

FINAL TERMS OF THE BONDS, SERIES 1

29 October 2018

AS LHV GROUP

Issue of

EUR 16,000,000¹ Tier 2 Subordinated Bonds

Issued under the EUR 45,000,000 Bond Program

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Bonds. This document constitutes the Final Terms for the Bonds described herein for the purposes of Article 5(4) of the Prospectus Directive, and must be read in conjunction with the prospectus drawn up by the Company, dated 29 October 2018 (the “**Prospectus**”). A summary of the Bonds (which comprises the summary in the Prospectus as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms.

Full information on the Company and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing through the Company's website (<https://investor.lhv.ee/en/>).

The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto) provided, however, that all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto) to the extent implemented in the relevant Member State and include any relevant implementing measures in the relevant Member State.

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| 1. | Company | AS LHV Group |
| 2. | Series Number | 1 |
| 3. | Aggregate Nominal Amount of the Series | EUR 16,000,000. The Aggregate Nominal Amount of the Series may be increased by the decision of the Company until Issue Date (including) by up to EUR 4,000,000 |
| 4. | Nominal Amount | EUR 1,000 |
| 5. | Issue Price | 100% of the Nominal Amount |
| 6. | Issue Date | 28 November 2018 |
| 7. | Interest Commencement Date | 28 November 2018 |
| 8. | Maturity Date | 28 November 2028 |

¹ The Aggregate Nominal Amount of the Series may be increased by the decision of the Company until Issue Date (including) by up to EUR 4,000,000

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| 9. | Type of Bonds | Fixed rate |
| 10. | Redemption type | Redemption at par |
| 11. | Status of the Bonds | Tier 2 Subordinated Bond |
| 12. | Interest | |
| | i. Interest Payment Dates | 28 February, 28 May, 28 August and 28 November in each year |
| | ii. Rate of Interest | 6.0% <i>per annum</i> |
| | iii. Day count fraction | 30/360 |
| | iv. Record Date | Close of business on the Business Day immediately preceding the Interest Payment Date |
| | v. Delay interest | 6.0% <i>per annum</i> |
| 13. | Governing Law | Estonian law |
| 14. | Jurisdiction | Estonian courts |

The Company accepts responsibility for the information contained in this Final Terms.

Signed on behalf of AS LHV Group:



By: Madis Toomsalu

Duly authorised

Date: 29 October 2018

PART B – OTHER INFORMATION

1. LISTING

Listing and Admission to Trading: Application will be made to the Tallinn Stock Exchange for the Bonds to be admitted to the Bond List of the Tallinn Stock Exchange.

2. RATINGS

Ratings: The Bond Program has not been rated. The Bonds being issued have not been rated.

3. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- i. Reasons for the offer: See Section “Reasons for Offering and Use of Proceeds” of the Prospectus
- ii. Estimated net proceeds: 15,900,000, unless the Aggregate Nominal Amount of the Series is increased

4. YIELD

Indication of yield: 6.0% *per annum*
Calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. OPERATIONAL INFORMATION

ISIN Code: EE3300111558

6. EXPECTED TIMETABLE AND ACTION REQUIRED TO APPLY FOR THE OFFER

- i. Time period for subscription to the offer: 14 November 2018 at 10.00 local time in Estonia – 27 November 2018 at 16.00 local time in Estonia
- ii. Description of the subscription process: See Sections “Subscription Undertakings” and “Payment” of the Prospectus.
- iii. Minimum and maximum amounts of the subscription (if any): Minimum amount EUR 1,000, maximum amount not specified
- iv. Description of publishing the results of the offer: See Section “Distribution and Allocation” of the Prospectus.

SUMMARY OF THE BONDS, SERIES 1

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”.

In this Summary of the Bonds, Series 1, information disclosed in the Summary of the Prospectus is combined with issue specific information relating to this Series of Bonds. In particular, Elements in italics denote such issue specific information relating to this Series of Bonds. Words and expressions defined in the Prospectus and in the Final Terms of the Bonds have the same meanings in this Summary.

