

**AS LHV GROUP**  
**ARTICLES OF ASSOCIATION**

**1. BUSINESS NAME, LOCATION, FIELD OF ACTIVITY**

**1.1. Business name**

The business name of the public limited company (hereinafter the "Group") is AS LHV Group.

**1.2. Location**

The Group is located in Tallinn, Republic of Estonia.

**1.3. Fields of activity**

The Group operates as a holding company.

**2. SHARE CAPITAL AND SHARES**

**2.1. Size of the share capital**

2.1.1. The Group shall have a minimum share capital of EUR 15,000,000 (fifteen million euros) and a maximum share capital of EUR 60,000,000 (sixty million euros). The Group may increase or reduce its share capital within the established minimum and maximum limits without amending these Articles of Association.

2.1.2. To cover potential loss, the Group shall establish a legal reserve in the amount of 1/10 (one-tenth) of the share capital. Every year, at least 1/20 (one-twentieth) of the Group's net profit shall be transferred to the legal reserve until the minimum legal reserve is reached.

**2.2. Shares**

2.2.1. The share capital has been divided into registered shares with a nominal value of 1 (one) euro.

2.2.2. The Group has one type of shares, which grant similar rights to all shareholders.

2.2.3. The share shall grant its holder the right to participate at the general meeting, allocation of profit and distribution of the assets remaining after dissolution of the Group, as well as other rights provided by law and these Articles of Association.

2.2.4. The shares have been registered in the Estonian Central Register of Securities. The share register is kept by the maintainer of the Estonian Central Register of Securities.

**2.3. Transfer and encumbrance of shares**

2.3.1. The Group's shares may be freely transferred.

2.3.2. The Group's shares may be pledged pursuant to the procedure provided by law.

**2.4. Payment for shares**

2.4.1. Monetary or non-monetary contributions may be made for the shares. The procedure for payment for shares shall be established with the resolution of the general meeting.

2.4.2. The value of non-monetary contributions shall be ascertained with the resolution of the Management Board of the Group and subject to the assessment of the Group's auditor who shall prepare for the Management Board a written opinion on the compliance of the value of the non-monetary contribution with the requirements provided by law. Where acknowledged experts are available for assessment of the value of the item, the value of the non-monetary contribution shall be assessed by these experts.

## 2.5. **Convertible bonds**

The Group shall have the right to issue convertible bonds.

## 3. **GENERAL MEETING OF THE SHAREHOLDERS**

### 3.1. **Competence of the general meeting**

The general meeting is the Group's highest management body, where shareholders can exercise their rights. The General Meeting shall be competent to:

- 3.1.1. amend the Articles of Association;
- 3.1.2. increase and reduce the share capital;
- 3.1.3. decide on the issue of convertible bonds;
- 3.1.4. appoint and extend the authorisation of members of the Supervisory Board;
- 3.1.5. prematurely remove members of the Supervisory Board;
- 3.1.6. approve the Annual Report and allocate the profit;
- 3.1.7. establish the number of auditors, appoint and remove auditor(s);
- 3.1.8. designate a special audit;
- 3.1.9. decide on the conclusion of transactions which are beyond the scope of everyday economic activities with members of the Supervisory Board, establish the terms and conditions for such transactions, decide on legal disputes and appointment of the Group's representative in such a transaction or dispute;
- 3.1.10. decide on the dissolution, merger, division or transformation of the Group;
- 3.1.11. decide on other issues within the competence of the general meeting as provided by law, and on issues presented to the general meeting by the Management Board or Supervisory Board.

### 3.2. **Calling of a general meeting**

- 3.2.1. The general meeting shall be called by the Management Board, unless otherwise provided by law, and shall be held at the place and time specified in the notice calling the general meeting.
- 3.2.2. The annual general meeting, with the approval of the Annual Report on the agenda, shall be held at least 1 (once) a year. The Management Board shall call the annual general meeting within 6 (six) months after the end of the financial year at the latest. An advance notice of a minimum of 3 (three) weeks shall be given of the annual general meeting.
- 3.2.3. The Management Board shall call the special general meeting on the basis of and pursuant to the procedure provided by law, giving an advance notice of at least 3 (three) months.

