

Corporate Governance Report

This report is presented in accordance with the Accounting Act of the Republic of Estonia and provides an overview of the governance of AS LHV Group (LHV) and compliance of governance with the Corporate Governance Recommendations of NASDAQ OMX Tallinn Stock Exchange and the Financial Supervision Authority. LHV adheres to the Corporate Governance Recommendations, unless otherwise specified in this report.

1. General meeting

LHV is a public limited company, with its governing bodies being the general meeting of shareholders, the Supervisory Board and the Management Board.

The general meeting, where shareholders can exercise their rights, is the highest governing body of LHV. The primary duties of the general meeting include amendment of the Articles of Association, increase and decrease of share capital, decisions on issuance of convertible bonds, election of and extension of the powers of Supervisory Board members, premature removal of Supervisory Board members, approval of the annual report and profit allocation, approval of the share option programme, determination of the number of auditors, appointment and recall of auditors and other decisions within the competence of the general meeting, as provided by law and the Articles of Association.

A resolution on amendment of the Articles of Association shall be adopted if at least two-thirds of the votes who participate in the meeting are in favour. A resolution on amendment of the Articles of Association shall enter into force as of the making of a corresponding entry in the commercial register. The resolution of the general meeting on the amendment of the Articles of Association, minutes of the general meeting and the new text of the Articles of Association shall be attached to the application filed to the commercial register.

A shareholder has the right to participate in the general meeting, address the general meeting with regard to items on the agenda, ask relevant questions and make proposals.

The general meeting is called by the Management Board. The annual general meeting, with the approval of the annual report on the agenda, is held at least once a year. The Management Board calls the annual general meeting within six months after the end of the financial year at the latest. The Management Board gives at least three weeks' notice of the annual or special general meeting.

The agenda of the general meeting, proposals of the Management Board and Supervisory Board, draft resolutions and other relevant materials are made available to the shareholders prior to the general meeting. Materials are made available on LHV's website. Shareholders are given the opportunity to ask questions about items on the agenda before the general meeting, with the questions and responses published on LHV's website.

The list of shareholders entitled to participate in the general meeting is established based on the share register seven days before the general meeting.

One annual general meeting of shareholders was held in 2016. No special general meetings were held. The annual general meeting of shareholders held on 21 April 2016 resolved to list all shares of LHV on the Nasdaq Tallinn Stock Exchange Baltic Main List, with the share capital of LHV conditionally increased. The meeting also approved the Annual Report 2015, distributed the profit for the financial year 2015, gave an overview of the economic results for Q1 2016 and approved the dividend policy. The general meeting was held in the Estonian language.

The annual general meeting of 2016 was chaired by Daniel Haab, Head of Legal Department of AS LHV Pank, who introduced the procedure of the general meeting and the procedure for asking questions regarding the company's activities from the Management Board.

In 2016, member of the Management Board Erkki Raasuke, Chairman of the Supervisory Board Rain Lõhmus, members of the Supervisory Board Andres Viisemann, Tiina Mõis, Heldur Meerits, Raivo Hein, Sten Tamkivi and Tauno Tats, and auditor Verner Uibo attended the annual general meeting.

None of the shareholders hold any shares which would grant them special control rights or voting rights. LHV is not aware of any agreements in place between shareholders that would address the coordinated exercise of shareholder rights.

Shareholders with significant influence include Rain Lõhmus and parties related to him (25.89%) and Andres Viisemann and parties related to him (9.81%).

2. Management Board

2.1. Duties of the Management Board

The Management Board is a governing body of LHV, charged with the task of representing and managing LHV. Members of the Management Board are elected and removed by the Supervisory Board. The consent of the candidate is required for the election of a member of the management board. Pursuant to the Articles of Association, the Management Board has one to five members. A member of the Management Board is appointed for a term of five years, unless otherwise decided by the Supervisory Board. Extension of the term of office of a member of the Management Board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the law or the Articles of Association. If the Management Board of LHV has more than two members, the Supervisory Board must appoint the Chairman of the Management Board. The Chairman of the Management Board organises the work of the Management Board.