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: <i>aktsiaselts</i> or AS) and is established for an indefinite term. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|----------------|-------------------------------|--|--|--|--|-------------|-------------|----------------|----------------|--|---------|---------|-----------|-----------|------------|------|------|------|------|---|------|------|------|------|--------------------------------|------|------|------|------|----------------------------------|------|------|------|------|----------------|-------|------|-------|-------|--------------------------|------|------|------|------|--------------------------|-----|-----|-----|-----|
| B.4b | Known trends affecting the Company and industry | The Management is not aware of any trends having material adverse effect on the operations of the Group for the current financial year. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 this year. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 | <table border="1"> <thead> <tr> <th></th> <th colspan="4"><i>(in millions of euros)</i></th> </tr> <tr> <th></th> <th>2017</th> <th>2016</th> <th>9m 2018</th> <th>9m 2017</th> </tr> <tr> <th></th> <th>Audited</th> <th>Audited</th> <th>Unaudited</th> <th>Unaudited</th> </tr> </thead> <tbody> <tr> <td>Net profit</td> <td>22.2</td> <td>19.9</td> <td>20.5</td> <td>15.4</td> </tr> <tr> <td>Net profit attributable to owners of the parent</td> <td>19.6</td> <td>17.8</td> <td>19.2</td> <td>13.9</td> </tr> <tr> <td>Basic earnings per share (EUR)</td> <td>0.77</td> <td>0.72</td> <td>0.74</td> <td>0.55</td> </tr> <tr> <td>Diluted earnings per share (EUR)</td> <td>0.75</td> <td>0.70</td> <td>0.73</td> <td>0.54</td> </tr> <tr> <td>Average equity</td> <td>111.2</td> <td>86.2</td> <td>133.6</td> <td>108.3</td> </tr> <tr> <td>Return on equity (ROE) %</td> <td>17.6</td> <td>20.7</td> <td>19.2</td> <td>17.1</td> </tr> <tr> <td>Return on assets (ROA) %</td> <td>1.6</td> <td>2.4</td> <td>1.5</td> <td>1.3</td> </tr> </tbody> </table> | | <i>(in millions of euros)</i> | | | | | 2017 | 2016 | 9m 2018 | 9m 2017 | | Audited | Audited | Unaudited | Unaudited | Net profit | 22.2 | 19.9 | 20.5 | 15.4 | Net profit attributable to owners of the parent | 19.6 | 17.8 | 19.2 | 13.9 | Basic earnings per share (EUR) | 0.77 | 0.72 | 0.74 | 0.55 | Diluted earnings per share (EUR) | 0.75 | 0.70 | 0.73 | 0.54 | Average equity | 111.2 | 86.2 | 133.6 | 108.3 | Return on equity (ROE) % | 17.6 | 20.7 | 19.2 | 17.1 | Return on assets (ROA) % | 1.6 | 2.4 | 1.5 | 1.3 |
| | <i>(in millions of euros)</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2017 | 2016 | 9m 2018 | 9m 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Audited | Audited | Unaudited | Unaudited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit | 22.2 | 19.9 | 20.5 | 15.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit attributable to owners of the parent | 19.6 | 17.8 | 19.2 | 13.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Basic earnings per share (EUR) | 0.77 | 0.72 | 0.74 | 0.55 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Diluted earnings per share (EUR) | 0.75 | 0.70 | 0.73 | 0.54 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Average equity | 111.2 | 86.2 | 133.6 | 108.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Return on equity (ROE) % | 17.6 | 20.7 | 19.2 | 17.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Return on assets (ROA) % | 1.6 | 2.4 | 1.5 | 1.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | | <p>Net interest income 35.5 30.0 27.9 25.6</p> <p>Net interest margin (NIM) % 2.66 3.60 2.08 2.20</p> <p>Spread % 2.62 3.52 1.99 2.17</p> <p>Cost/ income ratio % 54.4 57.2 48.8 54.4</p> <p>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.</p> <p>As at the date of the Prospectus, there has been no material adverse change in the prospects of the Group since 31 December 2017. Further, as at the date of the Prospectus, there have been no significant changes to the Group's financial condition and operating results since 30 September 2018.</p> |
| 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 | <p>According to the latest available annual report of the Company, i.e. the annual report for the financial year ended on 31 December 2017, 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).</p> <p>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.</p> |
| B.16 | Controlling shareholders | 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 – |