### 3.3. **Procedure of the general meeting of shareholders and procedure for adoption of resolutions**

- 3.3.1. Each share shall grant 1 (one) vote at the general meeting.
- 3.3.2. The list of shareholders entitled to participate in the general meeting shall be established based on the share register 7 (seven) days before the general meeting.
- 3.3.3. The shareholder in person or a representative of the shareholder, the availability of whose right of representation shall be certified by a written document, may participate in a general meeting, unless otherwise provided by law.
- 3.3.4. The general meeting shall have a quorum if shareholders holding over a half of the votes represented by shares participate at the meeting. If shareholders holding over a half of the votes represented by shares do not participate at the general meeting, the

Management Board shall call a new general meeting with the same agenda within 3 (three) weeks, but not before 7 (seven) days. The new general meeting shall have a quorum, regardless of the votes present.

- 3.3.5. A resolution of the general meeting shall be adopted if over a half of the votes present at the meeting vote in favour, unless a bigger majority of votes is required by law or these Articles of Association. In issues specified in clauses 3.1.1 – 3.1.3, 3.1.5 and 3.1.10 of the Articles of Association, the resolution of the general meeting shall be adopted, if at least 2/3 (two-thirds) of the votes represented at the general meeting vote in favour, unless a bigger majority of votes is required by law.
- 3.4. Shareholders' electronic participation in the general meeting
  - 3.4.1. Shareholders may participate in the general meeting and exercise their rights using electronic means without physically attending the general meeting and without appointing a representative, if it is possible in a technically secure manner.
  - 3.4.2. Shareholders may vote, by using electronic means, on the draft resolutions prepared on the agenda items of the general meeting prior to the general meeting or during the general meeting, if it is possible in a technically secure manner.
  - 3.4.3. A shareholder who has casted a vote by using electronic means is considered a participant in the general meeting, with the shareholder's votes represented by shares calculated in the quorum of the general meeting, unless otherwise provided by law. Where votes are cast at the general meeting only with respect to resolutions that have not been published before the general meeting and where the shareholder has not cast any votes with respect to such resolutions, the shareholder shall not be considered as a participant in the general meeting.
  - 3.4.4. The specific procedure for electronic voting shall be determined by the Management Board, shall ensure a secure and reliable identification of and electronic voting by the shareholders, and shall be proportional with regard to the attainment of the objectives.
  - 3.4.5. Electronic votes shall be cast in a format which can be reproduced in writing.
  - 3.4.6. Electronic participation shall not be allowed at a general meeting, if resolution measures or rights are applied to the Group under the Financial Crisis Prevention and Resolution Act.

## **4. SUPERVISORY BOARD**

### **4.1. Competence of the Supervisory Board**

- 4.1.1. The Supervisory Board is the Group's management body, charged with the task of planning the activities of the Group, organising the management of the Group and conducting supervision over the activities of the Management Board.
- 4.1.2. The Supervisory Board shall establish the rules of procedure of the Supervisory Board.
- 4.1.3. The Supervisory Board shall establish and regularly review the Group's strategy, general activity plan, risk management principles and annual budget, and adopt resolutions in issues of significance to the activities of the Group, which do not fall within the competence of the Management Board and are beyond the scope of everyday economic activities, including:
  - (a) approval of the Group's annual business plan and annual budget;
  - (b) approval and, if necessary, amendment of the Annual Report and profit allocation proposal prepared by the Management Board;
  - (c) acquisition or disposal of a stake in other companies;
  - (d) deciding on the establishment or dissolution of a subsidiary of the Group;
  - (e) acquisition, transfer or dissolution of a company;

