LHV Bank Limited
Pillar 3 Disclosures

31 December 2025

LHV

Contents

1. Introduction

1.1 Overview

This document presents the Pillar 3 disclosures on capital and risk management for LHV Bank Limited (“LHV Bank” or “the Bank”) as at 31 December 2025.

LHV Bank is a company limited by shares and registered in England and Wales under the Companies Act 2006 with registration number 13180211. LHV Bank is domiciled in the United Kingdom. The address of its registered office and principal place of business is 1 Angel Court, London, EC2R 7HJ. LHV Bank is authorised by the Prudential Regulation Authority (“PRA”) and regulated by both the Financial Conduct Authority (“FCA”) and the PRA. LHV Bank is also part of the Financial Services Compensation Scheme (“FSCS”).

LHV Bank is a subsidiary of AS LHV Group (“LHV Group”), an international financial group headquartered in Estonia and publicly listed on Nasdaq Baltic. LHV Group operates across banking, asset management and insurance markets in the EU and the UK.

These Pillar 3 disclosures are prepared on a solo basis for LHV Bank Limited, and should be read in conjunction with the Bank’s 2025 Annual Report and Accounts, which are available on the Bank’s website: https://www.lhv.com/about/reports and also available from Companies House.

During 2025, LHV Bank continued to provide SME Lending, Retail Banking and Banking Services to its UK and overseas customers.

1.2 Purpose

The Basel framework establishes a comprehensive approach to banking regulation and supervision, designed to strengthen financial stability, enhance risk management and promote transparency within the banking system. The framework is structured around three complementary “pillars”:

- Pillar 1 – Minimum capital requirements:
  Sets out the minimum quantitative capital requirements that institutions must hold against credit, market and operational risks. These requirements ensure that banks maintain a baseline level of high-quality capital relative to their risk-weighted assets.
- Pillar 2 – Supervisory review process:
  Requires firms to assess, through the Internal Capital Adequacy Assessment Process (“ICAAP”), the full range of risks to which they are exposed, including those not fully captured under Pillar 1. The ICAAP represents management’s forward-looking assessment of the Bank’s capital adequacy over its planning horizon, including under stressed conditions. The Prudential Regulation Authority (“PRA”) reviews the ICAAP as part of its Supervisory Review and Evaluation Process (“SREP”) and uses it to determine the firm-specific capital requirements and buffers applicable to the Bank.
- Pillar 3 – Market discipline:
  Seeks to reinforce market discipline by requiring institutions to disclose information relating to their risk profile, capital structure, governance and risk management practices. Through enhanced transparency, Pillar 3 enables investors, counterparties and other stakeholders to assess the Bank’s financial resilience and risk management effectiveness.

The disclosures contained in this report are prepared in accordance with Pillar 3 requirements under the UK Capital Requirements Regulation (CRR) and the PRA Disclosure (CRR) Part of the Rulebook. They are intended to provide clear, consistent and decision-useful information regarding the Bank’s capital position, risk exposures and risk management framework as at the reporting date.

2. Disclosure Policy

2.1 Pillar 3 disclosure policy

The following section summarises LHV Bank's Pillar 3 disclosure policy, including the basis of preparation, scope and frequency of disclosures, media and location of publication, verification arrangements and Board responsibility for risk management disclosures.

The policy is reviewed periodically to ensure it remains appropriate in light of evolving regulatory requirements and market practice. The most recent review was completed in advance of the 2025 Pillar 3 report publication and approved by the Board.

2.2 Basis of preparation

These disclosures have been prepared in accordance with the Disclosure (CRR) Part of the PRA Rulebook and the UK Capital Requirements Regulation (CRR).

To promote transparency, consistency and comparability across institutions, the PRA prescribes specific templates for certain disclosures. Where applicable, this document follows the order, naming convention and presentation of those templates.

Where individual rows or columns within prescribed templates are not applicable to the Bank's activities, or where balances are immaterial or nil, they have been omitted for clarity.

