

# Remuneration report

This remuneration report has been prepared in accordance with the Estonian Securities Market Act and provides an overview of the remuneration paid to the Management Board of AS LHV Group (LHV Group) according to the remuneration principles approved by the General Meeting for the 2022 financial year. In the context of the Estonian Securities Market Act, from 1 November 2022 the managers of LHV Group are Madis Toomsalu, the chairman of the Management Board, and Meelis Paakspuu, Martti Singi and Jüri Heero, the members of the Management Board (until 31 October 2022 only Madis Toomsalu, as the sole member of the Management Board, was considered manager of LHV Group in the same context). The remuneration principles of LHV Group are described in the internal remuneration policy of LHV Group, in the section of the annual report titled 'Corporate governance report' and in the remuneration principles approved by the General Meeting.

## 1. Remuneration of members of Management Board

### 1.1 Overview

Under the terms of the contract of Management Board member concluded with LHV Group, Madis Toomsalu, the chairman of the Management Board, was paid a monthly basic remuneration of EUR 13 thousand in January 2022, and a monthly basic remuneration of EUR 16 thousand from February 2022, i.e., an annual remuneration of EUR 189 thousand in total in 2022. The Management Board members Meelis Paakspuu, Martti Singi and Jüri Heero were each paid a monthly basic remuneration of EUR 10 thousand in January 2022, and a monthly basic remuneration of EUR 13 thousand from February 2022, i.e., each an annual remuneration of EUR 153 thousand under their contracts of Management Board member concluded with LHV Pank, a subsidiary of LHV Group.

The amounts and payment procedure of the basic remuneration to the members of the Management Board were determined by resolutions of the Supervisory Board of LHV Group. According to the Management Board member contracts concluded with LHV Group and Meelis Paakspuu, Martti Singi and Jüri Heero, the latter do not receive any basic remuneration for the performance of duties of the Management Board members of LHV Group, as their performance is remunerated at the level of LHV Pank and when evaluating the performance of the members of the Management Board, the Remuneration Committee, which makes the associated suggestions to the Supervisory Board, considers among other factors the tasks and activities of each member of the Management Board as a whole on the entire LHV Group level on a consolidated basis.

LHV Group implements a long-term incentive plan (LTI plan) for the payment of performance fees, i.e., the option programme, which has been approved by the Annual General Meeting of the shareholders. Madis Toomsalu, Meelis Paakspuu, Martti Singi and Jüri Heero are subject to the option programmes approved by the resolutions of the General Meeting of LHV Group of 29 April 2015 and of 13 March 2020. These option programmes 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 programmes and the option contracts concluded with the Management Board members, Madis Toomsalu is entitled to receive a total of 860,310 shares of LHV Group as a performance fee for options granted in 2020, 2021, and 2022, of which the options granted in 2022 amount to a total of 149,170 shares in the amount of EUR 312 thousand. Meelis Paakspuu is entitled to receive a total of 527,700 shares of LHV Group as a performance fee for options issued in 2020, 2021, and 2022, of which the options granted in 2022 amount to a total of 114,740 shares in the amount of EUR 240 thousand. Martti Singi and Jüri Heero, are each entitled to receive a total of 506,410 shares of LHV Group as a performance fee for options granted in 2020, 2021, and 2022, of which the options granted in 2022 amount to a total of 114,740 shares in the amount of EUR 240 thousand.

As a result of the option programme, Madis Toomsalu, Meelis Paakspuu, Martti Singi and Jüri Heero are subject to a retention period of at least one year from the date of exercise of the options, during which all of them undertake to hold the shares of LHV Group underlying the options in their ownership and not to transfer or encumber them in any form.

As options are granted for the results of the previous financial year, in 2022 options were granted for the results of 2021. Due to the fact that the vesting period of options is at least three years from the grant date, the options granted in 2019 for the 2018 results were exercised in 2022. In 2022, the right to reduce or cancel options under the option programme established by the shareholders was not exercised.

An overview of the key performance indicators, the remuneration paid to Madis Toomsalu, Meelis Paakspuu, Martti Singi and Jüri Heero on a consolidated basis 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:

**Remuneration of the Management Board**

		2018	2019	2020	2021	2022
Annual basic remuneration (EUR thousand)	Madis Toomsalu	136	144	144	156	189
	Meelis Paakspuu	90	105	108	120	153
	Martti Singi	90	105	108	120	153
	Jüri Heero	90	105	108	120	153
Annual performance pay granted (EUR thousand)	Madis Toomsalu	205,550 shares 100	333,050 shares 144	370,600 shares 200	340,540 shares 288	149,170 shares 312
	Meelis Paakspuu	123,330 shares 60	173,470 shares 75	200,120 shares 108	212,840 shares 180	114,740 shares 240
	Martti Singi	123,330 shares 60	173,470 shares 75	200,120 shares 108	191,550 shares 162	191,550 shares 162
	Jüri Heero	123,330 shares 60	208,160 shares 90	200,120 shares 108	191,550 shares 162	114,740 shares 240
Consolidated profit of LHV Group (EUR thousand)		27,190	27,092	39,846	60,263	61,431
Return on equity (ROE)		18.4%	14.0%	17.3%	22.1%	16.5%

LHV Group has not signed any employment contracts and the only persons performing official duties under their Management Board Member contracts in LHV Group are Madis Toomsalu, Meelis Paakspuu, Martti Singi and Jüri Heero. The remuneration of the Management Board members on a consolidated basis are used in calculating the average remuneration of a full-time employee of LHV Group, i.e., the monthly basic salary is considered to be EUR 13.5 thousand and the annual basic salary is considered to be EUR 162 thousand of a full-time employee of LHV Group in 2022.

