

Remuneration Report of AS LHV Group for 2021

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1. Introduction

This remuneration report has been prepared in accordance with the Estonian Securities Market Act and provides an overview of the remuneration paid to the Head of AS LHV Group (hereinafter 'LHV Group') according to the remuneration principles for the 2021 financial year. In the context of the Estonian Securities Market Act, the Head of LHV Group is Member of the Management Board Madis Toomsalu. The remuneration principles of LHV Group are described in the internal rules of LHV Group titled 'Remuneration policy' and in the section of the annual report titled 'Corporate governance report'.

2. Remuneration of Member of Management Board

2.1. Overview

Under the terms of the contract of the Member of the Management, Madis Toomsalu has been paid monthly basic remuneration of 13 thousand euros and annual remuneration of 156 thousand euros in total in 2021. The amount and payment procedure of the basic remuneration to the member of the management board are determined by a resolution of the Supervisory Board.

LHV Group implements a long-term plan for the payment of performance fees, or the option scheme, which is approved by the Annual General Meeting (AGM) of the shareholders. Madis Toomsalu is subject to the option schemes approved by the resolution of the General Meeting of LHV Group of 29 April 2015 and the resolution of the General Meeting of 13 March 2020. These option schemes also set out the conditions for reducing or cancelling options.

In accordance with the resolutions of the Supervisory Board adopted on the basis of the above-mentioned option plans and the option contracts concluded, it is possible for the Member of the Management Board of LHV Group Madis Toomsalu to subscribe to a total of 104,419 shares of LHV Group as a performance fee for options issued in 2019, 2020, and 2021, of which the options issued in 2021 amount to a total of 34,054 shares of LHV Group in the amount of 288 thousand euros. As a result of the option scheme, Madis Toomsalu is subject to a retention period of at least one year from the date of realisation of the options, during which Madis Toomsalu undertakes to hold the shares of LHV Group underlying the options in his ownership and not to transfer or encumber them in any form.

Taking the fact that options are granted for the results of the previous financial year into account, the options were granted in 2021 for the results of the 2020 financial year. Due to the fact that the deadline of options is at least three years from the date of granting the options, the options granted in 2018 for the 2017 results were realised in 2021. In 2021, the right to reduce or cancel options under the option scheme established by the shareholders was not exercised.

An overview of the key performance indicators, the remuneration paid to Madis Toomsalu, and the performance indicators of LHV Group over the last five financial years is presented in the table below, while other performance indicators are disclosed in the consolidated accounts of LHV Group:

	2021	2020	2019	2018	2017
Total amount of the annual basic remuneration of Madis Toomsalu	156 thousand euros	144 thousand euros	144 thousand euros	136 thousand euros	101 thousand euros
Options of LHV Group issued to Madis Toomsalu	34,054 options, in the total amount of 288 thousand euros	37,060 options, in the total amount of 200 thousand euros	33,305 options, in the total amount of 144 thousand euros	20,555 options, in the total amount of 100 thousand euros	18,569 options, in the total amount of 80 thousand euros
Consolidated profit of LHV Group	60,263 thousand euros	39,846 thousand euros	27,092 thousand euros	27,190 thousand euros	22,176 thousand euros
Return on equity (ROE)	22,1%	17,3%	14,0%	18,4%	17,6%

Since in LHV Group, the only person performing the duties of the Member of the Management Board is Madis Toomsalu, based on the contract of the Member of the Management Board, the average remuneration of a full-time employee of the relevant company can be considered to be the remuneration of Madis Toomsalu by analogy.

Madis Toomsalu has not been exempt from the remuneration principles in 2021. No financial benefits other than those described in this section will be offered to them for the performance of their duties in LHV Group or its subsidiaries.

