SUPPLEMENT NO. 2 TO THE BASE PROSPECTUS DATED 29.10.2018

Up to EUR 45,000,000

Unsecured subordinated bonds program

This supplement no. 2 (the **Supplement**) is supplemental to, and must be read in conjunction with, the base prospectus dated 29 October 2018 (the **Prospectus**) prepared by AS LHV Group (an Estonian public limited company, registered in the Estonian Commercial Register under register code 11098261, having its registered address at Tartu mnt 2, 10145 Tallinn, Estonia; the **Company**) in connection with the public offering, listing and the admission to trading of the bonds issued by the Company on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

The Supplement has been registered with the Estonian Financial Supervision Authority (the **EFSA**) under the registration number 4.3-4.9/2814, by a resolution of the Management Board of the EFSA dated 3 June 2019.

In connection with this Supplement, investors who have already agreed to purchase or subscribe for the Bonds before the Supplement is published, are entitled within a minimum of 2 business days after the publication of this Supplement, to withdraw their acceptances. Investors may therefore withdraw their acceptances by 6 June 2019. This withdrawal right will only apply to those investors who have agreed to purchase or subscribe the securities in accordance with the Final Terms issued under the Prospectus before the publication of this Supplement and for which the offering period has not yet lapsed or admission to trading on a regulated market has not been obtained as of the date of this Supplement.

This Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Supplement and the offering or sale of the Bonds in certain jurisdictions is restricted by law. Persons into whose possession this Supplement or the Prospectus may come are required to inform themselves about and to observe such restrictions.

Investing into the Bonds involves risks. While every care has been taken to ensure that this Prospectus presents a fair and complete overview of the risks related to the Company, the operations of the Company and its subsidiaries (the Group) and to the Bonds, the value of any investment in the Bonds may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus.

The date of this Supplement is 3 June 2019.

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1. SUPPLEMENTARY INFORMATION TO THE PROSPECTUS

1.1. Introduction

The purpose of preparing this Supplement is to:

- to inform about the intention of LHV Pank to acquire Danske Bank A/S's Estonian private loans unit;
- to update the Prospectus with information about the other recent events of the Group;
- to provide an updated Summary of the Prospectus which includes new information disclosed in this Supplement in Summary element E2b. "Reasons for offer; use of proceeds".

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Prospectus shall be amended and/or supplemented in the manner described below. References to page numbers are to the pages of the Prospectus.

The Company accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Company (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. Since the publication of the Prospectus there have been no significant new factors, material mistakes or inaccuracies relating to the information contained in the Prospectus, save as disclosed in this Supplement.

Except where the context otherwise requires, terms defined in the Prospectus have the same meaning when used in this Supplement. Such defined terms can be found in Chapter 12 (Glossary) beginning on page 65 of the Prospectus. This Supplement should be read in conjunction with the Prospectus.

1.2. LHV Pank intends to acquire Danske Bank A/S Estonian branch's private loans' unit

The description of Investments in Chapter 9 "Principal Activities and Markets", Section 9.5. "Investments" on page 55 of the Prospectus is amended and restated, as set out below:

Introductory Remarks. The Group companies are continuously seeking for opportunities for the expansion of their business operations by investing into the organic growth but also by considering mergers and acquisitions of other market players. As a general rule, the investments made by the Group companies are financed by own funds or by additional capital engaged from the shareholders or bondholders of the subordinated bonds of the Company.

Significant Investments. As at the date of the Prospectus, the Group companies have not made any significant investments since 31 December 2018 nor have they made any firm commitments on significant future investments, except the significant future investment described below.

LHV Pank has made an offer to Danske Bank A/S (a Danish credit institution registered under the registration number 61126228) for the acquisition of Danske Bank A/S Estonian branch's private loans' unit that mainly consists of private loans' in the total amount of approx. EUR 470 million (as of February 2019; the **Portfolio**). The offer has been accepted by Danske Bank A/S. As of the date of this Supplement, the agreement for the acquisition of the Portfolio has not been signed, however the parties have agreed on the material terms and conditions and intend to execute the agreement on or about 5 June 2019.