- (f) transfer and encumbering of immovable property and movable property entered in the register;
  - (g) deciding on the opening and closure of foreign branches;
  - (h) investments which exceed the budgeted amount for the financial year;
  - (i) loans or other borrowings which exceed the budgeted amount for the financial year;
  - (j) granting of loans and borrowings beyond the scope of the everyday economic activities of the Group;
  - (k) appointment and removal of procurators;
  - (l) election, extension of authorisation, and removal of members of the Management Board; appointment of the Chairman of the Management Board;
  - (m) specification of the obligations of members of the Management Board, supervision over the activities of the Management Board and establishment of the principles for remuneration of the Management Board;
  - (n) deciding on the conclusion of transactions with members of the Management Board, establishment of the terms and conditions for such transactions, deciding on legal disputes and appointment of the Group's representative in such a transaction or dispute;
  - (o) deciding on the conclusion of transactions with shareholders of the Group, establishment of the terms and conditions for such transactions, deciding on legal disputes and appointment of the Group's representative in such a transaction or dispute;
  - (p) appointment and removal of bodies to be set up by the Supervisory Board, and establishment of their rules of procedure, unless otherwise provided by law;
  - (q) deciding on other matters placed within the competence of the Supervisory Board by law or the Articles of Association of the Group.
- 4.1.4. The Supervisory Board shall have the right to establish committees whose existence, duties, staff and position within the organisation shall be specified by the Supervisory Board and published on the Group's website.
- 4.1.5. The Supervisory Board has set up the Audit Committee, the Risk and Capital Committee and the Remuneration Committee and establishes the relevant rules of procedure.
- 4.1.6. The Supervisory Board shall have the right, during a period of 3 (three) years from the moment of entry into force of this wording of the Articles of Association, to increase the share capital by way of a contribution to the share capital. The Supervisory Board may not increase the share capital to more than EUR 26,681,278 (twenty-six million six hundred and eighty-one thousand two hundred and seventy-eight euros).

## 4.2. **Members of the Supervisory Board**

- 4.2.1. The Supervisory Board shall have 5 (three) to 7 (six) members. The members of the Supervisory Board shall be appointed for a term of up to 3 (three) years, unless otherwise decided by the general meeting of the shareholders. The members of the Supervisory Board shall elect amongst themselves the Chairman of the Supervisory Board who shall organise the activities of the Supervisory Board.
- 4.2.2. Persons with knowledge and experience sufficient for participating in the work of the Supervisory Board and fulfilling the duties of a member of the Supervisory Board shall be appointed members of the Supervisory Board. The members of the Supervisory Board shall be appointed and removed with the resolution of the general meeting of the shareholders.

- 4.2.3. The following persons may not serve as members of the Supervisory Board of the Group:
- (a) member of the management body, audit committee or other committee, or auditor of a company operating in the same field of activity with the Group or its subsidiary, unless this is a company incorporated in the same consolidation group with the Group;
  - (b) a person with respect to whom the court has imposed a prohibition on acting as a member of the supervisory board or a prohibition to engage in enterprise (this restriction shall apply for a period of five years after expiry of the prohibition to engage in enterprise);
  - (c) a person whose wrongful actions or failure to act has, under a court judgement, caused damage to a legal person, triggered the bankruptcy of a legal person, or revocation of the activity licence of a legal person (this restriction shall apply for a period of five years after revocation of the activity licence, compensation of damage or declaration of bankruptcy);
  - (d) a person who has committed an economic criminal offence, a criminal official misconduct or a criminal offence against property (the prohibition shall not apply to individuals whose data regarding the punishment have been deleted from the punishment register by the time the person is nominated for the position of a member of the Supervisory Board).

