

TERMS AND CONDITIONS OF SUBORDINATED BONDS

AS LHV Group ("**Issuer**") issues subordinated bonds, each bond with a nominal value of EUR 1,000 (one thousand euros), totalling up to EUR 10,000,000 (ten million euros), with a maturity at 29 October 2025 (jointly "**Bonds**" and severally "**Bond**") and with the Issuer having the right, in case of oversubscription, to increase the total amount of Bonds to EUR 15,000,000 (fifteen million euros). This document provides for the terms and conditions of the Bonds ("**Terms**").

1. Bonds

- (1) Bonds represent the Issuer's unsecured debt to the person that has acquired Bonds ("**Investor**").
- (2) Bonds are issued in an intangible form. Bonds are not numbered.
- (3) Bonds represent subordinated bonds in the meaning of subsection 4 of this section 1.
- (4) The claims arising from the Bonds are subordinated to all unsubordinated claims against the Issuer (for the purposes of clarity, the Bonds are not subordinated to claims that are subordinated to the Bonds or have the same ranking as the Bonds). Subordination of the Bonds means that in the event of liquidation or bankruptcy of the Issuer, all liabilities of the Issuer arising from the Bonds or Terms (including but not limited to the claims for redemption and interest, claims for late payment interest, claims for contractual penalties and damages, and all other financial liabilities of the Issuer) become collectible and are settled after all the acknowledged unsubordinated claims have been fully settled pursuant to applicable legislation. Therefore, upon liquidation or bankruptcy of the Issuer, the Investors are not entitled to any payments arising from the Bonds or Terms until the unsubordinated claims of other creditors of the Issuer have been fully settled in the manner prescribed. By subscribing to Bonds, the Investor unconditionally and irrecoverably agrees to such subordination of claims arising from any Bonds or Terms. For the purpose of clarity, as long as the liquidation or bankruptcy proceeding of the Issuer has not been initiated or such proceedings have not otherwise started, the Issuer settles the claims arising from Bonds and Terms when they become collectible pursuant to the Terms. Notwithstanding any rights of the Investor under these Terms or law, by subscribing to Bonds the Investor unconditionally and irrevocably relinquishes the right to demand premature redemption of any Bonds.
- (5) The Bonds are registered in the Estonian Central Register of Securities ("**Register**"), and assigned an ISIN code. Bonds may be subscribed for only by such persons that have a securities account with the Register.
- (6) The issue and subscription for Bonds, payments related to Bonds and registration of Bonds in the Register are organised and the documents to be submitted pursuant to the Terms are collected and safekept by AS LHV Pank (registry code 10539549, hereinafter "**Agent**").
- (7) Bonds are issued in one issue ("**Issue**"). The issue volume is 10,000 Bonds, with the Issuer having the right, in case of over-subscription, to issue up to 15,000 Bonds.
- (8) The nominal value of one Bond is EUR 1,000. The issue price of a Bond is EUR 1,000 per a Bond ("**Issue Price**").
- (9) The Bonds are issued on 29 October 2015 ("**Launch Date**").
- (10) Bonds are redeemed on 29 October 2015 or prematurely before the maturity date in case of premature redemption ("**Final Date**").
- (11) The amount of annual coupon interest payable on a Bond is set forth in subsection 2 of section 9.
- (12) There will be a public offering of the Bonds ("**Offering**") in accordance with the Public Offering, Listing and Admission to Trading Prospectus ("**Prospectus**"). The Prospectus is registered with the Financial Supervision Authority on 2 October 2015 and is available at <https://www.lhv.ee/en/for-investors/?l3=en>.
- (13) In case of oversubscription, the Management Board of the Issuer shall decide on the allocation of Bonds between Investors.
- (14) The allocation of the Bonds among the Investors shall be determined in accordance with the terms and conditions described in the Prospectus upon a relevant resolution of the Company.

2. Issue

- (1) All the Bonds issued through the Issue bear the same rights and obligations.
- (2) The provisions of the Terms apply to all the Bonds issued through the Issue.
- (3) Bonds may be offered to persons upon first dissemination and on the secondary market only subject to such conditions that do not qualify the relevant offer as a public offer for the purposes of the Securities Market Act. Each investor is individually responsible for offering Bonds on the grounds excluding public offer.

3. Subscription for Bonds

- (1) The subscription of the Bonds shall be conducted in accordance with the terms and conditions described in the Prospectus
- (2) According to the terms and conditions of the Offering up to 10,000 Bonds shall be issued. Upon over-subscription of the Bonds in the course of the Offering, the Company shall be entitled to increase the number of the Bonds to be issued to up to 15,000 Bonds and the total amount of the issue of the Bonds to EUR 15,000,000. The issue of the additional Bonds shall be decided by the Management Board of the Company in accordance with the terms and conditions of the Offering described in the Prospectus.