Purchase price and the final scope of the Portfolio will be determined upon closing and will be calculated as the size of the Portfolio minus a discount of EUR 39 million (the **Purchase Price**). The Portfolio size is expected to amortise to approx. EUR 450 million by closing of the Transaction, in which case the Purchase Price will be approx. EUR 410 million. Provided that the negotiations are finalised and the agreement is signed, closing of the Transaction and acquiring the Portfolio by LHV Pank (the **Transaction**) remains subject to the following conditions:

(i) raising the additional own funds needed by the Group in relation to the Transaction;
(ii) obtaining an approval for concentration (in Estonian: *koondumine*) from the Estonian Competition Board.

The parties intend to complete the Transaction in autumn this year the earliest.

The Portfolio is expected to include credit products to approx. 10 800 Estonian private individuals of which a majority are mortgage backed home loans (97%) while the residual part are mainly other credit products. The Portfolio will also include certain employment agreements with employees needed for servicing of the Portfolio the exact number of which will be determined before closing. The Portfolio will not include bank accounts or daily banking agreements of the clients.

Due to the Transaction, the Group needs to set aside additional own funds to maintain the required capital adequacy levels as well as obtain financing for the payment of the Purchase Price for the Portfolio. The Company has estimated that additional own funds are needed in the total amount of EUR 27 million of which at least EUR 16 million should be Tier 1 capital and EUR 11 million can be Tier 2 capital for the purposes of CRR. For financing of the acquisition of the Portfolio, up to EUR 280 million (depending on the source of financing, including also required buffers) of additional financing is estimated to be needed. The Group plans to cover the additional capital needs from the below described sources.

Group's own funds are planned to be strengthened through combination of:

(i) Offering of additional shares of the Company in the form of rights issue in the amount of up to EUR 15 million in the second half of 2019. Issuance of additional shares remains subject to respective approvals from the Supervisory Board of the Company and the General Meeting which have not been obtained as of the date of this Supplement. Further, offering additional shares to the Company's shareholders also requires a public offering and a listing prospectus to be registered by the EFSA;
(ii) Issuance of the Bonds under this Prospectus;
(iii) Issuance of bonds qualified as Additional Tier 1 capital instruments for the purposes of CRR by way of private placement to selected financial institutions and larger knowledgeable investors by the Company in June 2019. The private placement is planned to include issuance of up to 150 bonds with nominal value of EUR 100,000 each, with interest rate of 8%. The Additional Tier 1 qualified bonds are planned to be issued without a specified term and will be subject to early redemption after 5 years have passed from the issuance of the bonds. The Company may increase the aggregate amount of the issue.

In the short term, LHV Pank plans to finance the payment of the Purchase Price through deposits collected from the Estonian and foreign markets. The deposits of Estonian clients have increased in a faster pace than expected and provided the trend continues, the Company anticipates that a significant part of the transaction can be financed through the local deposits base. The remaining part is planned to be raised through deposit collecting platforms, including Raisin platform, through which deposits are collected from the German, Austrian, the Netherlands and Spanish markets (resulting in an increase of the proportion of non-residents depositors). In the long term, due to the relatively high cost of the above described financing via deposits, LHV Pank is planning to replace the financing with covered bonds. The Estonian Covered Bonds Act entered into force in March 2019 enables credit institutions to issue covered bonds, subject to receipt of an additional licence from the EFSA. LHV Pank has started preparations for obtaining the above licence and aims to be ready to complete the issuance in 2020. The Company and LHV Pank are also considering other sources of financing.

