Company	AS LHV Group
Type	Company Release
Category	Other corporate action
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Currency

Title Outcome of Supervisory Review and Evaluation Process by the FSA and AS LHV Group's

In December, the Estonian FSA, Finantsinspektsioon, presented AS LHV Group with the outcome of Supervisory Review and Evaluation Process (SREP) capital adequacy calculation. In comparison with the previous evaluation the FSA decided to raise the Pillar 2 capital requirements and guidelines for AS LHV Group. In addition, because of the growth of LHV's market share Bank of Estonia has decided to increase systemic importance buffer by 0.5%. In December, Bank of Estonia raised the counter-cyclical buffer to the level of 1% and announced the plan to raise it in a years' time by another 0,5 percentage points.

According to the decision of the FSA, an additional requirement for own funds in the amount 3.40% applies to AS LHV Group, of which at least 1.91% must be covered by Core Tier 1 own funds and at least 2.55% by Tier 1 capital.

The Supervisory Board of AS LHV Group based on the FSA decision and adding to it internal buffers decided to set total CAD target ratio at 19.20%, Tier 1 ratio at 16.35% and Core Tier 1 ratio to 14.20%.

Underneath is the target split into components:

	Core Tier 1	Tier 1	Total CAD
Base requirement	4.50%	6.00%	8.00%
Pillar 2 capital requirement	1.91%	2.55%	3.40%
Total SREP requirement	6.41%	8.55%	11.40%
Capital conservation buffer	2.50%	2.50%	2.50%
Systemic importance buffer (O-SII)	2.00%	2.00%	2.00%
Systemic risk buffer	0.00%	0.00%	0.00%

Discretionary counter-cyclical buffer	1.00%	1.00%	1.00%
Total combined buffer	5.50%	5.50%	5.50%
Total minimal regulatory requirement	11.91%	14.05%	16.90%
Additional internally decided buffers	2.29%	2.30%	2.30%
Group's internal capitalization targets	14.2%	16.35%	19.20%

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 880 people. As at the end of November, LHV's banking services are being used by 374,000 clients, the pension funds managed by LHV have 131,000 active clients, and LHV Kindlustus protects a total of 150,000 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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