LHV Bank Limited
Pillar 3 Disclosures

31 December 2023

Contents

Purpose

This document comprises the Pillar 3 disclosures on capital and risk management for LHV Bank Limited (the Bank) as at 31 December 2023.

It has two principal purposes:

1. It provides information on the approach taken by the Bank to manage risks and to maintain its capital resources. It also includes details on the governance structure of the Bank and information on the Bank's exposures and capital resources.

2. To meet the regulatory disclosure requirements under the UK Capital Requirements Regulation (CRR) and the rules of the Prudential Regulation Authority (PRA), including the Disclosure (CRR) part of the PRA Rulebook.

Overview

LHV Bank Limited is a UK registered bank authorised by the Prudential Regulation Authority (PRA) and regulated by both the Financial Conduct Authority (FCA) and PRA. It is also registered under the Financial Services Compensation Scheme (FSCS). The Bank's registered office is 1 Angel Court, London, EC2R 7HJ.

The Pillar 3 document should be read in conjunction with the Bank's Annual Report and Financial Statements for the year ended 31 December 2023, which are published on the Bank's website and also available from Companies House.

Basis of preparation

The Bank has adopted a formal Pillar 3 disclosures policy which requires disclosures to be prepared and published in accordance with the regulations. The Chief Financial Officer is the owner of the policy.

The disclosures included in this document are prepared in accordance with the Bank's policy and the Disclosure (CRR) part of the PRA Rulebook. In order to promote transparency, consistency and comparability of information between firms, the regulatory disclosure requirements prescribe templates to be used. This document has been structured to follow the order, naming convention and presentation of the appliable templates.

Article 433 of Chapter 4 of the Disclosure (CRR) Part of the PRA Rulebook sets out which disclosures institutions are required to publish and the frequency with which they shall provide such disclosures. This is dependent upon whether institutions are 'large' (directed by Article 433a), 'small and non-complex' (directed by Article 433b) or 'other' (directed by Article 433c). The level of disclosure is also dependent on whether institutions are listed or non-listed, whether it is a LREQ firm (i.e. firms to which the leverage ratio applies) and whether it is identified as a Global systemically important institution (G-SII) or Other systemically important institution (O-SII).

As at 31 December 2023, the Bank meets the definition of a 'small and non-complex institution'. The Bank is also non-listed (and furthermore is not an LREQ firm and is not identified as a G-SII or O-SII). In accordance with paragraph 1 of Article 433b, the Bank is required to disclose a reduced number of templates on an annual basis, with no requirement for semi-annual or quarterly disclosures, per below.

- points (a), (e) and (f) of Article 435(1);
- point (d) of Article 438;
- key metrics referred to in Article 447;
- points (a) to (d), (h) and (i) of Article 450(1)

Verification

These disclosures are not subject to external audit. The Pillar 3 document has been prepared in line with the Bank’s internal controls framework which govern financial and regulatory reporting processes. The disclosures have been reviewed at senior and executive level, with ultimate oversight at the Audit Committee and approval by the Board.

Risk management

Risk is defined as a potential negative deviation from the expected financial results. The Bank encounters several risks in its day-to-day operations. The objective of risk management is to recognise these risks, to measure them appropriately, to manage and to report them. More broadly, the aim of risk management is to increase the value of the Bank by minimising losses and reducing the volatility of results. Risk management at the Bank is based on a strong risk culture and follows the principle of three lines of defence. The first line of defence, the business units, is responsible for taking risk and for day-to-day risk management. The second line of defence is responsible for the ownership, continuous review, and implementation of a robust risk management framework, including ownership of the relevant methodologies defined in the policies, and for holistically ensuring that risk identification, assessment, measurement, management, mitigation, monitoring, and reporting is well executed.

The third line of defence, internal audit, exercises independent supervision. Risk management principles, requirements and areas of responsibility are described in the risk management policy.