Although the final scope and Purchase Price for the Portfolio will be determined upon completion, the Transaction is expected to have a significant impact on the operations and business of the Group. According to the LHV Pank's settlement analysis approximately 80% of the Portfolio clients will be new customers for LHV. Upon completion of the Transaction, the loan portfolio of LHV Pank will increase by more than 40% (as of April 2019 LHV Pank's loan portfolio was EUR 1016 million, of which business loans comprised EUR 697 million and the retail banking loans comprised EUR 319 million). However, due to the closing of the Transaction expected to occur in autumn 2019 the earliest, the majority of the costs related to the Transaction will be incurred within 2019 while the additional income received remains modest. Further, the discount applied on the Purchase Price of the Portfolio will need to be reflected in the financial statements throughout the maturity of the Portfolio. Due to the above reasons, the Transaction is estimated to bring about a loss of EUR 2.7 million to the Group in 2019 of which EUR 1.05 million is due to net interest income, EUR 1.54 million due to the provisioning of the Portfolio and EUR 0.12 million due to increased administrative expenses. The use of deposits as financing of the Transaction will also have a negative impact on the Group's results in 2020 and the additional profit from the Portfolio is expected to be limited to EUR 1.7 million. Starting from 2021 (subject to completion of the long-term funding plan described above), the additional profit is anticipated to increase by EUR 4 million and ROE (return on equity) of LHV Pank is expected to increase by 0.4 percentage points annually. The above estimates are based on the understanding of the Portfolio as of the date of this Supplement and do not take into consideration the potential indirect proceeds related to the Portfolio (such as potential use of additional services of LHV Pank by the Portfolio clients).

The above includes current expectations as well as assumptions made by and information currently available to the Management and other forward-looking statements. The information may be subject to change and the Transaction may not realise in full or in part as described above. The Company will inform about any material changes and other important information in relation to the Transaction through the information system of the Nasdaq Tallinn Stock Exchange and through the Company's website (https://investor.lhv.ee/en/).

1.3. Change in Reasons for Offering and Use of Proceeds

The description of the Reasons for Offering and Use of Proceeds in Chapter 6 on page 40 of the Prospectus is supplemented with information, as set out below:

In case of successful completion of the acquisition Portfolio from Danske Bank A/S, the Company intends to use up to EUR 11 million of the proceeds from the Offering to support the Tier 2 capital need of the Group. The possible remaining part of the proceeds or the proceeds from the Offering in case the Transaction is not be completed, is intended to be used in accordance with the overall purpose of the Program, i.e. to strengthen the capital structure of the Group and ensure stable access to additional capital to support the further growth and market position of the Group, increase the business volumes of the Group and ensure conservative capital buffer for the Group companies.

1.4. Appointment of New Management Board Member to LHV Varahaldus

The Supervisory board of LHV Varahaldus intends to pass a decision on 5 June 2019 appointing Vahur Vallistu as the Chairman of the Management Board and Management Board member of LHV Varahaldus as of 6 June. The current Chairman of the Management Board, Mihkel Oja who informed about its wish to resign in February 2019, will resign after the transfer of duties in June 2019. After the resignation of Mihkel Oja, the Management Board of LHV Varahaldus will consist of two members: Vahur Vallistu and Joel Kukemelk.

Vahur Vallistu has been working in the project financing department of AS Swedbank since 2011 and as of 2018, he has been serving as a committee member of AS Swedbank's corporate banking unit. He is a member of the Supervisory Board of SA Haridussõprade Toetusfond. Vahur Vallistu does not own shares of the Company Group. He has graduated from the Stockholm School of Economics in Riga and has a CFA certificate.

1.5. Early redemption of 20.06.2024 Bonds

On 20 May 2019, the Company announced of its decision to prematurely redeem all 318 subordinated bonds issued on 20 June 2014 (ISIN: EE3300110550), with nominal value EUR 50,000, in the total amount of EUR 15.9 million (the **20.06.2024 Bonds**). Early redemption was decided in accordance with the listing and admission to trading prospectus and the terms of the 20.06.2024 Bonds, according to which full or partial early redemption is allowed starting from 20 June 2019 based on the prior consent from the EFSA by notifying the investors at least 30 days in advance. The EFSA granted its consent on 20 May 2019. Redemption payment to the bondholders will be made on 19 June 2019 and will consist of the nominal value of the 20.06.2024 Bonds and the interest accrued as of the day of carrying out the redemption. The proceeds from the Offering will not be used for redemption of the 20.06.2024 Bonds.