#### **4.3. Resolutions of the Supervisory Board**

- 4.3.1. Meetings of the Supervisory Board shall be held, as a rule, once (1) a month, or when necessary, but not less frequently than once every three months.
- 4.3.2. The Chairman of the Supervisory Board shall prepare the agenda of and chair the meeting of the Supervisory Board. Minutes shall be taken of the resolutions of the Supervisory Board, with the minutes signed by all members of the Supervisory Board participating at the meeting.
- 4.3.3. Each member of the Supervisory Board shall have 1 (one) vote. The Supervisory Board shall have a quorum, if more than a half of the members of the Supervisory Board are present at the meeting. A resolution of the Supervisory Board shall be adopted, if more than a half of the members participating at the meeting vote in favour. In case of equal division of votes, the Chairman of the Supervisory Board shall have the decisive vote.
- 4.3.4. Resolutions of the Supervisory Board may be adopted without calling the general meeting pursuant to the procedure provided by law and the work procedure of the Supervisory Board.

#### **4.4. Remuneration of the members of the Supervisory Board**

- 4.4.1. The general meeting of the shareholders shall establish the amount of and the procedure for payment of the remuneration to members of the Supervisory Board.
- 4.4.2. Additional remuneration may be established for members of the Supervisory Board in connection with their participation in the work of committees.

### **5. MANAGEMENT BOARD**

#### **5.1. Competence of the Management Board**

- 5.1.1. The Management Board is the Group's management body, which represents and manages the Group and organises its accounting.

- 5.1.2. In the management of the Group, the Management Board shall adhere to the lawful orders of the Supervisory Board. The Management Board may conduct transactions referred to in clause 4.1.3 only on the consent of the Supervisory Board.
- 5.1.3. The Management Board shall prepare the items on the agenda of the general meeting, prepare the draft resolutions and the necessary projects, and ensure implementation of the resolutions of the general meeting.
- 5.1.4. The Management Board shall manage the Group diligently and efficiently and in accordance with the good financial and business practice, so as to maximise the value of the Group's shares held by the shareholders.
- 5.1.5. The Management Board shall establish the rules of procedure of the Management Board.

## **5.2. Members of the Management Board**

- 5.2.1. The Management Board shall have 1 (one) to 5 (five) members. The members of the Management Board shall be appointed and removed with the resolution of the Supervisory Board. The members of the Management Board shall be appointed for a term of up to five (5) years, unless otherwise decided by the Supervisory Board.
- 5.2.2. Members of the Supervisory Board or persons specified in clauses 4.2.3(a) to 4.2.3(d) may not serve as members of the Management Board of the Group.
- 5.2.3. Where the Management Board of the Group has more than 2 (two) members, the Supervisory Board shall appoint the member of the Management Board. The work of the Management Board shall be managed by the Chairman of the Management Board.

## **5.3. Representation of the Group**

- 5.3.1. The Group may be represented in a transaction or in a legal operation by the Chairman of the Management Board alone, or two members of the Management Board together.

## **6. ANNUAL REPORT, REPORTING AND PROFIT ALLOCATION**

### **6.1. Financial year**

- 6.1.1. The financial year of the Group begins on January 1 and ends on December 31.
- 6.1.2. The Management Board shall prepare the Annual Report of the Group and submit it, together with the auditor's report, to the Supervisory Board and the general meeting. The general meeting shall approve the Annual Report.
- 6.1.3. The Group shall apply the good corporate governance practice in the management of the Group, and shall describe adherence thereto in the corporate governance report, which forms a part of the Annual Report.
- 6.1.4. Dividends shall be paid based on the resolution of the general meeting of the shareholders. The procedure for and scope of payment of dividends shall be established in the resolution of the general meeting.

## **7. AUDITOR AND AUDITING**

### **7.1. Auditor**

- 7.1.1. The number of the auditors shall be established and the auditor(s) appointed by the general meeting of the shareholders, who shall also establish the procedure for remuneration of the auditors.
- 7.1.2. The auditor(s) shall be appointed for a single audit, or for a specified term.

## **8. FINAL PROVISIONS**

- 8.1. The dissolution, merger, division and transformation of the Group shall be carried out pursuant to the procedure provided by law.
- 8.2. The Group shall be liquidated by members of the Management Board, unless otherwise provided by the resolution of the general meeting or a court ruling.

These Articles of Association have been approved with the general meeting of the shareholders of the Group on 29 March 2017.

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Madis Toomsalu