

## TERMS AND CONDITIONS OF TIER 2 SUBORDINATED BONDS

AS LHV Group, a limited liability company incorporated in Estonia, (the “**Company**”) issues up to EUR 35,000,000 in aggregate Nominal Amount of Tier 2 subordinated bonds (the “**Bonds**”). The aggregate Nominal Amount of the Bonds may be decreased by the Issuer.

The Bonds are issued in one issue.

These Terms and Conditions (the “**Terms**”) apply to the Bonds.

### 1. Interpretation

- (a) In these Terms the following expressions have the following meanings, whereas additional expressions have been defined in other parts of these Terms, where clearly marked so:

“**Agent**” means AS LHV Pank, register code 10539549.

“**Applicable Banking Regulations**” means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy then in effect in Estonia including, without limitation to the generality of the foregoing, CRD IV and V, BRRD, and those regulations, requirements, guidelines and policies relating to capital adequacy adopted by the EFSA, as replaced or amended from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Company or the Group).

“**Bail-in Powers**” means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Republic of Estonia, relating to (i) the transposition of the BRRD (including but not limited to the Financial Crisis Prevention and Resolution Act (*finantskriisi ennetamise ja lahendamise seadus*) as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Company (or any affiliate of the Company) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Company or any other person (or suspended for a temporary period).

“**BRRD**” means the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as the same may be amended or replaced from time to time.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle inter-bank payments in euro in Tallinn and which is a settlement day of the Register.

“**Bonds**” mean tier 2 (as defined by the Applicable Banking Regulations) subordinated bonds issued by the Company in accordance with these Terms, representing unsecured debt obligation of the Company before the Bondholder.

“**Bondholder**” is the owner of the Bond registered as such in the Register.

“**Capital Event**” means the determination by the Company, after consultation with the EFSA, that the Outstanding Principal Amount of the Bonds ceases or would be likely to cease to be included in whole or in any part, or count in whole or in any part, towards the Tier 2 Capital

of the Company in the essence of CRR.

“**Company**” means AS LHV Group, register code 11098261.

“**CRD IV and V**” means the legislative package consisting of the CRD IV Directive, the CRD V Directive the CRR and any CRD IV and V Implementing Measures.

“**CRD IV Directive**” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as the same may be amended or replaced from time to time.

“**CRD V Directive**” means Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, , as the same may be amended or replaced from time to time.

“**CRD IV and V Implementing Measures**” means any regulatory capital rules or regulations, or other requirements, which are applicable to the Company or the Group and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Company or the Group (on a solo or consolidated basis, as the case may be) to the extent required by the CRD IV Directive, CRD V Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof).

“**CRR**” means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as the same may be amended or replaced from time to time.

“**Rate of Delay Interest**” means delay interest at the rate of 0.025% per each day in delay payable by the Company to a Bondholder upon the Company’s failure to transfer any amount payable to a Bondholder in connection with the Bond by the due date.

“**EFSA**” means the Estonian Financial Supervisory Authority (*Finantsinspektsoon*) and any successor or replacement thereto or any other authority having primary responsibility for the prudential oversight and supervision of the Company.

“**Group**” means, the Company together with its subsidiaries.

“**Interest Commencement Date**” means 30<sup>th</sup> September 2020.

“**Interest Payment Date**” means each 30<sup>th</sup> September, 30<sup>th</sup> December, 30<sup>th</sup> March and 30<sup>th</sup> June.

“**Issue Date**” means the date when the Bond is deemed to be issued, i.e. 28<sup>th</sup> September 2020.

“**Issue Price**” means EUR 1,000.

“**Maturity Date**” means the date of ordinary redemption of the Bonds, i.e. 30<sup>th</sup> September 2030.

“**Nominal Amount**” shall mean the stated value of a Bond, i.e. EUR 1,000.

“**Outstanding Principal Amount**” means the principal amount of the Bond on the Issue

Date as reduced by any partial redemption or repurchase from time to time.

**“Register”** means Nasdaq Central Securities Depository (CSD) operated by Nasdaq CSD SE, register code 40003242879, registered address Vaiņņu iela 1, Rīga LV-1050, Latvia.

**“Relevant Amounts”** means the outstanding principal amount of the Bonds, together with any accrued but unpaid interest and additional amounts due on the Bonds. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in Powers by the Relevant Resolution Authority.

**“Relevant Resolution Authority”** means the resolution authority with the ability to exercise any Bail-in Powers in relation to the Company and/or the Group.