1.6. Update of the Summary of the Prospectus

The Summary of the Prospectus is updated in Appendix 1 to this Supplement.

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ANNEX I TO THE SUPPLEMENT

UPDATED SUMMARY OF THE BASE PROSPECTUS DATED 29.10.2018

This Summary is a brief overview of the information disclosed in this Prospectus. This summary is made up on the basis of the applicable disclosure requirements known as “Elements”. These Elements are numbered in the Sections A – E (A.1 – E.7). This Summary contains all Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding that Element. In this case, a short description of the Element is included in this Summary with the mention of “not applicable”.

Section A – Introduction and Warnings

Element	Title	Disclosure
A.1	Introduction and warnings	This Summary should be read as an introduction to the Prospectus and any decision to invest in the Bonds should be based on consideration of the Prospectus as a whole by an investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff might, under Estonian legislation, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have prepared the Summary, including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.
A.2	Use of Prospectus for subsequent resale of Bonds	Not applicable; the Prospectus cannot be used for the resale of the Bonds.

Section B – Issuer

Element	Title	Disclosure
B.1	Legal and commercial name	AS LHV Group
B.2	Domicile/ legal form/ legislation/ country of incorporation	The Company has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *aktsiaselts* or *AS*) and is established for an indefinite term.
B.4b	Known trends affecting the	The Management is not aware of any trends having material adverse effect on the operations of the Group for the current financial year.

	Company and industry	
B.5	Group description; position of the Company within the Group	The Company is the holding company of the Group with limited operations of its own. The Company is engaged in investor relations management and ensuring necessary capitalisation for the Group companies. The Company has three fully-owned Subsidiaries – LHV Pank (a licensed credit institution) and LHV Varahaldus (a licensed fund manager) and Cuber Technology OÜ. LHV Pank holds 65% shares in LHV Finance, an Estonian financial institution offering hire-purchase services in the Estonian market. A branch of LHV Pank was opened in the United Kingdom in 2018.
B.9	Profit forecast	Not applicable, no profit forecast or estimate is included in the Prospectus.
B.10	Qualifications in audit report on the historical financial information	Not applicable.
B.12	Selected historical key financial information. Changes in prospects and financial position	

(in millions of euros)	**2018**	**2017**	**2016**	**3m 2019**	**3m 2018**
	Audited	Audited	Audited	Unaudited	Unaudited
Net profit[1]	27.2	22.2	19.9	5.0	4.3
Net profit attributable to owners of the parent	25.2	19.6	17.8	4.7	3.9
Basic earnings per share (EUR)	0.97	0.77	0.72	0.18	0.15
Diluted earnings per share (EUR)	0.96	0.75	0.70	0.18	0.15
Core Tier 1 CAD %	14.88	14.02	15.10	13.02	10.41
Tier 1 CAD %	14.88	14.02	15.10	13.02	10.41
CAD %	20.91	18.30	20.70	18.27	17.32
MREL %[3]	11.43	7.78	12.25	10.81	7.15
Leverage ratio %	6.56	5.01	6.96	6.98	5.32
LCR %[4]	148.5	121.3	221.5	153.6	115.5
NSFR %[4]	147.6	140.8	-	150.3	140.3
Return on equity (ROE) %[2,5]	18.4	17.6	20.7	12.2	12.4
Return on assets (ROA) %[6]	1.6	1.6	2.4	1.1	0.9
CFROI %[7]	25.4	22.6	23.9	24.7	23.4
Cost to income ratio %[8]	48.3	54.4	57.2	52.6	54.4
Net interest margin (NIM) %[9]	2.34	2.66	3.60	2.6	2.2
Spread %[10]	2.32	2.62	3.52	2.5	2.2
Loan to asset %[11]	55.24	41.61	57.86	54.5	39.7
Loan to deposits %[12]	65.14	48.00	69.68	63.2	44.4
Price to earnings ratio[13]	9.75	13.56	13.29	10.8	9.8
Dividend to net profit ratio %[14]	21.6	21.0	26.7	26.7	26.5