The Supervisory Board may remove a member of the Management Board for any reason. A member of the Management Board may resign for any reason, by informing the Supervisory Board thereof. The rights and obligations arising from the contract entered into with a member of the Management Board shall expire in accordance with the contract.

Erkki Raasuke served as the member of the Management Board of LHV until 5 December 2016. Madis Toomsalu was elected the new member of the Management Board on the same day. The Supervisory Board has entered into a management board member contract with Madis Toomsalu. The Supervisory Board establishes the remuneration principles for Management Board members and sets the severance compensation policy for premature termination of the management board member contract.

The Management Board makes everyday management decisions at its own discretion, governed by the best interests of LHV and its shareholders, and not his or her personal interests or the interests of the controlling shareholder. The duties of the Management Board member include day-to-day management of LHV, representation of the company, management of LHV's operations in foreign markets and investor communication, coordination of the development of LHV's strategy and its implementation by serving as an active chairman of the supervisory boards of the major subsidiaries of LHV.

The Management Board shall ensure the functioning of risk management and internal control within LHV, depending on the business area pursued by LHV. LHV's internal control system covers all activities carried out by the Supervisory Board, management and staff members of LHV with the aim of ensuring efficiency of operations, adequate risk management, reliability and accuracy of internal and

external reporting, unconditional compliance with all legal acts. The internal audit system covers all business, support and control units.

The objective of risk management within LHV is to recognise, correctly measure and manage the risks. On a wider horizon, the objective of risk management is to enhance corporate value by minimising damage and reducing volatility of results.

Risk management is based on a strong risk culture and built on the principle of three lines of defence, with the first line of defence, i.e. business areas, being responsible for risk-taking and day-to-day management of risks. The second line of defence, i.e. the risk management area, is responsible for developing risk management methods and reporting on risks. The third line of defence, i.e. internal audit, exercises independent supervision over the entire organisation.

2.2. Management remuneration principles

The purpose of establishing remuneration principles within LHV is the organisation of fair, motivating and transparent remuneration in accordance with the law.

Competence for the establishment of remuneration for members of the Management Board shall lie with the Supervisory Board. The Remuneration Committee shall review the basis of management remuneration on an annual basis. In assessing the activities of the members of the Management Board, the Remuneration Committee shall, above all, consider the professional duties of the Management Board member, his or her activities, the activities of the entire Management Board as well as LHV's financial position, the current status of and outlook for business operations in comparison with companies operating in the same sector of economy.

The remuneration payable to a member of the Management Board, including the options programme, must motivate the individual to operate within the best interests of LHV. The basic salaries of members of the Management Board shall be set forth in the employment contract, and the basic salary of the Chairman of the Management Board in the Management Board member contract. The principles of remuneration of management or staff members engaged in internal control and risk management shall ensure their independence and objectivity in the performance of their risk management/internal control duties. The remuneration of this staff shall not depend on the results posted by the units supervised. The objectives shall be described on the level of individual staff members.

When measuring the key quantitative and qualitative results and assessing the risk, LHV shall be governed by the following principles:

- The performance criteria established by LHV must not stimulate excessive risk-taking or sale of unsuitable products.
- The performance criteria must not merely contain performance efficiency indicators (e.g. profit, revenue, profitability, expenditure and volume indicators) or market-based indicators (e.g. stock price or bond yield) but must also be adjusted with risk-based indicators (e.g. capital adequacy, liquidity).
- The criteria used for measuring risks and results shall be as closely related to the decisions of the staff member, whose results are being appraised, as possible, and should ensure that the process of the establishment of the remuneration would have an appropriate impact on the staff member's professional behaviour.
- A good balance of both quantitative and qualitative as well as absolute and relative criteria shall be used in the specification of the performance criteria.
- Quantitative criteria shall cover a sufficient period of time, so as to consider the risks taken by the staff members or business units. The criteria shall be risk-adjusted and contain economic efficiency indicators.
- Examples of qualitative criteria include achievement of strategic objectives, customer satisfaction, adherence to the risk management policy, adherence to internal or external rules of procedure, management skills, creativity, motivation and co-operation with other business units and the internal control function.

