients associated with the United Kingdom branch. AS LHV Varahaldus earned EUR 96,000 in net profit; AS LHV Kindlustus generated a net loss of EUR 111,000, and LHV UK Limited generated a net loss of EUR 0.9 million.

The month with otherwise strong results was affected by the EUR 2.3 million discount of the financial investment into the United Kingdom credit institution Bank North that is applying for an unrestricted banking licence. Resulting from indications of the financing round, the enterprise value has decreased. For LHV, the future holds several strategic choices, as the business side related to the company has exceeded expectations in terms of demand and conditions of the issued loans.

In August, the consolidated loan portfolio of LHV Group passed the EUR 3 billion threshold for the first time ever, growing by EUR 53 million within the month; corporate loans accounted for EUR 24 million of this, and retail loans for EUR 29 million. At that, the home loan portfolio has reached a volume of over EUR 1 billion. Credit quality remains good. Consolidated deposits decreased by EUR 126 million, with deposits from payment intermediaries decreasing by EUR 230 million, while deposits from retail clients increased by EUR 102 million. The volume of funds managed by LHV increased by EUR 4 million over the month. In August, 1.9 million payments from financial intermediary clients were processed.

The increase in interest rates has started to have a strong effect on the outlook of the following quarters for LHV. This is why LHV is catching up to the LHV financial plan in terms of profitability, leaving aside the discounting of the financial investment.

The main additional returns of the Group are associated with the general increase in interest rates, the most important of which are the European Central Bank deposit interests making it into positive territory. In an environment of negative interests, holding the liquidity portfolio generated a direct cost of EUR 15 million per year for LHV. As a result of the monetary policy decisions of the European Central Bank, LHV no longer has to cover this cost, and following the increase of interest rates in September, the liquidity portfolio will start generating returns, which are approximately EUR 3 to 4 million this year. The increase in interest rates also has a positive effect on revenues from the loan portfolio, 91% of which are linked to the 6-month Euribor and which are recalculated to new levels on a running basis.

The number of clients of LHV Pank increased by 4,800 within the month, to 359,000 clients; the number of clients who use settlements increased by 2,700. The interest revenues of the bank are increasing faster than estimated; fee and commission income is also improving, as the decrease in revenue from virtual currency clients is being replaced with fee and commission income from other clients. In August, the bank updated the conditions of the student loan and started offering the loan intended for students with the most advantageous interest on the market. This has markedly increased interest in the student loan.

A weaker month on stock markets had an effect on the results of Varahaldus. The number of II pillar clients of LHV remained at the 132,000 client level. Against the backdrop of the rest of the market, LHV's pension funds have retained value. The larger pension funds experienced a slight decrease in August, with M, L and XL decreasing by 0.2%, 0.4%, and 0.4%, respectively.

The business volumes of Kindlustus continued their quick growth: 13,600 insurance contracts with a volume of EUR 2.1 million were concluded. A total of 378 loss events were compensated, and the clients' satisfaction with claims handling remained high. Operating costs remained below estimates. The efficiency indicators of Kindlustus are improving.

LHV UK Limited is continuing the work of applying for the licence of a credit institution. The main emphasis is on building the organisation, development of technology and preparing for migration, preparing for transferring business activities, and regulatory preparations.

The LHV financial plan stands, despite the changed environment.

To access the reports of AS LHV Group, please visit the website at https://investor.lhv.ee/en/reports/.

LHV Group is the largest domestic financial group and capital provider in Estonia. LHV Group's key subsidiaries are LHV Pank, LHV Varahaldus, and LHV Kindlustus. The Group employs more than 820 people. As at August, LHV's banking services are used by 359,000 clients, the pension funds managed by LHV have 132,000 active clients, and LHV Kindlustus protects a total of 149,000 clients.

LHV's UK branch offers banking infrastructure to 200 international financial services companies, via which LHV's payment services reach clients around the world.

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