		Dividend per share[15] 0.16 0.15 - 0.05 0.04 [1] Includes discontinued operations [2] Return on equity is calculated based on LHV Group net profit and equity attributable to owners of the parent and does not include non-controlling interest. Capital adequacy levels are calculated as reported in COREP report as at end of each year [3] MREL = (own funds + qualifying liabilities) / total liabilities * 100 [4] LCR, NSFR are calculates as reported in COREP report as of end of each year [5] Return on equity (ROE) = net profit (attributable to owners of the parent) / average equity (attributable to owners of the parent) * 100 [6] Return on assets (ROA) = net profit / average assets * 100 [7] CFROI = Operating profit / capital (average) [8] Cost to income ratio = total operating expenses / total income * 100 [9] Net interest margin (NIM) = net interest income/average interest earning assets * 100 [10] Spread = yield on interest earning assets – cost of interest-bearing liabilities [11] Loan to asset = net loans / total assets * 100 [12] Loan to deposits = net loans / deposits * 100 [13] Price to earnings ratio = share price/net profit/number of shares (average) [14] Dividend to net profit ratio = dividend/net profit [15] Dividend per share = dividend payment during calendar year / number of shares at moment of payment In the opinion of the Management, the key ratios and indicators are the most appropriate ratios and indicators, considering the markets where the Group companies operate. These ratios and indicators enable adequate evaluation of the profitability of the operations of the Group, considering business volumes of the Group companies. As at the date of the Prospectus, there has been no material adverse change in the prospects of the Group since 31 December 2018. Further, as at the date of the Prospectus, there have been no significant changes to the Group's financial condition and operating results since 31 March 2019.
B.13	Recent events relevant to evaluation of solvency of the Company	According to the knowledge of the Management, there are no recent events relevant to the evaluation of solvency of the Company.
B.14	Dependency upon Group companies	The Company is a holding company conducting its operations through the Subsidiaries. The Company itself does not own significant assets other than investments into the Subsidiaries. Therefore, in order to be able to meet its obligations arising from the Bonds, the Company is dependent on the receipt of dividends, interest payments or payments from share capital decrease from its Subsidiaries.
B.15	Principal activities	According to the latest available annual report of the Company, i.e. the annual report for the financial year ended on 31 December 2018, the field of activity of the Company was "activities of holding companies" (EMTAK 64201). The consolidated fields of activity of the Group were "security and commodity contracts brokerage" (EMTAK 66121), "credit institutions (banks, granting loans)" (EMTAK 64191), "finance lease" (EMTAK 64911) and "fund management" (EMTAK 66301). The Group companies operate in five business segments and two geographical markets. The business segments of the Group are banking, asset management, hire-purchase and consumer finance and treasury activities. The Group companies operate in Estonia and, as from the first quarter of 2018, in the United Kingdom.

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B.16	Controlling shareholders of the Company	The Management is as at the date of this Prospectus not aware of any person directly or indirectly controlling the Company, nor of any arrangements or circumstances which may at a subsequent date result in a change in control over the Company. The founders of the Group – Mr Rain Lõhmus and Mr Andres Viisemann hold, directly and indirectly through related parties, altogether approximately 34.68% of all the Shares, whereas approximately 24.90% of the Shares are held by Mr Rain Lõhmus and 9.78% by Mr Andres Viisemann.
B.17	Credit ratings of the Bonds	Not applicable.