LHV applies the long-term performance pay programme, i.e. the options programme. An annual performance pay shall be added to the basic salaries of Management Board members, top managers and key persons included in the options programme (including staff members equivalent to management members), the amount and disbursement of which corresponds to the achievement or non-achievement of individual targets or LHV's targets. The basis for establishment of performance pay in the options programme shall be objective and justifiable, with the time period for which performance pay shall be paid previously determined. The performance pay instruments consist fully of stock options.

Severance compensation payable to a member of the Management Board shall correspond to his or her previous work results. No severance compensation shall be paid, if this is liable to damage the interests of LHV. The size of the severance compensation shall correspond to the results achieved over time, and to the remuneration received.

2.3. Conflicts of interests

Management Board members submit an annual declaration of economic interests and conflicts of economic interests. No transactions approved by the Supervisory Board were concluded between LHV and its Management Board members, their close relatives or related parties in 2016.

During his term of service, Erkki Raasuke did not serve as a management board member in any other issuer. Erkki Raasuke served as the Chairman of the Supervisory Board of AS Eesti Energia. Madis Toomsalu is not a management board member or supervisory board member in any other issuer.

Management Board members have not been granted authority to issue or buy back shares.

3. Supervisory Board

The Supervisory Board is a governing body of LHV, charged with the task of planning the activities of LHV, organising the management of LHV and conducting supervision over the activities of the Management Board. The Supervisory Board determines and regularly reviews LHV's strategy, the general plan of action, risk management principles and the annual budget. The Supervisory Board has five to seven members. The members of the Supervisory Board are appointed for a term of three years. The members of the Supervisory Board elect amongst themselves the Chairman of the Supervisory Board, charged with the task of organising the activities of the Supervisory Board.

Rain Lõhmus (Chairman), Andres Viisemann, Tiina Mõis, Heldur Meerits, Raivo Hein, Tauno Tats and Sten Tamkivi serve as members of the Supervisory Board. The term of office of Supervisory Board members is set to expire on 21 May 2017. The general meeting of shareholders has resolved to establish for the Supervisory Board members a gross remuneration of 500 euros per each meeting of the Supervisory Board, where the member participates.

Supervisory Board members submit an annual declaration of economic interests and conflicts of economic interests. No significant transactions were concluded between LHV and its Supervisory Board members, their close relatives or related parties in 2016.

A total of eleven ordinary meetings and one extraordinary meeting of the Supervisory Board was held in 2016. Rain Lõhmus, Andres Viisemann and Raivo Hein participated in all meetings of the Supervisory Board in 2016. Tiina Mõis, Tauno Tats and Sten Tamkivi were absent on one occasion and Heldur Meerits on two occasions. All members of the Supervisory Board participated in more than half of the meetings of the Supervisory Board.

The Supervisory Board has formed three committees, charged with the task of advising the Supervisory Board in issues related to audit, remuneration and risk, as described below.

Within the framework of Supervisory Board meetings, the Supervisory Board was regularly briefed on the operating and financial results of LHV and its subsidiaries in 2016. The Supervisory Board

approved the conditional increase of share capital, public offering of shares, issue of new shares and the listing of all shares on the Nasdaq Tallinn Stock Exchange Baltic Main List. The Supervisory Board authorised and approved the results of the subscription of shares and the allocation of shares. The strategy of LHV was the principal topic of discussion at the meeting held in August.