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| | of the Company | Mr Rain Lõhmus and Mr Andres Viisemann hold, directly and indirectly through related parties, altogether approximately 35.01% of all the Shares, whereas approximately 25.14% of the Shares are held by Mr Rain Lõhmus and 9.87% by Mr Andres Viisemann. |
| B.17 | Credit ratings of the Bonds | Not applicable. <i>The Bond Program has not been rated. The Bonds being issued have not been rated.</i> |

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. <i>The Bonds will be registered under ISIN code EE3300111558.</i> <i>The Series number of the Bonds is 1.</i> |
| 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. <i>The rate of delay interest is 6.0% per annum.</i> The Bonds constitute and will constitute direct and unsecured obligations of the Company and rank and will rank <i>pari passu</i> 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. |

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| | | 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 representativity of Bond holders | <p>In accordance with the Final Terms.</p> <p><i>The Bonds bear an annual interest at the fixed rate of 6.0% per annum, calculated from 28 November 2018 (including), until the date of redemption (excluding). The interest is paid quarterly on the following dates – 28 February, 28 May, 28 August and 28 November in each year. The interest on the Bonds is calculated based on 30-day calendar month and 360-day calendar year (30/360).</i></p> <p><i>The maturity date of the Bonds is 28 November 2028.</i></p> <p><i>The yield of the Series of Bonds is 6.0% per annum. Yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.</i></p> |
| 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 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 | <p><u>Counterparty Credit Risk.</u> 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.</p> <p><u>Concentration Risk.</u> 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.</p> <p><u>Geographical Markets Risk.</u> 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</p> |

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 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. 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.

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| | | <p><u>Exposure to Civil Liability.</u> The Group operates in a legal and regulatory environment that exposes it to significant risk of claims, disputes and legal proceedings.</p> <p><u>Tax Regime Risks.</u> 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.</p> |
| <p>D.3</p> | <p>Key risks specific to the Bonds</p> | <p><u>Credit Risk.</u> 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.</p> <p><u>Subordination Risk.</u> 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.</p> <p><u>Early Redemption Risk.</u> 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.</p> <p><u>Bail-in Risk.</u> 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).</p> <p><u>No Ownership Rights.</u> 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.</p> <p><u>Tax Regime Risks.</u> 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.</p> <p><u>Cancellation of Offering.</u> Although best efforts will be made by the Company to ensure that each Offering is successful, the Company</p> |

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| | | <p>cannot provide any assurance that an Offering will be successful and that the investors will receive the Offer Bonds they subscribed for.</p> <p><u>Bond Price and Limited Liquidity of Bonds.</u> 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.</p> <p><u>Lack of Adequate Analyst Coverage.</u> 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.</p> |
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Section E – Offer

| Element | Title | Disclosure |
|-------------|------------------------------------|---|
| E.2b | Reasons for offer; use of proceeds | <p>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.</p> <p>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.</p> <p>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.</p> <p><i>Estimated net proceeds of the Series are EUR 15,900,000, unless the Aggregate Nominal Amount of the Series is increased.</i></p> |
| E.3 | Terms and conditions of offer | <p>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.</p> |

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| | | <p><i>The Aggregate Nominal Amount of the Series is EUR 16,000,000. The Aggregate Nominal Amount of the Series may be increased by the decision of the Company until Issue Date (including) by up to EUR 4,000,000.</i></p> <p>The nominal amount of each Offer Bond is EUR 1,000. The Issue Price will be determined in the relevant Final Terms.</p> <p><i>Issue Price is 100% of the Nominal Amount of each Bond.</i></p> <p><i>Time period for subscription to the Offering commences on 14 November 2018 at 10.00 local time in Estonia and terminates on 27 November 2018 at 16.00 local time in Estonia.</i></p> <p><i>Minimum amount of the subscription is EUR 1,000, maximum amount is not specified.</i></p> <p>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:</p> <ul style="list-style-type: none"> (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. |