Section C – Securities

Element	**Title**	**Disclosure**
C.1	Type and class of securities and security identification number	The Bonds are subordinated bonds with the nominal value of EUR 1,000 each. The Bonds represent unsecured debt obligation of the Company before the bondholder.
C.2	Currency of the Bonds	The Bonds are denominated in euro.
C.5	Restrictions on free transferability of Bonds	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 essence of the applicable law. According to the Bond Terms, 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.
C.8	Rights attached to the Bonds; ranking and limitations to rights	The rights attached to the Bonds have been established by the Bond Terms. The main rights of bondholders arising from the Bonds and the Bond Terms are the right to the redemption of the Bonds and the right to interest. In addition, the bondholders are entitled to access the annual and quarterly reports of the Company, which shall be made available at the website of the Company. Upon a delay in making any payments due under the Bond Terms, the bondholders are entitled to a delay interest in accordance with the Bond Terms. The Bonds constitute and will constitute direct and unsecured obligations of the Company and rank and will rank *pari passu* without any preference among themselves. The claims arising from the Bonds are subordinated to all unsubordinated claims against the Company. No bondholder shall be entitled to demand premature redemption of any Bonds or to exercise any right of set-off against moneys owed by the Company in respect of the Bonds. The rights arising from the Bonds can be exercised by the bondholders in accordance with the Bond Terms and the applicable law.
C.9	Interest, maturity date, yield and representative of Bond holders	In accordance with the Final Terms.

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C.10	Impact of derivative component in the interest payment	Not applicable.
C.11	Admission to trading in regulated market	The Company intends to apply for the listing and the admission to trading of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. The Company will to take all necessary measures in order to comply with the Nasdaq Tallinn Stock Exchange rules so that its application(s) would be approved; however, the Company cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

Section D – Risks

Element	Title	Disclosure
D.2	Key risks specific to the Company	Counterparty Credit Risk. Counterparty credit risk is inherent to the core operations of the Group – counterparty credit risk is the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group companies. Concentration Risk. The operations of the Group are subject to concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of clients. If loans are heavily concentrated in certain economic sector, the Group is exposed to risks inherent to such economic sector. Geographical Markets Risk. As most of the activities and services of the Group are concentrated to the Estonian Market, any adverse event or development in Estonia may have material adverse effect on the Group's operations, financial condition and results of operations. In addition, the Group's activities on the market of the United Kingdom are subject to uncertainties associated with the decision of the United Kingdom to withdraw from the European Union. Market Risk. Market risk arises from the Group's trading and investment activities in the financial markets, primarily in interest rate products, foreign exchange and stock markets as well as from borrowing activities and other means of taking in financial resources. Further description of the types of market risk is provided below. *Foreign Currency Risk*. Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities. *Price Risk*. The Group holds positions in different financial instruments, which are subject to fluctuations in market price arising from various circumstances beyond the control of the Group. *Interest Rate Risk*. The operations of the Group and foremost the operations of LHV Pank are inherently exposed to interest rate risk. Interest rates are affected by numerous factors beyond the control of the Group companies, which may not be estimated adequately. Liquidity Risk and Dependence on Access to Funding Resources. Liquidity risk relates to the ability of the Group to meet its contractual obligations on time and it arises from differences between maturities of