The Supervisory Board approved the dividend payment principles and dividend policy, the acquisition of the shares of Danske Capital AS by AS LHV Varahaldus, and the change in the share capital of AS LHV Varahaldus. The Supervisory Board approved the Annual Report 2015, the report of the Supervisory Board and the issue of share options for the results posted in 2015. The share capital of AS LHV Pank was increased, Erkki Raasuke was removed from the position of the Management Board member and Madis Toomsalu was appointed the new member of the Management Board.

3.1. Audit Committee

The Audit Committee serves, above all, as an advisory body for the Supervisory Board with regard to accounting, audit, Risk and Capital Committee, internal control and internal audit, supervision, budgeting and compliance. The Audit Committee is governed, in its activities, by the Auditors' Activities Act and the rules of procedure established by the Supervisory Board of LHV.

The Audit Committee has been charged with the task of monitoring and analysing the processing of financial information in the extent necessary for preparing quarterly and annual financial statements, efficiency of risk management and internal control, the procedure for audit of the financial statements or consolidated financial statements, as well as the independence of the audit firm or a sworn auditor representing the audit firm on the basis of the law and compliance of their activities with the requirements of the Auditors' Activities Act.

The Audit Committee is responsible for making proposals to the Supervisory Board and providing recommendations for appointment or removal of the audit firm, appointment or removal of the internal auditor, prevention or elimination of problems or inefficiencies within the organisation, and compliance with legal acts and good professional practice.

Pursuant to the rules of procedure, the Audit Committee gathers for meetings at least on a quarterly basis. In 2016, the Audit Committee gathered on six occasions. At five meetings, the internal auditor gave an overview of the audits conducted and the audit findings. The last meeting of the year discussed the findings of the external auditor on the basis of the interim audit for 2016. The last two meetings of the year discussed the internal audit work plan for 2017.

The Audit Committee consists of a minimum of two members. Members of the Audit Committee have been appointed by the Supervisory Board for a term of one year, with the aim of ensuring diversity of competences and independence of committee members. Gerli Kilusk (Chairman), Marilin Hein and Tauno Tats serve as members of the Audit Committee.

Gerli Kilusk is a partner, management board member and attorney-at-law with Law Firm Primus. Gerli Kilusk does not hold any shares in LHV. Marilin Hein is the cofounder and CFO of EfTEN Capital AS. Marilin Hein does not hold any shares in LHV. Astrum OÜ, a company owned by Marilin Hein, holds 250 shares of AS LHV Group. Tauno Tats is a member of the Supervisory Board of LHV and the Management Board of Ambient Sound Investments OÜ. Tauno Tats does not hold any shares in LHV. Ambient Sound Investments OÜ holds 1,418,000 shares of AS LHV Group.

The remuneration payable to members of the Audit Committee shall be determined by the Supervisory Board of LHV. Members of the Audit Committee are paid a monthly net remuneration of 100 euros.

The internal audit unit is governed, in its activities, by the Auditors' Activities Act, Credit Institutions Act, other regulations and the rules of procedure for internal audit, as approved by the Supervisory Board of LHV. The internal audit unit presents the Supervisory Board with an overview of the audits

conducted and audit findings on a quarterly basis. An overview of the audits carried out during the year and significant findings as well as performance of the annual plan is given once a year.

The annual internal audit plan is prepared on the basis of the requirements set forth by law or contract, as well as the internal audit unit's assessment of the risks evident in the business areas and products, aimed at covering all major areas and products with sufficient risk-based regularity. The internal auditor discusses all audit findings with the heads of the corresponding areas (as well as the management board of the company) and agrees upon the action plan for elimination of deficiencies. The internal audit unit conducts quarterly follow-up audits in order to monitor adherence to the agreed action plan. To ensure efficiency, the internal audit unit closely co-operates with the risk control and compliance units as well as the external auditor, while maintaining its independence. The internal auditor is invited to all supervisory board meetings of LHV, AS LHV Pank and AS LHV Varahaldus, other important meetings of committees established within group companies (if possible and necessary), and all management board meetings of AS LHV Pank and AS LHV Varahaldus. In the reporting period, the internal audit unit had two employees in Estonia and one employee in Lithuania.