Risk framework

Risk management principles, roles and responsibilities

- Risk management and control principles
- Ethics principles
- Remuneration principles
- Organisational structure
- Roles and responsibilities

Goals, measures and controls

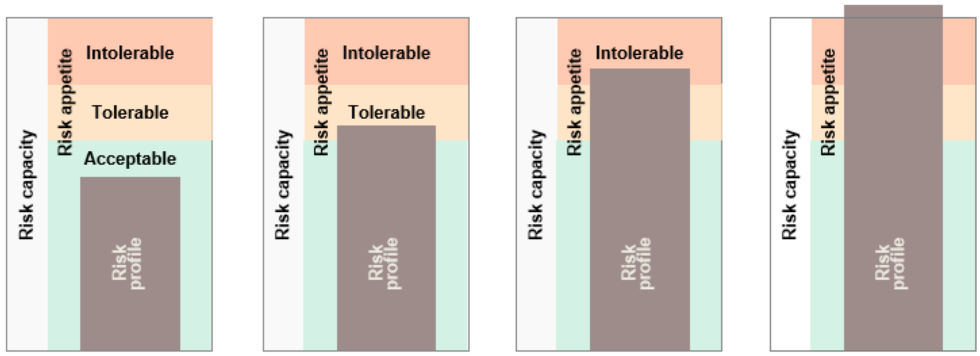
- Risk tolerance levels
- Measurement of risks
- Rights and limits

Internal and external reporting

Risk appetite has been defined in risk appetite statement for all risks that the Bank is materially exposed to. Risk appetite is determined in terms of both qualitative guidance and quantitative limits, considering the following principles:

- Qualitative guidance is worded simply and adopts the terminology commonly used in the organisation and in the business plan.
- Quantitative limits are set at a level that is sufficiently detailed to capture all key risk categories and sub-categories, but at the same time sufficiently aggregated to maintain each metric of relevance to the risk profile of the Bank. Where quantification is possible, the acceptable, tolerable and intolerable amounts of risk are defined as follows:
  - acceptable – the amount of risk allowed to be taken under normal business conditions.
  - tolerable – the amount of risk that gives a warning signal: the increase in risk must be assessed, and an action plan defined to return to the acceptable area; the assessment results and the action plan must be reported to the Executive Risk Committee.
  - intolerable – a hard limit violation, the level of risk the Bank does not wish to exceed under any circumstances: immediate action must be taken to return at least to the tolerable area; the violation, assessment results and an action plan must be reported to the Board.

Risk appetite framework



The actual risk profile is inside the acceptable range. Risk profile is under control and no specific action needed.

The actual risk profile is inside the tolerable range which indicates an early warning signal. An action plan must be submitted to the management.

The actual risk profile is inside the intolerable range. An action plan has been launched to reduce the risk profile.

The actual risk profile exceeds LHV risk capacity. Financial recovery plan has been launched.

Risk capacity – the maximum amount of risk LHV is capable to take given its capital base, its risk management and control capabilities, and its regulatory constraints.

Risk appetite – the aggregate level and types of risk LHV is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives.

Risk profile – a combination of the real risks of LHV resulting from the nature, scale and complexity of LHV activities and operation environment.

As seen from the above, if the actual risk profile remains within the acceptable risk appetite range, it is a foreseeable situation, and no further action is needed. If the actual risk profile is within the tolerable risk appetite range, it is an early warning signal: an action plan must be put in place to reduce the risk profile. It is also necessary to inform the Board in this case. If the actual risk profile exceeds the tolerable level, an action plan must be put in place to reduce the risk profile. It is also necessary to inform the Board in this case. The first line of defence is responsible for managing the risk profile and ensuring it stays within the risk appetite limits, while independent monitoring and reporting is the responsibility of the Risk Function. Within the framework of the financial recovery plan, the Bank has developed early warning indicators with thresholds and corresponding measures.

