

Press release

15 March 2024

ECB concludes asset quality reviews of FinecoBank and LHV Group

- Asset quality reviews conducted after banks classified as significant
- Exercises focused on credit risk and no capital shortfalls were identified

The European Central Bank (ECB) today published the results of its asset quality reviews (AQRs) of FinecoBank S.p.A. and AS LHV Group. Both banks were classified as significant and are therefore now directly supervised by the ECB.

Supervisors carry out AQRs to review banks' asset valuations from a prudential perspective, increase transparency regarding their exposures and assess the adequacy of their capital levels. They take each bank's AQR results into account in the Supervisory Review and Evaluation Process, which assesses a bank's individual risk profile.

The AQRs for FinecoBank and LHV Group focused on credit risks. FinecoBank's AQR covered residential real estate and other retail portfolios, while LHV Group's AQR included small and medium-sized enterprises and real estate portfolios. For both banks, the portfolios selected represent more than 80% of their credit risk-weighted assets.

The results of the AQRs show that neither bank faces a capital shortfall, as their Common Equity Tier (CET1) ratios do not fall below the 8% threshold retained from previous exercises. A bank's CET1 ratio is a key measure of its financial soundness. Both banks consented to the results being disclosed.

Bank	Starting point CET1 ratio	AQR impact	AQR-adjusted CET1 ratio*
AS LHV Group	16.02%	-271 basis points	13.30%

European Central Bank

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FinecoBank S.p.A	20.82%	-21 basis points	20.61%
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(*) Figures may be subject to discrepancies due to rounding differences.

More detailed results and information on the outcome of this exercise can be found on the ECB's banking supervision website

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Notes

- Banks recently classified or likely soon to be classified as significant undergo both an asset quality review and a stress test. Since 2022 these have been conducted as independent exercises, and the results published independently. Nevertheless, the ECB may still carry out comprehensive assessments, including an AQR and a stress test, on an ad hoc basis.
- The ECB has directly supervised FinecoBank since 1 January 2022 and LHV since 1 January 2023. Both banks were part of the SREP 2023 cycle.

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