Unless otherwise stated, the disclosures present information as at 31 December 2025, with comparative information as at 31 December 2024 where required. Amounts are rounded to the nearest thousand, unless otherwise indicated.

The Pillar 3 disclosures are prepared on a solo basis for LHV Bank Limited. Further details of the accounting basis of preparation are set out in the Bank's 2025 Annual Report and Accounts.

2.3 Scope and frequency of disclosures

Article 433 of the Disclosure (CRR) Part of the PRA Rulebook sets out the scope and frequency of Pillar 3 disclosures. The extent of required disclosure depends on whether an institution is classified as:

- Large (Article 433a),
- Small and non-complex (Article 433b), or
- Other institutions (Article 433c),

and whether the institution is listed, subject to leverage ratio requirements (LREQ), or identified as a G-SII or O-SII.

As at 31 December 2025, LHV Bank Limited is classified as an "other institution". Accordingly, the Bank is required to publish a reduced set of disclosures on an annual basis, with no requirement for semi-annual or quarterly Pillar 3 reporting.

2. Disclosure Policy

The information required to be published is as follows:

Disclosure (CRR) Part of the PRA Rulebook	Relevant annex	Relevant templates, tables and rows (if applicable)
Points (a), (e) and (f) of Article 435(1)	Annex III – Disclosure of risk management objectives and policies	• Point (a): Table UK OVA row number (f) • Point (e): Table UK OVA row number (c) • Point (f): Table UK OVA row number (a)
Points (a), (b) and (c) of Article 435(2)		• Point (a): Table UK OVB row number (a) • Point (b): Table UK OVB row number (b) • Point (c): Table UK OVB row number (c)
Point (a) of Article 437	Annex VII - Disclosure of own funds	• Template UK CC1 – Composition of regulatory own funds • Template UK CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements
Points (c) and (d) of Article 438	Annex I – Disclosure of key metrics and overview of risk-weighted exposure amounts	• Template UK OV1 – Overview of risk weighted exposure amounts • Template UK KM1 – Key metrics
The key metrics referred to in Article 447		• Template UK KM1 – Key metrics

In accordance with Article 432 of the Disclosure (CRR) Part of the PRA Rulebook, institutions may omit information that is not material or that is proprietary or confidential. No disclosures have been omitted in the current year on these grounds.

The reconciliation of regulatory own funds to the audited financial statements (UK CC2) is disclosed within the Bank's Annual Report and Accounts as at 31 December 2025 in Note 34.4.

This disclosure is considered to meet the requirements of Article 437 of the UK CRR and is incorporated into this Pillar 3 report by cross-reference.

Certain Pillar 3 requirements are met through cross-reference to the Bank's published Annual Report and Accounts. Where this approach is used, clear references are provided.

2.4 Remuneration disclosures

LHV Bank Limited is classified as an "other institution" under Article 433c of the UK CRR and, as a non-listed entity and having met the criteria for a small CRR firm, benefits from the no disclosure requirement set out in paragraph 3 of that Article.

2.5 Frequency, media and location

The Bank's policy is to publish Pillar 3 disclosures annually.

The disclosures are published alongside, or concurrently with, the Bank's Annual Report and Accounts and are made available on the Bank's website.

The frequency of disclosure will be reviewed should there be a material change in the Bank's business model, risk profile, capital calculation approach or regulatory classification.

2.6 Verification and approval

The Pillar 3 disclosures have been reviewed by senior management and recommended to the Board for approval.

2. Disclosure Policy

The Board has approved the Pillar 3 disclosures and is satisfied that they present a fair, balanced and understandable assessment of the Bank's risk profile, capital position and risk management framework.

Certain information included within these disclosures is also contained within the Bank's Annual Report and Accounts, which are subject to external audit.

2.7 Board responsibility for risk management and disclosures

Effective risk management is a core objective of the Bank. The Board is responsible for setting the Bank's strategy, risk appetite and control framework, and for overseeing the management of principal risks.