In accordance with the risk management policy, quantitative risk appetite levels must be specified at least for strategy and business risk, credit risk, market risk, operational risk, funding and liquidity risk, and financial crime risk. The risk appetite limits are defined in each of the respective risk policies, which are approved by the Board. The policies are accompanied by detailed instructions and guidelines. The Bank has a system of committees and decision-making competencies. The functions of the main committees are described in the Governance section on page 8.

Principal risks

The Board has ultimate responsibility for identifying and managing the bank's principal risks in order to achieve its strategic objectives. To ensure that it maintains an appropriate level of oversight, the Board has delegated certain roles and responsibilities to Committees, as outlined in the Governance report on page 8. At Board level, principal risks are overseen by the Board Risk Committee ('BRC'). At the management level, the Executive Committee and the Executive Risk Committee ('ERC') provide oversight and monitor the effectiveness of internal controls and risk management processes, and report on these matters to the BRC. This section summarises the principle risks and uncertainties to which the bank is exposed and how these risks are mitigated. Further detail on financial risks can be found in Note 24 to the financial statements (available on the Bank's website).

Business and strategic risk

The risk of realising lower than anticipated profits due to changing market conditions, pursuing an ineffective strategy or ineffective implementation of strategy. This risk is mitigated through strategic risk assessment of the Board approved business strategy and plan against the Bank's Risk Appetite Statement. This enables the Bank to adjust its strategy or to introduce additional mitigants in a timely manner.

Funding and Liquidity Risk

Funding risk is the risk of loss caused by the inability to raise funds at an acceptable price or to access markets in a timely manner. Liquidity risk is defined as the risk that liabilities cannot be met when they fall due or can only be met at an uneconomic price. This risk is mitigated through short, medium and long term cash flow forecast and actuals are monitored, to inform the level of liquidity resources that must be held. Liquidity and funding is monitored on a daily basis as well as reporting each month to ALCO, the BRC and Board.

Credit Risk

The risk of a reduction in earnings and/or value due to the failure of a counterparty or associated party, with whom the group has contracted or is exposed as part of its operations, to meet its obligations in a timely manner. The Bank's accounting policy for measurement of expected credit loss can be found on page [x]. The Bank monitors credit performance through internal reports covering performance against risk appetite limits and key credit risk metrics including arrears performance and portfolio concentrations. Monthly credit reports are provided to the ERC and BRC.

Market Risk

Market risk is the risk of loss due to changes in the market price of financial instruments, foreign currency or in interest rates that affect banking book positions. Market risk is quantified using prescribed regulatory methodologies, including through the application of stress scenarios for interest rate risk in the banking book (IRRBB). Market risk is managed by ALCO, with reporting on performance against risk appetite metrics to the BRC on a monthly basis.

Capital Adequacy Risk

The risk that the Bank has insufficient regulatory capital to operate effectively, including meeting minimum regulatory requirements, and to operate within board approved risk appetite and support its strategic goals.

Capital risk is managed based on policies, limits, triggers, continuous monitoring and stress testing. Current and forecast levels are monitored against capital risk appetite approved by the Board and are managed by the ALCO and reported to the BRC and Board. The Bank's capital adequacy assessment process is captured and reported in its ICAAP, which is overseen by, and approved by, the Board.

Operational Risk

The risk of loss or adverse impact resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk of loss resulting from fraud/ financial crime, cyber attacks and information security breaches.

This risk is managed through a Risk and Control Self Assessment (RCSA) process whereby each business area must identify the operational risks present in its activities. Controls over these risks must also be identified within business processes. The risks are quantified and categorised according to severity and likelihood of adverse outcomes. Reporting on operational risk is performed to the BRC.

Fraud and Financial Crime Risk

This is the risk of customer harm or operational loss arising from external dishonest behaviour and also the failure to identify and appropriately mitigate money laundering, terrorist financing, sanctions and anti-bribery and corruption from the Bank's operations.

The Bank has no appetite for knowingly facilitating financial crime. The Bank has implemented prevention and detection systems and controls throughout the lifecycle of a customer relationship. Regular reporting is provided to the BRC.