**“Tax Event”** means:

- (i) any amendment to, or change in, the laws or treaties (or any regulations thereunder) of the Taxing Jurisdiction affecting taxation;
- (ii) any governmental action in the Taxing Jurisdiction; or
- (iii) any amendment to, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known,

which amendment or change is effective or such governmental action, pronouncement, interpretation or decision is announced, on or after the Issue Date and as a result of which:

- (i) the Company is, or will be, subject to additional taxes, duties or other governmental charges with respect to such Bonds or is not, or will not be, entitled to claim a deduction in respect of payments in respect of such Bonds in computing its taxation liabilities (or the value of such deduction would be materially reduced); or
- (ii) the treatment of any of the Company’s items of income or expense with respect to such Bonds as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Company will not be respected by a taxing authority, which subjects the Company to additional taxes, duties or other governmental charges.

**“Taxing Jurisdiction”** means the Republic of Estonia or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Company is treated as having a permanent establishment, under the income tax laws of such jurisdiction.

**“Terms”** mean these terms and conditions of the Bonds as established by the management board of the Company forming an agreement between the Company and a Bondholder in respect of the issue and redemption of a Bond and rights and obligations arising from the Bond.

**“Tier 2 Capital”** means tier 2 capital for the purposes of the Applicable Banking Regulations.

- (b) In these Terms:
- (i) the word “herein” and similar words refer to these Terms and not to any particular section or any other subdivision of these Terms;
  - (ii) when reference is made to a number of days, such number shall refer to calendar days, unless Business Days are specified;
  - (iii) references to the word “include” or “including” (or any similar term) are not to be construed as implying any limitation and general words introduced by the word “other” (or any similar term) shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;
  - (iv) references to any act or other regulatory instrument or any provision of any act or other regulatory instrument shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

## 2. Form and Currency

(a) **Form**

The Bonds are issued in dematerialised book-entry form and registered in the Register. The Bonds are not numbered.

(b) **Currency**

The Bonds are denominated in euro.

## 3. Title, Transfer, Delivery and Transferability

(a) **Title**

The title to the Bonds passes by the registration in the Register. References herein to the “**Bondholders**” signify the persons in whose names such Bonds are so registered in the Register.

(b) **Transfer**

The Bonds can be transferred from one securities account to another by the registrar of the Register by way of debiting the first securities account and crediting the other securities account in the amount of the corresponding number of securities. Title to a Bond is deemed to have changed in respect of the Company as from the moment a relevant entry is made in the Register, i.e. when a Bond is transferred to the securities account of the respective Bondholder.

(c) **Delivery**

The Agent, pursuant to an agreement with the Company, organises the registration of the Bonds in the Register and their deletion from the Register upon their redemption. Only persons who have securities accounts (whether directly or via a nominee structure) with the Register can subscribe for or purchase the Bonds.

(d) **Transferability**

The Bonds are freely transferrable; however, any Bondholder wishing to transfer the Bonds must ensure that any offering related to such transfer would not be qualified as a public offering in the meaning of the applicable law. Ensuring that any offering of the Bonds does

not fall under the definition of public offering under the applicable law is the obligation and liability of the Bondholder. The Register may temporarily block the Bonds on a Bondholder's securities account to ensure performance of corporate actions regarding the Bonds.

#### 4. **Status**

The Bonds will be subordinated to all unsubordinated claims against the Company. The subordination of the Bonds means that upon the liquidation (*likvideerimine*) or bankruptcy (*pankrot*) of the Company, all the claims arising from the Bonds shall fall due in accordance with these Terms and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company in accordance with the applicable law. Therefore, upon the liquidation or bankruptcy of the Company, the Bondholders are not entitled to any payments due under the Bonds until the full and due satisfaction of all the unsubordinated claims against the Company. By subscribing to the Bonds or acquiring the Bonds from a secondary market, the Bondholder unconditionally and irrecoverably agrees to such subordination of claims arising from any Bonds.

As long as there are no liquidation or bankruptcy proceedings initiated against the Company, all claims arising from the Bonds shall be satisfied in accordance with these Terms and the applicable law. Notwithstanding any rights of the Bondholder under these Terms or the law, by subscribing to Bonds or acquiring the Bonds from a secondary market the Bondholder unconditionally and irrevocably relinquishes the right to demand premature redemption of any Bonds.

No Bondholder shall be entitled to exercise any right of set-off (*tasaarvestus*) against moneys owed by the Company in respect of such Bonds.

#### 5. **Interest**

The Bonds shall bear interest on its Outstanding Principal Amount from and including the Interest Commencement Date (as defined herein) to, but excluding, the date of any final redemption at the rate of 6% *per annum*. Such interest will be payable in arrear on each Interest Payment Date and on the date of any final redemption.