In accordance with Article 435 of the Disclosure (CRR) Part of the PRA Rulebook, the Bank is required to ensure that its external disclosures provide a comprehensive view of its risk profile.

The Directors have assessed the adequacy of these disclosures and are satisfied that this report provides a comprehensive and transparent representation of the Bank's risk profile and capital adequacy position as at the reporting date.

Disclosures of risk management objectives and policies using Annex III are included in section 3.3.

3.1 Annex I: Disclosure of key metrics and overview of risk-weighted exposure amounts

3.1.1 Template UK OV1 – Overview of risk weighted exposure amounts

This template sets out the information required under point (d) of Article 438. It presents a summary of risk-weighted exposure amounts and the associated own funds requirements across the various risk categories.

	31 December 2025 £000		31 December 2024 £000	
	Risk Weighted Exposure Amount	**Own Funds Requirement**	**Risk Weighted Exposure Amount**	**Own Funds Requirement**
Credit Risk	481,364	38,508	211,654	16,932
of which: the standardised approach	481,364	38,508	211,654	16,932
Counterparty Credit Risk	3,110	249	-	-
of which: the standardised approach	3,110	249	-	-
Market Risk	3,557	285	-	-
of which: the standardised approach	3,557	285	-	-
Operational Risk	73,437	5,875	72,622	5,810
of which: the basic indicator approach	73,437	5,875	72,622	5,810
Total	**561,468**	**44,917**	**284,276**	**22,742**

The increase in capital requirement for credit risk was driven by the growth of the loan book. 93% of loan exposures were classified as Stage 1 as at 31 December 2025 (further information is included on page 107 of the Annual Report).

3.1.2 Template UK KM1 - Key metrics template

This template outlines the key metrics referenced in Article 447, covering measures related to capital, leverage, liquidity, and funding.

	31 December 2025 £000	31 December 2024 £000
Available own funds		
Common equity Tier 1 capital	103,888	68,399
Tier 1 capital	103,888	68,399
Total capital	113,921	68,399
Risk weighted exposure amounts		
Total risk weighted exposure amount	561,468	284,276
Capital ratios		
Common equity Tier 1 capital ratio (%)	18.5%	24.1%
Tier 1 capital ratio (%)	18.5%	24.1%
Total capital ratio (%)	20.3%	24.1%
Additional own funds requirements		
Additional requirement	3.5%	2.2%
Total own funds requirements	11.5%	10.2%
Combined buffer requirement		

Capital conservation buffer (%)	2.5%	2.5%
Institution specific countercyclical buffer (%)	2.0%	2.0%
Combined buffer requirement (%)	4.5%	4.5%
Total capital requirement and combined buffers (%)	16.0%	14.7%
Leverage ratio		
Total exposure measure excluding claims made on central banks	721,124	317,763
Leverage ratio excluding claims made on central banks (%)	14.4%	21.5%
Liquidity coverage ratio[1]		
Total HQLA	405,138	296,989
Cash outflows	224,517	183,800
Cash inflows	19,154	12,270
Total net cash outflows	205,363	171,530
Liquidity coverage ratio (%)	196%	175%
Net stable funding ratio[1]		
Total available funding	802,886	372,192
Total required funding	441,159	153,881
Net stable funding ratio (%)	182%	260%

[1] The LCR and NSFR represent averages over the period 1 January 2025 to 31 December 2025.

Capital

LHV Bank's capital base comprises Common Equity Tier 1 (CET1), the highest quality form of regulatory capital, and subordinated debt. CET1 is adjusted for applicable prudential filters, which for LHV Bank include deductions for intangible assets, prudent valuation adjustments, and the merger reserve.

Pillar 1

Pillar 1 sets out the minimum capital requirements for credit, market and operational risk. The total Pillar 1 requirement is 8% of risk-weighted assets (RWAs).

LHV Bank applies the standardised approach to calculate credit risk RWAs and the basic indicator approach for operational risk.

Leverage

The leverage ratio provides a non-risk-based backstop to the risk-weighted capital framework. LHV Bank's leverage ratio of 14.4% is comfortably above the expected regulatory minimum of 3.25%.