Conduct Risk

Conduct risk is the risk of creating harm to a customer, counterparty or market arising from inappropriate behaviour in the execution of the Bank's business. The Bank has appropriate policies that sets out expectations of employees. All products are subject to a risk based product development and review process, which carefully considers conduct risk.

Legal and Regulatory Risk

The risk of non-compliance with laws and regulations which could give rise to fines, litigation, sanctions and the potential for material adverse impact upon the Bank. The Bank manages legal and regulatory compliance through a series of policies and procedures, alongside a mandatory staff training programme. The Compliance function have a monitoring plan, which is reviewed and approved by BRC. Compliance also performs horizon scanning which enables the Bank to plan for upcoming changes.

Cyber Risk

The risk of loss of confidentiality, integrity or availability of information, data, or information (or control) systems and reflect the potential adverse impact to the Bank's operations and assets, individuals and wider financial sector. The Bank manages this risk through regular testing and an assurance regime to test our cyber control environment in line with the latest threats. An important part of our strategy is ensuring our people are aware of cybersecurity issues and know how to report incidents. We run awareness campaigns and have a training programme in place for staff.

Emerging risks

Emerging risks are those with potentially significant, but uncertain outcomes, which may form and crystallise over a longer time horizon, and which could have a material impact on the Bank's ability to achieve its long-term strategy. Emerging risks include:

- Political and Geo-political uncertainty: the risk of geo-political instability and / or a change in in government political party.
- Economic risk: the risk of changes in the macroeconomic environment and the impact on borrowing customers.
- Change execution risk: the risk driven by multiple complex and concurrent projects impacting the operational capability of the Bank's people and systems.

The governance structure of the bank has been designed with a view to help execute the company's strategy in the most effective manner in line with the vision and values of the company while maintaining effective risk management and ensuring its activities are in line with the principles of consumer protection, market integrity and effective competition. Well-designed and well-implemented internal governance arrangements are vital for sound risk management, including providing effective oversight to governing bodies and promoting an effective risk management culture throughout the organisation. The Board of Directors itself devotes sufficient time to risk assessment and is committed to allocating adequate resources to risk management.

The bank has robust governance arrangements that include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report risks and effective systems and controls to ensure the business is operating effectively and in accordance with standards of conduct that have been designed and approved by senior management. The Bank's governance structure is summarised in the chart below.

The Board is the key governance body responsible for overall strategy, business performance and risk management of the bank. The Board has established the following committees to provide support in discharging its responsibilities:

- Audit Committee (AC);
- Risk Committee (BRC);
- Remuneration Committee (RemCo)
- Nominations Committee (NomCo); and
- Executive Committee (Exco).

The Board is responsible for providing leadership in the following areas:

i. Setting of strategic objectives and the monitoring of implementation thereof by Exco;

ii. Development, implementation and monitoring of effective policy, governance and procedures at the bank to execute the strategy;

iii. Development of the bank's culture;

iv. Oversight and approval of the allocation and maintenance of the bank's capital, funding and liquidity and the stress thereof; and

v. Guidance and oversight of key functions delegated to Exco, ensuring that the bank operates within the Risk Management Framework (RMF) and remains compliant with all relevant regulation.

The Audit Committee oversees the management of financial reporting to ensure the Bank's reporting is fair, balanced and understandable. The Committee also monitors the robustness of the Bank's internal financial controls and the efficacy of the internal audit function.

The Risk Committee reviews and monitors the Bank's principal and emerging risks and reviews the effectiveness of the Bank's risk management systems.

The Remuneration Committee determines remuneration policy for executive directors and reviews wider employee remuneration policies and practices, setting targets and reviewing outcomes of those targets.

The Nomination Committee leads the process for new Board appointments, oversees succession planning and the development of a diverse pipeline of talent.

The Board delegates the execution of the Bank's strategy and the day-to-day management of the business to the Executive Committee, which is led by the Chief Executive Officer supported by Executive Committees.

We have assembled an experienced, driven and diverse Board and management team to lead and grow the business.