Madis Toomsalu, Meelis Paakspuu, Martti Singi and Jüri Heero were not granted any exceptions to, or exemptions from, the remuneration principles in 2022. They are not eligible to any financial benefits other than those described in this section for performing their duties in LHV Group and its subsidiaries.

## 1.2 Compatibility of remuneration with remuneration principles

According to the Management Board member contract concluded between LHV Group and the chairman of the Management Board of LHV Group, Madis Toomsalu, the latter was paid an average monthly remuneration of EUR 15.75 thousand in 2022 as the basic remuneration, which amounts to an annual basic remuneration of EUR 189 thousand. As a performance fee, Madis Toomsalu was granted the right to subscribe to a total of 149,170 shares of LHV Group in the amount of EUR 312 thousand in 2022. In 2022, Madis Toomsalu exercised his right for a performance fee for the results of the 2018 financial year according to the

LTI plan and share option agreement concluded with him in 2019. He subscribed to all 333,050 options granted to him in 2019 for the results of the previous financial year in the amount of EUR 144 thousand.

According to the Management Board member contracts concluded between LHV Pank and the other three members of the Management Board of LHV Group, Meelis Paakspuu, Martti Singi and Jüri Heero, they were paid an average monthly remuneration of EUR 12.75 thousand in 2022 as the basic remuneration, which amounts to an annual basic remuneration of EUR 153 thousand on a consolidated basis. As a performance fee, they were each granted the right to subscribe to a total of 114,740 shares of LHV Group in the amount of EUR 240 thousand in 2022. In 2022, they all exercised their rights for performance fees for the results of the 2018 financial year according to the LTI plan and share option agreements concluded with them in 2019. Jüri Heero subscribed to all 208,160 options granted to him in 2019 for the results of the previous financial year in the amount of EUR 90 thousand and Meelis Paakspuu and Martti Singi each subscribed to all 173,470 options granted to them in 2019 for the results of the previous financial year in the amount of EUR 75 thousand.

According to the proposal of the Remuneration Committee, the Supervisory Board of LHV Group amended the monthly basic remuneration of Madis Toomsalu from February 2022 and set it at EUR 16 thousand (was EUR 13 thousand), and the Supervisory Board of LHV Pank amended the monthly basic remuneration of Meelis Paakspuu, Martti Singi and Jüri Heero from February 2022 and set it at EUR 13 thou-

sand (was EUR 10 thousand), while taking into account, among other things, the dedication and performance, the entrepreneurial spirit, the scope, responsibility, and intensity of each duties, the situation on the labour market, the remuneration level and importance of the position in the geographical location, the economic situation of LHV Group and LHV Pank, 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 reflects the principle that basic remuneration should represent a sufficiently large part of the total remuneration to allow, where appropriate, not assigning or paying the performance fee in accordance with the option programme 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 Boards deemed the monthly remunerations set for 2022 to be such as to motivate the members of the Management Board to act in the best interests of LHV Group and to refrain from acting in personal or other persons' interests, and to act in a way that is fair, transparent, and in compliance with the law.

At the beginning of 2022, the Remuneration Committee, established at the level of the Supervisory Board of LHV Group, also discussed the objectives set for the chairman of the Management Board of LHV Group for 2022, to assess their performance in 2023 and determine their performance fee accordingly. The Remuneration Committee also established the objectives for the other members of the Management Board of LHV Group for 2022 on the LHV Pank level, which were supplemented as part of the renewal of the management structure in the second half of the year, to assess their performance in 2023 and determine their performance fee accordingly. As a result of the achievement of the previously agreed objectives set for the Management Board members on an individual basis and their performance in the difficult year affected by an extremely volatile economic environment, the Supervisory Board of LHV Group, 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 fees for members of Management Board in 2022 at 200% of their annual remuneration in 2021.

The Remuneration Committee also discussed and found, in connection with the exercise of the options granted in 2022, that there had been no subsequent changes to the 2018 financial results and no subsequent material weaknesses had been identified that would indicate that the members of the Management Board had been compromised in the proper performance of their duties in meeting their objectives. As there were no such additional details on their contribution to the 2018 accrual period which would make it necessary to revise the estimate of the number of options to be exercised in 2022 and reduce the number of instruments granted, the Supervisory Board of LHV Group approved the performance bonuses of the members of the Management Board in 2022 for the results of the 2018 financial year and the rights of the Management Board members to subscribe to all options granted to them in 2019 for the results of the previous financial year. Each of the Management Board members exercised their rights.

In 2022, 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 internal remuneration policy with the legislation on remuneration and other internal rules of LHV Group. There were no observations about non-compliance in 2022.

In the light of the above, in 2022 the remuneration of Madis Toomsalu, Meelis Paakspuu, Martti Singi and Jüri Heero complies with the remuneration principles of LHV Group, which are described in the internal remuneration policy of LHV Group, in the section of the annual report titled 'Corporate governance report' and in the remuneration principles approved by the General Meeting.