Liquidity

Both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remain well in excess of regulatory thresholds, demonstrating a strong liquidity position and resilient funding structure.

Pillar 2

Under the PRA framework, Pillar 2 captures risks that are not fully addressed under Pillar 1. These include, for example:

- Credit concentration risk
- Interest rate risk in the banking book (IRRBB)

Pillar 2B, or the PRA Buffer, is an additional firm-specific capital buffer that sits above the Combined Buffer Requirement (CBR). It is primarily informed by stress testing and is designed to ensure firms can withstand severe but plausible stress scenarios while continuing to meet minimum regulatory requirements.

3.2 Annex VII: Disclosure of own funds

3.2.1 Template UK CC1 - Composition of regulatory own funds

	31 December 2025 £000	31 December 2024 £000
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	105,000	75,000
Cumulative retained earnings	2,224	(3,030)
Accumulated other comprehensive income and other reserves	(1,725)	(1,725)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**105,499**	**70,245**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	418	805
Intangible assets	1,193	1,041
Prudential valuation adjustment	-	-
Total regulatory adjustments to CET 1	**1,611**	**1,846**
CET 1 after regulatory adjustments	**103,888**	**68,399**
Tier 1 Capital	**103,888**	**68,399**
Tier 2 Capital	**10,033**	**-**
Total capital	**113,921**	**68,399**
Total risk exposure amount	**561,468**	**284,276**
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	**18.5%**	**24.1%**
Tier 1 (as a percentage of total risk exposure amount)	**18.5%**	**24.1%**
Total capital (as a percentage of total risk exposure amount)	**20.3%**	**24.1%**

Capital adequacy is assessed and monitored through the Bank's Internal Capital Adequacy Assessment Process ("ICAAP"), which provides a forward-looking evaluation of the Bank's capital requirements relative to its risk profile and strategic plan. The ICAAP incorporates:

- A comprehensive assessment of material risks, including credit, market, operational, interest rate risk in the banking book (IRRBB) and concentration risk;
- Stress testing and scenario analysis designed to assess resilience under severe but plausible conditions; and
- Multi-year capital projections aligned to the Bank's business plan and risk appetite.

The Bank's capital management framework is designed to ensure that capital resources remain sustainably above minimum regulatory requirements, supported by an appropriate management buffer.

Throughout the reporting period, the Bank complied with all applicable capital requirements, including Pillar 1 minimum requirements, Pillar 2 requirements set by the competent authority, and the Combined Buffer Requirement. There were no breaches of regulatory minima or buffer thresholds during the year.

3.3 Annex III: Disclosure of risk management objectives and policies

3.3.1 UK OVA and OVB - Institution risk management approach and governance arrangements

LHV Bank Limited is classified as an “other institution” under Article 433c of the UK CRR and, as a non-listed entity, benefits from the reduced disclosure requirements as set out in section 2.3 of this report. This section should be read alongside the Bank’s 2025 Annual Report and Accounts, which contains additional detail on the Bank’s risk management framework, governance arrangements, internal control environment and related Board attestations. Where appropriate, cross-references are included to assist readers in locating the relevant sections within the Annual Report and Accounts.

Approach to risk management

Robust risk management is fundamental to the delivery of LHV Bank Limited’s strategy and the long-term sustainability of its business model. The Board and senior management are responsible for ensuring that the risks undertaken by the Bank are clearly identified, appropriately assessed, effectively managed and transparently reported. The Bank’s objective is to maintain a risk profile that is consistent with its strategic ambitions, capital strength and liquidity resources, and that remains resilient under both expected and stressed conditions.

The Board retains ultimate responsibility for oversight of risk. The Board Risk Committee supports the Board in this role by reviewing the Bank’s risk appetite, risk strategy and control framework. This includes conducting an annual review of the risk management framework and advising the Board on material risk matters, emerging risks and any significant breaches of approved risk limits. The Board Risk Committee also reviews the Bank’s risk assessment methodologies and the effectiveness of systems and controls used to identify and manage new and evolving risks.