Board members

Madis Toomsalu – Chairman
Madis serves as the Chairman of the Board of LHV Bank and Chairman of the Management Board of its parent company LHV Group. He also belongs to the management board of the non-profit organisation Finance Estonia a member of the SA Rohetiiger advisory board. He holds a Bachelor's degree in Business Management from Tallinn University of Technology and a Master's in Public Sector Finance.

Paul Horner – Independent Non-Executive Director
Paul brings substantial experience from his roles in executive risk and general management at institutions such as Barclays, RBS, and Ulster Bank Ireland. Before becoming the CEO of Coutts & Co International, he was the company's Managing Director and Chief Risk Officer. At LHV Bank, Paul is the Chair of the Board Risk Committee and a Member of the Audit, Remuneration and Nominations Committees.

Outside LHV Bank, he is a Non-Executive Director and Chair of the Board of Arion Bank. Additionally, Paul is a Non-Executive Director and Chair of the Board Risk Committee of AIB Group (UK) PLC and serves as a Non-Executive Director and Chair of the Board Risk Committee at National Bank of Kuwait (International) PLC. Paul graduated with Honours from Oxford University and is an Associate of the UK Chartered Institute of Bankers.

Sally Veitch – Independent Non-Executive Director
Sally holds a BA in Natural Sciences from Cambridge University and is a member of the Institute of Chartered Accountants. Sally is the Senior Independent Director and Chairs the Audit Committee, Remuneration Committee and Nominations Committee and also serves on the Board Risk Committee and is the Board Consumer Duty Champion.

Sally is also a Non-Executive Director and Chair of the Audit Committee and Remuneration Committee of Perenna Bank PLC and a Non-Executive Director of AIM-listed H&T Group PLC.

Keith Butcher – Independent Non-Executive Director
Keith is a seasoned CFO with extensive experience in e-commerce, fintech, and online payments businesses. He currently serves as the CFO of Boku Inc., a leading mobile payments company, and previously held the same position at PaySafe Group Plc. Keith serves as a Member of the Board Risk Committee and Audit Committee of LHV Bank. Keith holds a BSc in Management Sciences from the

University of Warwick and is a member of the Institute of Chartered Accountants.

Gill Lungley - Independent Non-Executive Director

Gill is a seasoned financial services executive and Board Director. She joined the LHV Bank Board as Independent Non-Executive Director (iNED) in April 2024 and is a member of the Risk Committee and Remuneration Committee. Gill has broad experience in the financial field as an iNED.

Gill is currently serving as an iNED at Citibank Europe PLC where she is Chair of the Remuneration Committee and a member of the Risk and Audit Committees, Fnality Services Limited, where she is Chair of the Board (subject to regulatory approval), Chair of the Nominations and Remuneration Committee and member of the Risk and Audit Committee. Outside of her plural career in financial services, Gill also acts as Trustee and Treasurer for T&M Greg Trust.

Erki Kilu – Executive Director and Chief Executive Officer

Erki began his tenure at LHV (Estonia) in 2008 and has held various management positions within the company. He holds a Bachelor's degree in International Business Administration from the Estonian Business School and an MBA and an MSc in Engineering from the University of Tartu. In addition to LHV's board, Erki is a Fellow of the Chartered Banker Institute (FCBI), former chairman of the Estonian Banking Association, and a European Banking Federation board member.

Andres Kitter – Executive Director and Chief Technology Officer

Andres joined LHV (Estonia) from tech giant Skype, where he was the Payments and Billing Manager. He served as Head of Retail Banking before taking the role of Head of the LHV UK Branch and, subsequently, Deputy CEO of LHV Bank. Andres is also Head of the Financial Institutions of LHV Pank. He obtained a Master's degree from the Faculty of Economics and Business Administration of the University of Tartu in 2003.

Rachelle Frewer – Executive Director and Chief Financial Officer

Rachelle has over 25 years experience working at various financial institutions, including C. Hoare & Co., Close Brothers, Standard Chartered and HSBC. Her areas of expertise encompass strategic planning and analysis, finance, treasury, operations, investor relations, and compliance. Rachelle qualified as a Chartered Accountant at KPMG.

