Company	AS LHV Group
Type	Company Release
Category	Other corporate action
Disclosure time	14 Dec 2023 08:00:00 +0200
Currency	
Title	Outcome of Supervisory Review and Evaluation Process by the ECB and LHV Group's Internal

In December, the European Central Bank (ECB) presented AS LHV Group with the outcome of Supervisory Review and Evaluation Process (SREP) for capital adequacy calculation. Previously under the supervision of the Estonian Financial Supervision and Resolution Authority, AS LHV Group and its subsidiary AS LHV Pank have been subject to direct supervision by the ECB since 1 January 2023.

According to the ECB's decision, Pillar 2 capital requirements and guidelines for LHV Group will remain at the existing level. An additional requirement for own funds in the amount 3.40% applies to 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.

In comparison with the previous evaluation, the Bank of Estonia raised the counter-cyclical buffer from 1 percentage point to 1.50. The counter-cyclical buffer is one of the four regional buffers that are set for meeting the objectives of macroprudential supervision and the flexibility of establishing it is left to each member state.

The Supervisory Board of LHV Group, considering the ECB's decision and adding internal buffers, decided to set the total own funds target ratio at 19.70%, Tier 1 ratio at 16.85% and Core Tier 1 ratio at 14.70%.

Underneath is the target split into components:

Indicator	CET 1	Tier 1	Total own funds ratio
Basic requirement	4.50%	6.00%	8.00%
Pillar 2 capital requirement (P2R)	1.91%	2.55%	3.40%
Total SREP Capital Requirement (TSCR)	6.41%	8.55%	11.40%
Capital conservation buffer	2.50%	2.50%	2.50%

Systemic risk buffer	0.00%	0.00%	0.00%
Countercyclical buffer	1.50%	1.50%	1.50%
O-SII buffer	2.00%	2.00%	2.00%
Total combined buffer	6.00%	6.00%	6.00%
Total general capital requirement	12.41%	14.55%	17.40%
Pillar 2 guidance	2.00%	2.00%	2.00%
Internal buffers	0.29%	0.30%	0.30%
Total internal capital requirement risk appetite limit	14.70%	16.85%	19.70%

LHV Group is the largest domestic financial group and capital provider in Estonia. LHV Group's key subsidiaries are LHV Pank, LHV Varahaldus, LHV Kindlustus, and LHV Bank Limited. The Group employs over 1,060 people. As at the end of October, LHV's banking services are used by 415,000 clients, the pension funds managed by LHV have 125,000 active clients, and LHV Kindlustus protects a total of 164,000 clients. LHV Bank, a subsidiary of the Group, holds a banking licence in the UK and provides banking services to international financial technology companies, as well as loans to small and medium-sized enterprises.

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