3.2. Remuneration Committee

The Remuneration Committee has been charged with the task of evaluating the principles of remuneration within LHV's subsidiary, the credit institution AS LHV Pank, and the impact of any remuneration-related decision on adherence to the requirements established for the management of risks, own funds and liquidity. The Remuneration Committee consists of a minimum of three members.

The Remuneration Committee conducts supervision of the remuneration of Management Board members and staff members, evaluates implementation of the remuneration policy at least on an annual basis and, where necessary, proposes to update the remuneration principles and prepares the related draft resolutions for the Supervisory Board.

The Remuneration Committee held one meeting in 2016 (in January). The committee discussed and made a proposal to the Supervisory Board with regard to the recipients of share options and the related amounts for the results posted in 2015, as well as with regard to the pricing of share options, the share options of resigning staff members and the remuneration of Management Board members.

Rain Lõhmus, Andres Viisemann and, until 5 December 2016, Erkki Raasuke (Chairman) served as members of the Remuneration Committee. Madis Toomsalu has been serving as a member and the Chairman of the Remuneration Committee from 5 December 2016 onwards.

Rain Lõhmus is the founder of LHV and the Chairman of the Supervisory Board of LHV. Rain Lõhmus holds 2,628,367 shares, AS Lõhmus Holdings 3,357,920 shares and OÜ Merona Systems 581,718 shares of AS LHV Group. Andres Viisemann is the founder of LHV, member of the Supervisory Board of LHV and manager of the pension funds of AS LHV Varahaldus. Andres Viisemann does not hold any shares of AS LHV Group. Viisemann Investments AG holds 2,052,344 shares and Viisemann Holdings OÜ 434,925 share of AS LHV Group. Madis Toomsalu is a member of the Management Board of LHV. Madis Toomsalu holds 13,775 shares of LHV.

No remuneration is paid to members of the Remuneration Committee.

3.3. Risk and Capital Committee

The Risk and Capital Committee has been charged with the task of advising the Supervisory Board and Management Board of LHV with regard to risk management principles and risk tolerance, assessing the risks taken by LHV and monitoring implementation of the risk policy within LHV Group companies. The Risk and Capital Committee also carries out supervision of the implementation of risk management principles by the Management Board in accordance with the instructions given by the Supervisory Board, checks that the probability and timing of risk, capital, liquidity and revenue is taken

into account in remuneration principles, and that the business model and risk management principles are taken into account in the fees established for customers.

Pursuant to the Rules of Procedure of the Risk and Capital Committee, the meetings of the Risk and Capital Committee shall be held, as a rule, on a quarterly basis. The Chairman of the Risk and Capital Committee shall give an overview of the activities of the Risk and Capital Committee, the resolutions adopted and their implementation at least on an annual basis.

Four ordinary meetings of the Risk and Capital Committee were held in 2016, reviewing regular risk reports, ICAAP work processes and capital plans, key customers under monitoring, changes in provisions, current IRB and the SREP report. The Supervisory Board was advised in issues related to risk management and capital management policies, with the key principles of credit policy and loan portfolio management and the planned changes reviewed.

Rain Lõhmus (Chairman), Andres Viisemann and Tiina Mõis serve as members of the Risk and Capital Committee.

Rain Lõhmus is the founder of LHV and the Chairman of the Supervisory Board of LHV. Rain Lõhmus holds 2,628,367 shares, AS Lõhmus Holdings 3,357,920 shares and OÜ Merona Systems 581,718 shares of AS LHV Group. Andres Viisemann is the founder of LHV, member of the Supervisory Board of LHV and manager of the pension funds of AS LHV Varahaldus. Andres Viisemann does not hold any shares of AS LHV Group. Viisemann Investments AG holds 2,052,344 shares and Viisemann Holdings OÜ 434,925 share of AS LHV Group. Tiina Mõis is a member of the Supervisory Board of LHV, and the owner and managing director of AS Genteel. Tiina Mõis does not hold any shares of AS LHV Group. AS Genteel holds 999,456 shares of AS LHV Group.