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		assets and liabilities. The Group's risk policies and internal procedures may not be adequate or sufficient in order to ensure the Group's access to funding resources when needed, to the extent needed or on favourable terms in order to ensure sufficient liquidity. Operational Risk. Operational risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition to human, process or information system failures and flaws, the operational risk embraces risk of corporate fraud and misconduct. Strategic Risk. Strategic risk is a possible source of loss that might arise from the pursuit of wrong strategic decisions. For reasons of corporate growth, the Group's strategic risk is estimated to exceed the strategic risk of a bank positioned in a stable stage. Reputational Risk. Reputational risk is a risk of loss resulting from any deterioration of the Group's reputation. Reputational risk can, above all, be attributed to the materialisation of other risks, such as operational, strategic, compliance risks or exposure to civil liability. Dependency on Information Technology Systems and Risk of Cyber-Attacks. The Group has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. Failures of or significant disruptions to the Group's information technology systems could prevent it from conducting its operations. Furthermore, should the Group experience a cyber-attack, significant security breakdown or other significant disruption to its information technology systems, sensitive information could be compromised. Dependency on Cash-Flows from Subsidiaries. The Company is a holding company conducting its operations through the Subsidiaries. The Company itself does not own significant assets other than investments into the Subsidiaries. Therefore, in order to be able to pay dividends to shareholders and meet its own obligations, the Company is dependent on the receipt of dividends, interest payments or payments from share capital decrease from its Subsidiaries, which in turn may be influenced by the compliance with the capital adequacy ratios applicable in respect of certain Subsidiaries and subject to change from time to time. Dependency on Qualified Staff. The results of operations of the Group companies depend highly on the ability to engage and retain qualified, skilled and experienced staff. In the highly competitive environment, the Group companies must make continuous efforts to attract new qualified personnel and motivate existing management and employees. Competitive Market. The Group operates in a highly competitive market. Exposure to Conduct of Other Market Participants. The Group's access to financing, investment and derivative transactions may be adversely affected by market practises of other market participants. Control over Joint Venture. The operations of LHV Finance may be adversely affected by the joint venture partner of the Company. Changes in Economic Environment. Each of the Group's operating segments is affected by general economic and geopolitical conditions. Compliance and Regulatory Change Risks. The Group operates in highly regulated fields of business and its operations are subject to a number of laws, regulations, policies, guidance and voluntary codes of practice,

		which are subject to changes. In particular, there is a risk that the currently mandatory pensions system will be altered to allow fund investors to exit from the mandatory pension system before retirement upon request and to further reduce the administrative fees of pensions funds, which would have a significant effect on the profitability and operations of LHV Varahaldus. There are no specific details available about the legislative change, however the Estonian Government has indicated an aim to adopt the possible changes by 1 January 2020. Further, several local and European authorities, including financial supervision, consumer protection, anti-money laundering, tax, and other authorities, regularly perform investigations, examinations, inspections and audits of the Group's business, including, but not limited to regarding capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting, corporate governance, etc. Maintaining Capital Adequacy Ratios. Credit institutions and investment firms are subject to strict capital adequacy requirements subject to frequent reforms and changes. Risks relating to Abuse of Financial System. The Group operates in a sector subject to strict and constantly tightening requirements concerning money laundering, the financing of terrorism and financial sanctions. Contractual Risks. The operations of the Group are materially dependent on the validity and enforceability of the transactions and agreements entered into by the Group. Exposure to Civil Liability. The Group operates in a legal and regulatory environment that exposes it to significant risk of claims, disputes and legal proceedings. Tax Regime Risks. Tax regimes of the geographical markets where the Group operates are from time to time subject to change, some of which may be dictated by short-term political needs and may therefore be unexpected and unpredictable.
D.3	Key risks specific to the Bonds	Credit Risk. An investment into the Bonds is subject to credit risk, which means that the Company may fail to meet its obligations arising from the Bonds in a duly and timely manner. Subordination Risk. The Bonds are subordinated to all unsubordinated claims against the Company. The subordination of the Bonds means that upon the liquidation or bankruptcy of the Company, all the claims arising from the Bonds shall fall due in accordance with the Terms of the Bonds and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company in accordance with the applicable law. Early Redemption Risk. According to the Terms of the Bonds, the Bonds may be redeemed prematurely on the initiative of the Company. The Bonds may; however, be redeemed prematurely by the Company only if the EFSA (or the European Central Bank if it is in the competence thereof) has granted its consent to the early redemption. Bail-in Risk. If a Group company meets the conditions for the initiation of resolution proceedings (i.e. fails or is likely to fail and certain other conditions are met), the bail-in powers may be exercised by a relevant authority, through which: (i) the amount outstanding of the Bonds could be reduced, including to zero; (ii) the Bonds could be converted into shares, other securities or other instruments of the Company or another

