

AS LHV Group results-based share option programme for 2020–2024

Option Programme

Purpose of the Option Programme

The purpose of the Option Programme is to create conditions where the long-term objectives and interests of the management and equivalent staff as well as key employees of AS LHV Group and the group companies would be harmonised with the long-term interests of the shareholders of AS LHV Group. The mutual interests are manifested in the professional and well-balanced management of the companies incorporated in AS LHV Group, continual improvement in economic results and the long-term progression in the goodwill of AS LHV Group.

Persons entitled to participate in the Option Programme

The list of persons entitled to participate in the Option Programme will be established with the resolution of the Supervisory Board of AS LHV Group, which will be adopted on the basis of the proposal of the Remuneration Committee of AS LHV Group.

Term and scope of the Option Programme

The Option Programme shall have a term of 5 years with options issued based on the economic results for 2020–2024. The term of realisation of the Options is added.

Within the framework of the Option Programme, Options will be issued each year within a maximum of two per cent of the total number of the shares of AS LHV Group. The annual two-per-cent limit may be exceeded, if the excess is not greater than the unused part of the two per cent of the total number of shares in previous periods of the Option Programme. For example, on the third year, Options may be issued within three per cent of the total number of shares, if no more than one-and-a-half per cent of Options were issued in the previous two years. If during the validity of the Option Programme, the maximum limit of two per cent has been used for issuing Options in the previous periods, no more than two per cent of the total number of shares may be issued in Options in the following year.

Options

Subject and underlying assets of Options

The underlying asset of the Option Programme is the ordinary share of AS LHV Group (ISIN code: EE3100073644, hereinafter the **Shares**).

The persons who are entitled to participate in the Option Programme and the list of whom shall be established in accordance with these terms and conditions, shall have the right to acquire Shares under the terms and conditions and pursuant to the procedure stipulated in the option agreement to be entered into with the persons (hereinafter the **Options**).

The grant of Options shall always be organised in such a way that this would not constitute a public offer of securities in the meaning of the Securities Market Act.

Price of the Option

The Black-Scholes model shall be used for Option pricing, with the corresponding inputs determined by the Supervisory Board of AS LHV Group.

The inputs for Option pricing include, *inter alia*, the type of the share of AS LHV Group (AS LHV Group has one type of shares –ordinary shares), the nominal value and the proportion in the share capital of AS LHV Group. In case of occurrence of a corporate event which changes the above inputs (share capital increase or decrease, change in the nominal value of the share, issue of different types of shares, etc.), the number of Shares forming the underlying assets of the Options and/or the price of the Option shall be adjusted accordingly. The purpose of the adjustment of the price of the Option is to preserve the initial value of the Option for the person entitled to the Options. The corresponding arrangements shall be specified in the option agreements.

The term and means of realisation of the Options

The Options shall have a minimum term of three years from the moment of the grant of the Options. Options with different terms may be issued on one year, depending on the nature of the professional duties. The Supervisory Board of AS LHV Group shall have the right to determine the term of realisation of the Options, considering *inter alia* the employee's impact on the risk profile.

A preservation period of a minimum of one year shall be applied to managers and equivalent staff. During this period, the Option holder is obliged to hold ownership of the LHV's shares underlying the Options, and not to transfer or encumber them in any way.

The Options shall be realised and the Shares issued by way of an increase in the share capital of AS LHV Group and the issue of new shares, as decided by the general meeting of the shareholders of AS LHV Group or, on annual basis, by the Supervisory Board of AS LHV Group on the basis of the decision of the general meeting of the shareholders.

Other material conditions for the Options

The Options shall be granted personally to the persons entitled to the Options. The Options cannot be transferred, pledged or otherwise encumbered or disposed of.

The Options may be bequeathed.

The Options cannot be realised against cash. The person entitled to the Options shall not have the right to demand monetary or non-monetary compensation, if the Options are partially or fully cancelled or cannot be realised for any other reason.

Issue, reduction, cancellation and realisation of the Options

Issue of the Options

The issue of the Options shall be governed by the obtainment of the objectives and performance criteria of AS LHV Group, the group companies and the person entitled to participate in the Option Programme in the given year.

The Remuneration Committee of AS LHV Group shall make a proposal to the Supervisory Board of AS LHV Group for the issue of the Options.

Reduction or cancellation of the Options

AS LHV Group shall have the right to refuse to realise the Options and to partially or fully cancel the issue of Shares to the person entitled to the Options, if:

- The general meeting of AS LHV Group, or the Supervisory Board of AS LHV Group on the basis of the decision of the general meeting, does not adopt a decision on the increase of the share capital of AS LHV Group or the issue of Shares against the Options;

- The employment relationship or the contractual relationship, as member of the management body, of the person entitled to the Options has been terminated on the initiative of the person entitled to the Options or pursuant to section 88 of the Employment Contracts Act (extraordinary cancellation of employment contract by employer for reason arising from employee) or, in case of amendment of the Employment Contracts Act, on similar grounds, with exceptions allowed under this clause, subject to the decision of the Supervisory Board of AS LHV Group;
- The general economic results of AS LHV Group or its subsidiary have deteriorated significantly, compared to the previous period;
- The person entitled to the Options no longer fulfils the performance criteria or fails to meet the requirements established by law for the manager or staff member of a credit institution;
- AS LHV Group or its subsidiary no longer fulfils the prudential requirements or the risks to which the company is exposed have not been adequately covered by own funds;
- The grant of the Options relied on data which turned out to be inaccurate or incorrect to a material extent.

The implementation of the Option Programme shall always be governed by the restrictions set forth in the Credit Institutions Act, including the requirements established for performance pay and the principles stipulated in the guidelines of the supervisory authority. The Remuneration Committee of AS LHV Group shall make a proposal to the Supervisory Board of AS LHV Group for the reduction or cancellation of the Options.

Realisation of the Options

The main precondition for the realisation of the Options is the decision of the Supervisory Board of AS LHV Group on the realisability of the Options with regard to the persons authorised to receive Options.

In the realisation of the Options, the person entitled to the Options shall pay for the Shares of AS LHV Group, which form the underlying assets of the Options, as specified in the option agreement entered into with the person.

Entry into option agreements

Competence of the Supervisory Board

The general meeting of the shareholders of AS LHV Group shall grant the Supervisory Board of AS LHV Group the authorisation to issue Options without a separate decision of the general meeting of the shareholders of AS LHV Group, provided that the Options and the option agreements entered into for the issue of the Options fully comply with these terms and conditions. The Supervisory Board of AS LHV Group shall have the obligation to inform the general meeting of the shareholders of AS LHV Group. At the general meeting of the shareholders of AS LHV Group following the issue of the Options, the Supervisory Board of AS LHV Group shall provide the general meeting of the shareholders of AS LHV Group with an overview of the Options issued, disclosing at least the number of Options issued and the price of realisation of the Options.

Entry into option agreements

The option agreements on the issue of the Options shall be signed by the Management Board of AS LHV group on the basis of the corresponding resolution of AS LHV Group.

The Management Board of AS LHV Group is obliged to ensure, upon entry into the option agreements, that the agreements are concluded with full compliance to these terms and conditions.