Executive Committee

Kris Brewster – Director of Savings

Kris brings more than 20 years of expertise to LHV Bank from the banking and financial sector. Before joining LHV, he was the acting Chief Commercial and Strategy Officer at Skipton Building Society. There, he oversaw Strategy, Corporate Communications, ESG, and led the Mortgage and Savings product teams. Before Skipton, Kris held senior savings roles at notable institutions like HSBC and Bradford & Bingley. Beyond his direct roles, he served on the Mortgage Product and Service Board of UK Finance. Kris holds a BSc in Retail Management from Loughborough University and an MBA from the University of Bradford School of Management.

Assad Kazi – Chief Risk Officer

Assad has nearly 20 years of experience in the finance industry. Prior to joining LHV Bank, he worked at Deloitte as a Director. During his tenure at Deloitte, Assad successfully managed numerous end-to-end banking licence application projects for various companies, ranging from established entities to start-ups. He is well-versed in regulatory requirements and has a strong focus on risk management, giving him a comprehensive understanding of the banking industry and its associated challenges. Assad has a BaFAM

(First Class Honours) from Nottingham University Business School.

Conor McDermott – Head of SME Lending
Conor has over 20 years of experience in UK banking across credit underwriting, corporate and institutional banking. More recently he has successfully established specialist relationship teams, scaling up assets and liabilities. He brings a deep understanding of the client and intermediary community, underpinned by a strong credit background. Having started his banking career in the UK with RBS, Conor has also worked at Metro Bank and Arbuthnot Latham.

Rebecca Wright – Chief People Officer
Rebecca Wright is a senior HR professional with expertise supporting board-level executives across a range of HR disciplines and industries, including fintech, legal, banking, insurance, and consultancy. Rebecca started her career in financial services and has held Group HR Director roles for publicly listed companies as well as Private Equity and Venture Capital-backed start-ups.

Tim Waller – General Counsel
Tim is a seasoned payments lawyer with over 20 years in the field. Before joining LHV Bank he served as General Counsel for Token.io and has held senior roles at Barclays and Paysafe. Tim was also a Partner and Head of Fintech at TLT Solicitors. With a particular emphasis on Open Banking payments, Tim's experience has been instrumental across law firms and financial institutions in the UK and the European Union. Tim holds a BA from Durham University, and completed his Post Graduate Diploma in Law at the University of East Anglia. Tim is a Solicitor, qualified in England and Wales.

Key metrics

	31 December 2023 £000
Available own funds	
Common equity Tier 1 capital	44,532
Tier 1 capital	44,532
Total capital	44,532
Risk weighted exposure amounts	
Total risk weighted exposure amount	140,702
Capital ratios	
Common equity Tier 1 capital ratio (%)	31.7%
Tier 1 capital ratio (%)	31.7%
Total capital ratio (%)	31.7%
Additional own funds requirements	
Additional requirement	1.7%
Total own funds requirements	9.7%
Combined buffer requirement	
Capital conservation buffer (%)	2.5%
Institution specific countercyclical buffer (%)	2.0%
Combined buffer requirement (%)	4.5%
Total capital requirement and combined buffers (%)	14.2%
Leverage ratio	
Total exposure measure excluding claims made on central banks	79,084
Leverage ratio excluding claims made on central banks (%)	56.3%
Liquidity coverage ratio[1]	
Total HQLA	137,258
Cash outflows	113,127
Cash inflows	9,352
Total net cash outflows	103,776
Liquidity coverage ratio (%)	133%
Net stable funding ratio	
Total available funding	144,797
Total required funding	51,410
Net stable funding ratio (%)	278%

[1] The LCR and NSFR represent averages over the period May 2023 to 31 December 2023, ie the period from when the entity became an authorised credit institution subject to reporting requirements.