The determination by the Agent of all amounts of interest for the purposes of this Term 5 shall, in the absence of manifest error, be final and binding on all parties.

#### 6. **Redemption and Purchase**

##### (a) ***Redemption at Maturity***

Unless previously redeemed, or purchased and cancelled, the Bonds shall be redeemed at their principal amount on the Maturity Date.

##### (b) ***Early Redemption as a result of Tax Event***

Upon the occurrence of a Tax Event, but subject to having obtained the relevant EFSA permission if such permission is then required under the Applicable Banking Regulations, the Company may, at its option, having given not less than 30 days' notice to the Bondholders in accordance with Term 11 (which notice shall be irrevocable) redeem all (but not some only) of the outstanding Bonds at any time at a redemption amount equal to their Outstanding Principal Amount together with interest (if any) accrued up to but excluding the date of redemption.

##### (c) ***Early Redemption as a result of Capital Event***

Upon the occurrence of a Capital Event, but subject to having obtained the relevant EFSA

permission if such permission is then required under the Applicable Banking Regulations, the Company may, at its option, having given not less than 30 days' notice to the Bondholders in accordance with Term 11 (which notice shall be irrevocable) at any time redeem all (but not some only) of the outstanding Bonds at a redemption amount equal to their Outstanding Principal Amount, together with interest (if any) accrued up to but excluding the date of redemption.

(d) **Optional Early Redemption (Call)**

After 5 years have passed from the Issue Date of the Bonds and having obtained the relevant EFSA permission if such permission is then required under the Applicable Banking Regulations, the Company may, having given not less than 30 days' notice to the Bondholders in accordance with Term 11 (which notice shall be irrevocable) redeem fully or partially Bonds at their Outstanding Principal Amount, together with accrued interest (if any) thereon.

The appropriate notice referred to in this Term 6(d) is a notice given by the Company to the Agent and the Bondholders, which notice shall be signed by a duly authorized officer of the Company and shall specify:

- (i) the Bonds subject to redemption;
- (ii) whether such Bonds are to be redeemed in whole or in part only and, if in part only, the aggregate Outstanding Principal Amount of the Bonds which are to be redeemed;
- (iii) the due date for such redemption, which shall be not less than 30 days after the date on which such notice is validly given; and
- (iv) the amount at which such Bonds are to be redeemed, which shall be their Outstanding Principal Amount together with accrued interest thereon.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Company to make the redemption therein specified.

(e) **Partial Redemption**

If the Bonds are to be redeemed in part only on any date in accordance with Term 6(d), the Bonds shall be redeemed *pro rata* to their Outstanding Principal Amount, subject always to compliance with all applicable laws, and the rules of the stock exchange on which the Bonds have then been admitted to trading.

(f) **Purchase**

The Company and its subsidiaries may at any time, if in accordance with the Applicable Banking Regulations, purchase the Bonds for the purpose of market making and to be passed on to employees as part of their remuneration at any price and any such purchases shall be subject to the prior permission of the EFSA in accordance with the CRR and Commission Delegated Regulation No 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council of 7 January 2014 with regard to regulatory technical standards for Own Funds requirements for institutions, and any other Applicable Banking Regulations (if such permission is then required under the Applicable Banking Regulations).

(g) ***Cancellation of Redeemed and Purchased Bonds***

All Bonds redeemed or purchased in accordance with this Term 6 will be cancelled and may not be reissued or resold. References in this Term 6(g) to the purchase of the Bonds by the Company shall not include the purchase of Bonds in the ordinary course of business of dealing in securities as a market maker or for passing on to employees as their remuneration or the purchase of Bonds otherwise than as beneficial owner.

**7. Taxation**

- (a) Should any amounts payable in cash or in kind (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Bonds be subject to withholding or deduction of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Estonia or any political subdivision thereof or any authority or agency therein or thereof having power to tax, the Company shall be entitled to withhold or deduct the respective taxes or duties. For the avoidance of doubt, any such withholdings or deductions shall be made by the Company on the account of the Bondholder with the Company having no obligation to compensate the withheld or deducted tax amounts to the Bondholder.
- (b) Should an applicable treaty for the avoidance of double taxation set forth lower withholding rates than those otherwise applicable to the interest payment under Estonian domestic law, the respective Bondholder shall be requested to provide the documents necessary for application of the respective treaty (including, but not limited to, residence certificate issued or attested by the tax authority of the residence state of the Bondholder) at least 15 (fifteen) days prior to the payment. If such documents are not presented to the Company, the Company shall be entitled to withhold tax at the rates set forth by the Estonian domestic legislation.
- (c) Individuals may postpone the taxation of their (interest) income from the Bonds by using an investment account (*investeerimiskonto*) for making transactions with the Bonds and notifying the Company in writing at least 15 (fifteen) days prior to the payment that they are entitled to benefit from the investment account special tax regime. At the date of these Terms, individuals are entitled to benefit from the investment account special tax regime if they have acquired the Bonds on account of monetary means held at the respective Bondholder's investment account. If the relevant notice is not duly presented to the Company, the Company shall be entitled to withhold tax in accordance with the general withholding rules.
- (d) Any reference in these Terms to interest in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Term 7 or any undertaking given in addition thereto or in substitution therefor. For the avoidance of doubt, no additional amounts shall be payable by the Company in respect of payments of principal under the Bonds.