		person; (iii) the Bonds or the outstanding amounts of the Bonds could be cancelled; (iv) the terms of the Bonds could be varied (e.g. the maturity date or interest rate of the Bonds could be changed). No Ownership Rights. An investment into the Bonds is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Company or any of the Subsidiaries thereof or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. Tax Regime Risks. Adverse changes in the tax regime applicable in respect of transacting with the Bonds or receiving interest or principal payments based on the Bonds may result in an increased tax burden of the bondholders and may therefore have adverse effect on the rate of return from the investment into the Bonds. Cancellation of Offering. Although best efforts will be made by the Company to ensure that each Offering is successful, the Company cannot provide any assurance that an Offering will be successful and that the investors will receive the Offer Bonds they subscribed for. Bond Price and Limited Liquidity of Bonds. Though every effort will be made to ensure that the admission of the Bonds to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange will occur, the Company cannot provide any assurance in that respect. Further, the Estonian market has limited liquidity and the bondholders may not be able to sell their Bonds at the desired price, or at all. The value of the Bonds can fluctuate on the securities market due to events and the materialisation of risks related to the Group, but also because of events outside the Group’s control. Lack of Adequate Analyst Coverage. There is no guarantee of continued (or any) analyst research coverage for the Company. Negative or insufficient third-party reports would be likely to have an adverse effect on the market price and the trading volume of the Bonds.

Section E – Offer

Element	Title	Disclosure
E.2b	Reasons for offer; use of proceeds	The overall purpose of the Program and the Offering is to strengthen the capital structure of the Group and ensure stable access to additional capital to support the further growth and market position of the Group, increase the business volumes of the Group and ensure conservative capital buffer for the Group companies. In case of successful completion of the acquisition of the private loan’s unit from Danske Bank A/S, the Company intends to use up to EUR 11 million of the proceeds from the Offering to cover the additional Tier 2 capital need of the Group. The remaining part of the proceeds or the proceeds in case transaction to acquire the private loan’s unit from Danske Bank A/S will not be completed, is intended to be used in accordance with the overall purpose of the Program. The proceeds from the Offerings may also be used for the premature redemption of the existing unsecured subordinated bonds issued by the Company, provided that the Company is entitled to redeem such bonds prematurely in accordance with the applicable bond terms.

		Provided that the Company decides to announce Offerings for all the Bonds (i.e. up to 45,000 Bonds) and that all the Bonds are subscribed for and issued by the Company, the expected amount of gross proceeds of the Program is up to approximately EUR 45 million. Expenses directly related to the Program and the Offerings are estimated to be EUR 0.5-0.7 million.
E.3	Terms and conditions of offer	In the course of several Offerings, up to 45,000 Bonds issued in accordance with the Program may be offered to retail and institutional investors in Estonia. Each Offering, the volume and other terms and conditions thereof will be announced separately through the information system of the Nasdaq Tallinn Stock Exchange and through the Company's website (https://investor.lhv.ee/en/) at the latest before the start of each Offering Period. The nominal amount of each Offer Bond is EUR 1,000. The Issue Price will be determined in the relevant Final Terms. The Company will decide on the allocation of the Offer Bonds after the expiry of each Offering Period. The Offer Bonds will be allocated to the investors participating in the Offering in accordance with the following principles: (i) under the same circumstances, all investors shall be treated equally, whereas dependant on the number of investors and interest towards the Offering, the Company may set minimum and maximum number of the Offer Bonds allocated to one investor; which will apply equally to both – the investors participating in the Institutional Offering and the investors participating in the Retail Offering; (ii) the allocation shall be aimed to create a solid and reliable investor base for the Company; (iii) the Company shall be entitled to prefer Estonian investors to foreign investors who may participate in the Institutional Offering; (iv) the Company shall be entitled to prefer its existing shareholders and bondholders of the Company to other investors; and (v) the Company shall be entitled to prefer the clients of LHV Pank and LHV Varahaldus to other investors.
E.4	Interests material to issue/ offer	According to the knowledge of the Management, there are no personal interests of the persons involved in the Offering material to the Offering. The Management is unaware of any conflicts of interests related to the Offering.
E.7	Estimated expenses charged to investor	Not applicable; no expenses are charged to the investor by the Company.

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