Overview of risk weighted exposure amounts

	31 December 2023 £000	
	Risk Weighted Exposure Amount	**Own Funds Requirement**
Credit Risk	61,243	4,899
of which: the standardised approach	61,243	4,899
Counterparty Credit Risk	-	-
of which: the standardised approach	-	-
Operational Risk	79,460	6,357
of which: the basic indicator approach	79,460	6,357
Total	**140,702**	**11,256**

Composition of regulatory own funds

	31 December 2023 £000
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	54,100
Cumulative retained earnings	(6,133)
Accumulated other comprehensive income and other reserves	(1,725)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**46,242**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	1,710
Total regulatory adjustments to CET 1	**1,710**
CET 1 after regulatory adjustments	**44,532**
Tier 1 Capital	**44,532**
Tier 2 Capital	**-**
Total capital	**44,532**
Total risk exposure amount	**140,702**
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of total risk exposure amount)	**31.7%**
Tier 1 (as a percentage of total risk exposure amount)	**31.7%**
Total capital (as a percentage of total risk exposure amount)	**31.7%**

Remuneration Governance

The Board is committed to adhering to the requirements under the Remuneration part of the PRA Rulebook and the Dual regulated firms Remuneration Code of the FCA Handbook (the Remuneration Codes), thus ensuring that the Bank has risk-focused remuneration policies, which are consistent with the Bank's risk appetite, promote effective risk management and do not expose the Bank to excessive risk. This is done in a manner which is appropriate to the Bank's size, internal organisation and the nature, scope and complexity of its activities.

The Bank's Board Remuneration Committee is responsible for designing, implementing and overseeing the remuneration policy and the reward structure of the Bank. The Board Remuneration Committee ensures that effective risk management is a key component of remuneration and incentive structures. Membership of the Board Remuneration Committee is restricted to Non-Executive Directors only. The Board Remuneration Committee meets at least once a year. In the year ended 31 December 2023, the Committee met four times.

Remuneration Policy

The aim of the remuneration policy is to strike a balance between short-term and long-term business performance and reward employees for achieving results that are aligned with the Bank's risk appetite, strategy and conduct, and legal and regulatory requirements.

The Bank's remuneration, including any variable remuneration, is linked to business and individual performance. Performance is assessed against financial and non-financial criteria taking into consideration the Bank's results, compliance and risk management approach, the individual's performance related to their core responsibilities and personal development.

Material Risk Takers

MRTs are the Bank's employees whose professional activities could have a material impact on the Bank's risk profile.

A total of 21 individuals were identified by the Bank as MRTs for the year ended 31 December 2023. The following tables set out the remuneration disclosures for MRTs, who are identified as follows:

- 'MB' or 'Management body' means the Bank's Board of Directors;
- 'MB Supervisory Function' means those individuals who were Non Executive Directors of the Bank during the current financial year;
- 'MB Management Function' means those individuals who were Executive Directors of the Bank during the current financial year;
- 'Other Senior Management' means those individuals (excluding the Executive Directors of the Bank) who were members of the Bank's Executive Committee during the current financial year; and
- 'Other Identified Staff' means any other individuals (excluding those included in the Management body or Other Senior Management above) identified as MRTs for the current financial year.

Remuneration rewarded for the Financial Year

(£000)		MB Supervisory Function	MB Management Function	Other senior management	Other identified staff	Total
Fixed remuneration	Number of staff	4	3	9	5	21
	Total fixed remuneration					
	of which : cash based	431	690	1,218	538	2,878
	of which : other forms	0	0	0	0	0
Variable remuneration	Number of staff	1	3	2	3	9
	Total variable remuneration					
	of which : cash based	0	90	60	30	180
	of which : other forms	333	235	59	30	657

Employee benefits – Share options

As part of their remuneration, MRTs have been issued with options to buy shares in the parent company, AS LHV Group, a company listed in Estonia. Awards granted do not have any performance based vesting conditions and vest after 3 years. The 31 December 2023 Annual Report contains further detail on page 45.