**8. Payments**

- (a) Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Bonds will be made to the Bondholders thereof, as appearing in the

Register at the close of business on the Business Day preceding the due date for such payment (the “**Record Date**”). Payment of amounts due on the final redemption of the Bonds will be made simultaneously with deletion of the Bonds, or, if so required by the Company, against delivery of the Bonds to the Company. If the due date for payment of the final redemption amount of the Bonds is not a Business Day, the Bondholder thereof will not be entitled to payment thereof until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms.

- (b) If the Company fails to transfer any amount payable to a Bondholder in connection with the Bond by the due date, the Company undertakes to pay delay interest to the Bondholder at the Rate of Delay Interest on the outstanding amount as from the payment deadline until actual payment.

#### **9. Limitation Period**

Claims against the Company in respect of the Bonds will expire (*aeguvad*) unless made within 3 years after the due date for payment.

#### **10. Agent**

- (a) Pursuant to an agreement between the Company and the Agent, the Agent has agreed to act as the mediator of documents between the Company and the Bondholders, organise registration of the Bonds in the Register as well as subscription for Bonds, and making of subscription, interest and redemption payments.
- (b) In carrying out its duties, the Agent acts as a representative of the Company and is not a party to the legal relationship created between the Company and the Bondholders as a result of the issue and acquisition of Bonds; however, the Agent has assumed an obligation to the Company and Bondholders to act in the interests of Bondholders when performing certain duties. The Agent is not liable to the Bondholders if the Company is in breach of obligations arising from these Terms. The Agent’s breach of obligations arising from these Terms is also deemed to constitute a breach of obligations by the Company and the Company is liable to the Bondholders for the Agent’s breach as if it were the Company’s breach. If the Agent fails to properly perform its obligation to forward to the Company any document submitted by or payment made by a Bondholder under the Terms or in connection with Bonds, the Bondholder is deemed to have submitted the relevant document or made the payment to the Company at the moment when the Agent was supposed to perform its relevant obligation.
- (c) The Bondholders acknowledge that the Agent is a subsidiary of the Company and hereby confirm that they have no claims against the Company or the Agent arising from that fact.

#### **11. Notices**

- (a) ***To Bondholders***

Notices to Bondholders will be deemed to be validly given published through the information system of the stock exchange in which they are listed (if applicable) or in case of unlisted Bonds if sent to them at their e-mail address as recorded in the Register or, and will be deemed to have been validly given on the second Business Day after the date of such



sending or publishing.

(b) **To Company**

Notices to the Company will be deemed to be validly given if delivered to the Agent at Tartu maantee 2, 10145 Tallinn, Estonia or by e-mail to [lhv@lhv.ee](mailto:lhv@lhv.ee) or by fax to +372 6 800 410 (or at such other contact details as may have been notified to the Bondholders) and will be deemed to have been validly given at the opening of business on the next day on which the Agent's principal office is open for business.

**12. Law and Jurisdiction**

The Bonds and all non-contractual obligations arising out of or in connection with any of them are governed by Estonian law and subjected to the jurisdiction of the courts of Estonia.

**13. Acknowledgement of Bail-in Powers**

Notwithstanding and to the exclusion of any other term of the Bonds or any other agreements, arrangements or understanding between the Company and any Bondholder (which, for the purposes of this Term 13, includes each holder of a beneficial interest in the Bonds), by its acquisition of the Bonds, each Bondholder acknowledges and accepts that any liability arising under the Bonds may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (a) the effect of the exercise of any Bail-in Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
  - (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Bonds;
  - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Bonds into shares, other securities or other obligations of the Company or another person, and the issue to or conferral on the Bondholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Bonds;
  - (iii) the cancellation of the Bonds or the Relevant Amounts in respect of the Bonds;
  - (iv) the amendment or alteration of the amount of interest payable on the Bonds, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Bonds, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in Powers by the Relevant Resolution Authority.