4. Agent's role

- (1) Pursuant to an agreement between the Issuer and the Agent, the Agent has agreed to act as the mediator of documents between the Issuer and Investors, organise registration of the Bonds in the Register as well as subscription for Bonds, and making of subscription, interest and redemption payments.
- (2) In carrying out its duties, the Agent acts as a representative of the Issuer and is not a party to the legal relationship created between the Issuer and Investors as a result of the issue and acquisition of Bonds; however, the Agent has assumed an obligation to the Issuer and Investors to act in the interests of Investors when performing certain duties. The Agent is not liable to the Investors if the Issuer is in breach of obligations arising from these Terms. Agent's breach of obligations arising from these Terms is also deemed to constitute a breach of obligations by the Issuer and the Issuer is liable to the Investors for the Agent's breach as if it were the Issuer's breach. If the Agent fails to properly perform its obligation to forward to the Issuer any document submitted by or payment made by an Investor under the Terms or in connection with Bonds, the Investor is deemed to have submitted the relevant document or made the payment to the Issuer at the moment when the Agent was supposed to perform its relevant obligation.

5. Representations and warranties of Issuer

- (1) The Issuer represents and warrants to the Investors as at the date of approval of the Terms and each interest payment day as well as over the entire period until full redemption of the Bonds that:
 - (a) The Issuer is a commercial undertaking duly established and existing under Estonian law;
 - (b) The assets of the Issuer and each of its subsidiary are owned by the Issuer or subsidiary, respectively, under the right of ownership and the Issuer may organise its economic activities as it is done at this moment;
 - (c) The obligations assumed by the issue of Bonds are lawful, valid, binding on the Issuer, and enforceable;
 - (d) The issue Bonds and performance of related obligations by the Issuer are not contrary to:
 - (1) any legislative act;
 - (2) statutory documents of the Issuer; or
 - (3) any contract or agreement in effect in respect of the Issuer or its assets.
 - (e) The Issuer has the rights and powers to issue Bonds and perform related obligations and the Issuer has fulfilled all formalities required to issue Bonds and perform related obligations;

- (f) Entire information disclosed to the Investors and Agents in connection with the issue of Bonds is true, full and accurate as at the date of giving such information and is not misleading in any part;
- (g) No court proceedings in a court of law, arbitration court or institution have been initiated or pending to be initiated against the Issuer or any of its subsidiaries (to the Issuer's knowledge) where an unfavourable outcome may be reasonably expected to have a negative impact on the economic situation of the Issuer or its subsidiaries;
- (h) The Issuer and all of its subsidiaries have fulfilled all obligations that have become due.

6. Listing of Bonds

The Company shall submit, after conducting the Offering, an application for the listing of the Bonds in the Baltic Bond List of the Nasdaq Tallinn Stock Exchange (regulated market operated by NASDAQ OMX Tallinn AS (register code 10359206)).

7. Disclosure of information

If the Bonds are listed in accordance with the Prospectus and these Terms, the Company shall disclose information required of being disclosed in accordance with applicable law and the Rules of the Nasdaq Tallinn Stock Exchange (including the quarterly reports and annual reports of the Company) via the information system of the Nasdaq Tallinn Stock Exchange.

8. Register

- (1) The Agent organises the registration of the Bonds in the Register and their deletion from the Register upon their redemption.
- (2) Bonds shall be transferred to the securities accounts of Investors under the terms and conditions stipulated in the Prospectus.
- (3) Ownership of a Bond is deemed to have changed in respect of the Issuer as from the moment a relevant entry is made in the Register.
- (4) The Registrar may temporarily block Bonds on an Investor's securities account to ensure registration of Bonds.

9. Payments

- (1) The Agent organises redemption and interest payments pursuant to these Terms.
- (2) The Issuer is liable to the Investors for the timely transfer of redemption, interest payments and other amounts payable in connection with the Bonds. If the Issuer fails to transfer any amount payable to an Investor under these Terms (incl. amounts payable in connection with Bonds) by the due date, the Issuer undertakes to pay a fine for delay to the Investor on the outstanding amount as from the payment deadline until actual payment at a rate of 0.05% (zero point zero five per cent) per day.
- (3) The redemption and interest payments are made to persons that according to the Register are owners of Bonds at 23.59 on the day preceding the payment day.
- (4) All payments made by the Issuer in connection with Bonds are calculated and paid without set-off or counter-claims (and without any deductions).
- (5) Hereby, the Investor waives any rights of set-off in connection with claims arising from Bonds.
- (6) The Issuer pays all amounts payable by the Issuer in relation to Bonds without withholding or deducting any taxes, except state taxes that are required to be withheld or deducted by law. Where under the law the Issuer is required to withhold or deduct state taxes on the interest payments in connection with Bonds, the Issuer notifies the Investor and withholds and pays the required taxes according to the procedure and to the extent provided by law.