2.2. Compatibility of Remuneration with Remuneration Principles

According to the contract of the Member of the Management Board, the Member of the Management Board of LHV Group, Madis Toomsalu, has been paid monthly remuneration of 13 thousand euros in 2021 as the basic remuneration, which constitutes annual basic remuneration of 156 thousand euros. As a performance fee, the Member of the Management Board of LHV Group has the right to subscribe to a total of 34,054 shares of LHV Group in the amount of 288 thousand euros for options issued in 2021. In 2021, the Member of the Management Board of LHV Group was paid a performance fee for the results of the 2017 financial year, whereby Madis Toomsalu subscribed to all 20,555 options granted to him in 2018 for the results of the previous financial year in the amount of 100 thousand euros.

On the proposal of the Remuneration Committee, the Supervisory Board of LHV Group has set the basic remuneration of Madis Toomsalu for 2021 at 13 thousand euros per month, while taking into account, among other things, the dedication and results of the respective Member of the Management Board, his entrepreneurial spirit, the scope, responsibility, and intensity of his duties, the situation on the labour market, the remuneration level and urgency of the position in the geographical location, the economic situation of LHV Group, the current and future business performance and trends in comparison with the companies in the same economic sector, as well as the changed and continuously changing environment. The establishment of the basic remuneration also considered the principle that the basic remuneration should represent a sufficiently large part of the total remuneration to allow, where appropriate, for not determining or paying the performance fee in accordance with the option scheme established by the shareholders. Further, considering the fact that LHV Group is the largest domestic financial group and capital provider in Estonia, and in view of the strategic trends and long-term objectives of LHV Group, the Supervisory Board of LHV Group deemed the monthly remuneration set for Madis Toomsalu for 2021 to be such as to motivate Madis Toomsalu to act in the best

interests of LHV Group and to refrain from acting in personal or other persons' interests, and to be fair, transparent, and in compliance with the law.

At the beginning of 2021, the Remuneration Committee, which was established at the level of the Supervisory Board, also held an active discussion on the objectives set for the Member of the Management Board of LHV Group for 2020, in order to assess their performance in 2020 and determine their performance fee accordingly. The COVID-19 pandemic and the specific measures implemented to mitigate the pandemic, which had an impact on the business activities, financial position, and operating results of LHV Group in 2020 and will continue to have an impact in 2021, featured prominently in the discussions. As a result of the achievement of the previously agreed objectives set for Madis Toomsalu on an individual basis and the performance in the difficult year affected by COVID-19, the Supervisory Board, on the proposal of the Remuneration Committee, decided to use the approval of the shareholders of LHV Group to set the performance fee at the maximum amount and to approve the amount of the performance fee to be determined for Madis Toomsalu in 2021 at 200% of his annual remuneration in 2020, i.e., in 2021, a total of 34,054 options to subscribe to the shares of LHV Group in the amount of 288 thousand euros were set as his performance fee.

The Remuneration Committee also discussed and found, in connection with the realisation of the options in 2021, that there have been no subsequent changes to the 2017 financial results and no subsequent material weaknesses have been identified that would indicate that Madis Toomsalu has been compromised in the proper performance of his duties in meeting his objectives. As there were no additional details on his contribution to the 2017 accrual period, as a result of which it would be necessary to revise the estimate of the number of options to be realised in 2021 and reduce the number of instruments granted, the Supervisory Board approved the remuneration of the Member of the Management Board of LHV Group in 2021 for the results of the 2017 financial year and the right of Madis Toomsalu to subscribe to all 20,555 options granted to him in 2018 for the results of the previous financial year in the amount of 100 thousand euros, and Madis Toomsalu also exercised this right.

In 2021, the implementation of the remuneration principles was also reviewed by the Remuneration Committee of LHV Group, whose members have sufficient knowledge and experience in risk management and remuneration. In addition, LHV Group Internal Audit and Compliance Control monitored the compliance of the remuneration policy established in the internal rules with the legislation on remuneration and other internal rules of LHV Group. There were no observations about non-compliance in 2021.

In the light of the above, in 2021 the remuneration of Madis Toomsalu of LHV Group complies with the executive remuneration principles of LHV Group, which are described in the internal rules of LHV Group titled 'Remuneration policy' and in the section of the annual report titled 'Corporate governance report'.