No remuneration is paid to members of the Risk and Capital Committee.

4. Cooperation of the Management Board and Supervisory Board

The Management Board and Supervisory Board work in close co-operation to best protect the interests of LHV. The co-operation is, above all, based on an open exchange of views between as well as within the Management Board and the Supervisory Board.

The Management Board and the Supervisory Board joint their efforts to lay out the objectives and strategy of LHV. In the management of LHV, the Management Board is governed by the strategic instructions given by the Supervisory Board. The Management Board regularly discusses strategic management issues with the Supervisory Board within the framework of an open dialogue.

The Management Board regularly informs the Supervisory Board of the key circumstances regarding the activity plans and business activities of LHV, the risks involved and management of such risks.

No conflicts of interests occurred in the financial year 2016.

5. Disclosure of information

LHV treats all shareholders equally and notifies all shareholders of material developments accordingly. Information is disclosed in accordance with the rules set forth for publicly traded companies.

LHV has set up an investor relations website, making available all documents and information in accordance with the Corporate Governance Recommendations. LHV publishes on its website a financial calendar containing the publication dates of the annual report and interim reports and the date of the annual general meeting of shareholders. The published information is also made available in English and Russian. In 2017, LHV will start disclosing its annual plans and monthly results via the stock exchange announcements.

LHV's dividend policy is available on LHV's website, stipulating the dividend payment principles, according to which the key precondition for payment of dividends includes external and internal regulatory capital standards, which have to be met in a sustainable manner. LHV may decide to waive dividend payment under the corresponding growth and/or investment plans. Where the preconditions are met, LHV shall pay a minimum of 25 per cent of the shareholders' profit before taxes in dividends, income tax included.

In 2016, meetings and webinars with investors were held as needed and based on investor requests. The relevant presentations are available on LHV's website.

6. Financial reporting and auditing

LHV publishes its annual report on an annual basis. The annual report is audited, and approved by the Supervisory Board.

The number of auditors is determined and the auditors appointed by the general meeting of shareholders. The general meeting also establishes the procedure for remuneration of auditors. Auditors are appointed for a single audit or for a specified term.

In 2015, the Management Board, in cooperation with the Audit Committee, organised a tender for the appointment of an auditor. As part of the tender, LHV met with and requested bids from four major internationally recognised companies. As a result of the tender, AS PricewaterhouseCoopers was chosen and appointed the company's auditor at the annual general meeting of shareholders held on 29 April 2015. A three-year contract was entered into with AS PricewaterhouseCoopers for the audit of the financial years 2015-2017.

The auditor has rendered contractual services to LHV consolidation group companies in 2016, including audits on the financial statements of group companies and reviews of the profits disclosed in quarterly financial statements, consulting in connection with the performance of contractual obligations to the US tax authority, audits of the AS Danske Capital purchase analysis and other current matters.

Transactions with related parties are disclosed in the notes to the financial statements.

Statement of conformity

LHV adheres to the Corporate Governance Recommendations, with the exception of the following instructions and recommendations for the reasons stated below:

"1.3.3. Issuers shall make participation in the General Meeting possible by means of communication equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive for the Issuer."

Observation of the general meeting and participation thereof has not been made possible by means of communication equipment. There has been no need, no corresponding requests and no suitable solution for such a facility. Nonetheless, from 2017 onwards, LHV stands ready to ensure participation of shareholders at the general meeting via secure electronic means (without being physically present at the general meeting), with the corresponding option added to the Articles of Association of LHV.