The Bank’s Risk Management Framework (“RMF”) sets out the overarching structure for managing risk, including governance arrangements, policies, reporting lines and escalation procedures. Formal escalation and reporting requirements are embedded within risk policies, committee terms of reference and clearly defined risk appetite statements and limits approved by the Board.

Senior management monitors a range of prudential metrics to assess the Bank’s capital adequacy, leverage and liquidity position. These include:

- Common Equity Tier 1 (CET1) ratio;
- Total capital ratio;
- Leverage ratio;
- Liquidity Coverage Ratio (LCR); and
- Net Stable Funding Ratio (NSFR).

Throughout the reporting year, these metrics remained within the Board-approved risk appetite and internal tolerance thresholds.

As at 31 December 2025, there were no intragroup or related party transactions that had a material impact on the Bank’s risk profile.

The Board carried out an annual review of the effectiveness of risk management and internal control systems, concluding that these remain appropriate for the size and complexity of the Bank, and noting plans to address identified control deficiencies.

The Bank identifies and manages a range of principal risks aligned to its business model, including credit, market, liquidity, operational, conduct and regulatory risks. Supporting policy frameworks and control processes are maintained to ensure that these risks are managed within approved appetite and in a manner consistent with the Bank's strategic objectives.

In addition to principal risks, the Bank actively monitors emerging risks and uncertainties that could affect its operating environment. As at 31 December 2025, key areas of uncertainty included political and geopolitical uncertainty, macroeconomic conditions and their impact on the Bank's customers, and change execution risk specific to the Bank. Further detail on the Bank's principal and emerging risks is set out in the 2025 Annual Report and Accounts, as cross-referenced in the table below:

Principal risk	**Definition**	**Cross references to the Bank's 2025 Annual Report and Accounts**
Business and strategic risk	The risk that the Bank's financial performance or strategic objectives are adversely affected due to external market developments or ineffective execution of its strategy.	Page 48
Funding and liquidity risk	The risk that the Bank is unable to obtain funding on sustainable terms or meet its actual or anticipated cash flow obligations as they fall due, without compromising operations or financial stability.	Page 48
Credit risk	The risk of financial loss arising from a counterparty's failure to meet its contractual repayment obligations.	Page 49
Market risk	The risk of loss resulting from adverse movements in market variables, including interest rates and foreign exchange rates, affecting the value of on- and off-balance sheet positions.	Page 49
Capital adequacy risk	The risk that the Bank fails to maintain sufficient capital to absorb losses under stressed conditions and to meet regulatory capital requirements on an ongoing basis.	Page 49
Operational risk	The risk of loss or disruption arising from inadequate or failed internal processes, people or systems, or from external events.	Page 49
Fraud and financial crime risk	The risk of loss, regulatory sanction or customer harm arising from fraud, money laundering, terrorist financing, sanctions breaches or other financial crime.	Page 49
Compliance risk	The risk of legal, regulatory or reputational consequences resulting from failure to comply with applicable laws, regulations or internal policies.	Page 49

Principal risk	Definition	Cross references to the Bank's 2025 Annual Report and Accounts
Conduct risk	The risk of causing harm to customers, counterparties or markets through inappropriate behaviour, product design or business practices.	Page 50
Cyber risk	The risk of loss or operational disruption resulting from the compromise of the confidentiality, integrity or availability of information systems or data.	Page 50

Governance arrangements

Information on the Bank's governance arrangements can be found in the Bank's 2025 Annual Report and Accounts, as cross-referenced in the table below:

Governance arrangements	Section of the 2025 Annual Report and Accounts	Cross references to the Bank's 2025 Annual Report and Accounts
The number of directorships held by members of the management body.	Corporate governance statement: The Board of Directors and Senior Management	Page 28
Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise.	Corporate governance statement: Governance Framework and the Nominations Committee Report	Page 35
Information on the diversity policy with regard of the members of the management body.		Page 20