10. Interest

- (1) Interest is calculated for Bonds on the basis of the nominal value of the Bond as from the issue date until the redemption date.
- (2) Interest is calculated at a rate of 6.5 % (six point five per cent) per year from the Launch Date (inclusive) to the Final Date (inclusive);
- (3) Interest is payable annually on January 29, April 29, July 29 and October 29 from 2016 to 2025. Where Bonds are redeemed prematurely, the Issuer pays the interest accumulated and unpaid by the redemption date plus the redemption payment.
- (4) Interest is calculated daily based on a 30-day month (adding or subtracting days at the end of month as needed) and a 360-day year (30/360).
- (5) Interest is calculated by the Agent within the framework of its day-to-day activities and such calculation is deemed to be ultimate evidence in this relation unless an obvious error is detected.
- (6) Where an interest payment date falls on a day that is not a banking day, the payment is made on the banking day directly following the relevant date.

11. Redemption on Final Date

- (1) The Issuer redeems (i.e., makes redemption payments) the issued Bonds in one part, paying 100% of the nominal value of redeemable Bonds plus all accumulated and unpaid interest on 29 September 2025.

12. Premature redemption of Bonds

- (1) The Issuer may redeem the Bonds in part or in full prematurely at any time after five (5) years have elapsed from the Launch Date, i.e., as from 29 October 2020, giving the Investors a prior notice of at least 30 days.
- (2) If the regulatory classification of Bonds changes and the Issuer believes that the Bonds are not likely to qualify as regulatory capital of a credit institution, or the Issuer believes that a tax change that is introduced has a major impact on the Bonds and the Issuer could not have reasonably been expected to foresee such changes upon issue of Bonds, the Issuer may redeem the Bonds in full prematurely, before five (5) years have elapsed from the Launch Date (i.e., before 29 October 2020), giving the Investors a prior notice of at least 30 days.
- (3) Premature redemption of Bonds as set forth in subsections 1 and 2 of this section occurs only in the case where the Financial Supervision Authority (or European Banking Authority if mandated to give their consent) has prior consented to this.
- (4) The Financial Supervision Authority (or European Banking Authority if mandated) may consent to premature redemption as from 29 October 2020 only if the provisions of Article 78 (1) of Regulation (EU) 575/2013 ("**Regulation**") are met, and to premature redemption before 29 October 2020 only if the provisions of Article 78 (4) of the Regulation are met.
- (5) An investor severally or the Investors jointly have no right to demand premature redemption of Bonds.
- (6) Upon redemption of Bonds on the grounds set forth in this section 12, the Issuer pays to the Investors as the redemption payment the nominal value of Bonds plus the interest accumulated and unpaid by the moment of redemption.
- (7) Where the redemption payment date falls on a day that is not a banking day, the payment is made on the first banking day following the relevant date.

13. Notices and requests

- (1) All notices submitted in connection with Bonds must be submitted in Estonian by means that enable to produce a written record such as e-mail, post or fax, to the contact data specified in the Terms.
- (2) Notices and requests from the Issuer to the Investors are submitted by the Issuer to the Agent who organises their forwarding to the Investors. The Agent sends notices to the contact data of Investors specified in the securities accounts opened for Investors in the Register. Notices are deemed to have been received by the Investors after reasonable time has passed from their sending.

- (3) Any notices, claims and other documents sent by Investors to the Issuer must be addressed to the Agent at AS LHV Pank Tartu mnt 2, Tallinn 10145. A notice must include a reference to Bonds. The Agent forwards the notices and documents to the Issuer.

14. Final provisions

- (1) Issue of Bonds and the related rights and obligations are governed by Estonian legislation.
- (2) Any disputes in connection with Bonds are attempted to be settled by negotiations. In case of failure to reach agreement in reasonable time, the disputes shall be settled by an Estonian court. Harju County Court shall serve as the court of first instance.
- (3) Where a provision of the Terms is found to be void or is cancelled or declared inapplicable by competent authorities, it does not affect or change the validity, legitimacy or applicability of the remaining provisions and the Issuer undertakes to make every effort to replace such a provision with one that is the most similar to the intent of the parties as expressed by the replaced provision.