"2.2.1. The Management Board shall have more than one (1) member and a Chairman elected by its members."

The Management Board or Supervisory Board shall establish an area of responsibility for each member of the Management Board, defining as clearly as possible the duties and powers of each board member. The principles for co-operation between members of the board shall also be established."

The Chairman of the Supervisory Board shall conclude a contract of service with each member of the board for discharge of their functions."

The Management Board of LHV has one member. LHV is a holding company without any day-to-day operational business activities. Thus, a single member of the Management Board ensures sufficient and comprehensive management of LHV. The major subsidiaries of LHV have management boards consisting of several members.

"2.2.2. The member of the Management Board shall not be at the same time a member of more than two management boards of an Issuer and shall not be the Chairman of the Supervisory Board of another Issuer. A member of the Management Board can be the Chairman of the Supervisory Board in company belonging to same group as the Issuer."

Erkki Raasuke served as the Chairman of the Supervisory Board of AS Eesti Energia in 2016. AS Eesti Energia has not issued any securities on the Tallinn Stock Exchange but has issued bonds on the London Stock Exchange. Madis Toomsalu is not a management board member or supervisory board member in any other issuer.

"2.2.7. Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in clear and unambiguous form on website of the Issuer and in the Corporate Governance Recommendations Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as of the day of disclosure."

The Chairman of the Supervisory Board shall present the essential aspects of the management board remuneration and changes in it to the General Meeting. If the remuneration of some of the Management Board members has occurred on a different base, then the General Meeting shall be presented the differences together with the reasons therefore."

LHV discloses the total amount of remuneration paid to Management Board members in the notes to the financial statements. LHV does not disclose the remuneration of individual members of the Management Board because this constitutes personal data, the disclosure of which is not unavoidably necessary for evaluation of the operations and management quality of LHV.

"3.2.2. At least half of the members of the Supervisory Board of the Issuer shall be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number dependent members."

Independent members of the Supervisory Board of LHV are Sten Tamkivi and Tauno Tats. Other members of the Supervisory Board of LHV are not independent in the meaning of the Corporate Governance Recommendations, as they have served in their current position for more than three (3) consecutive years. LHV has been in the stage of active development and growth, where it has preferred people of long-term management skills and banking experience as members of the Supervisory Board. These people are also the largest shareholders of LHV. LHV believes that, as members of the Supervisory Board, the largest shareholders are best motivated to contribute to the management of LHV and its development in the long-term horizon.

"6.2.1. /.../ The Supervisory Board shall describe in its evaluation report to judgment of the auditors work inter alia the services (including advisory services) that the auditor has provided to the Issuer during the preceding year or shall provide during the next year. Also the remuneration the Issuer has paid or shall pay to the auditor shall be published. /.../"

LHV has agreed with its foreign auditor not to disclose the contractual fees paid or payable to the auditor, since this constitutes the parties' confidential information the disclosure of which is not

unavoidably necessary for assessing the activities of LHV. Once a year, LHV's Audit Committee shall review the services rendered by the foreign auditor, the relevant volumes and fees.

"Pursuant to subsection 24² (4) of the Accounting Act, a large undertaking whose securities granting voting rights have been admitted for trading on a regulated securities market of Estonia or another Contracting State shall describe in the corporate governance report the diversity policies carried out in the company's management board and senior management and the results of the implementation thereof during the accounting year. If no diversity policies have been implemented during the accounting year, the reasons for this should be explained in the corporate governance report."

LHV has not deemed it necessary to implement a diversity policy, as LHV is governed in the recruitment of staff and management members by the best interests of LHV - the education, skills and previous experience of the person on a gender neutral on non-discriminatory basis.

Tiina Mõis serves as a member of the Supervisory Board of LHV and a member of the Risk and Capital Committee, and Gerli Kilusk and Marilyn Hein as members of the Audit Committee. Together with the management members, LHV's subsidiaries engage a total of 40 middle-level managers of whom 15 are women.