

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 2023 financial year. In the context of the Estonian Securities Market Act, 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. 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 16 thousand, i.e., an annual remuneration of EUR 192 thousand in total in 2023. The Management Board members Meelis Paakspuu, Martti Singi and Jüri Heero were each paid a monthly basic remuneration of EUR 13 thousand, i.e., each an annual remuneration of EUR 156 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, they 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 programme approved by the resolution of the General Meeting of LHV Group of 13 March 2020. This option programme also sets 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 programme and the option contracts concluded with the Management Board members, Madis Toomsalu is entitled to subscribe a total of 709,658 shares of LHV Group as a performance fee for options granted in 2021, 2022, and 2023, of which the options granted in 2023 amount to a total of 219,948 shares in the amount of EUR 384 thousand. Meelis Paakspuu is entitled to subscribe a total of 506,288 shares of LHV Group as a performance fee for options issued in 2021, 2022, and 2023, of which the options granted in 2023 amount to a total of 178,708 shares in the amount of EUR 312 thousand. Martti Singi and Jüri Heero, are each entitled to subscribe a total of 484,998 shares of LHV Group as a performance fee for options granted in 2021, 2022, and 2023, of which the options granted in 2023 amount to a total of 178,708 shares in the amount of EUR 312 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 2023 options were granted for the results of 2022. Since the vesting period of options is at least three years from the grant date, the options granted in 2020 for the 2019 results were exercised in 2023. In 2023, the right to reduce or cancel options granted to the Management Board members 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 and employees of LHV Group		2019	2020	2021	2022	2023
Annual basic remuneration of the Management Board (gross, EUR thousand)	Madis Toomsalu	144	144	156	189	192
	Meelis Paakspuu	105	108	120	153	156
	Martti Singi	105	108	120	153	156
	Jüri Heero	105	108	120	153	156
Remuneration of full-time employees (gross, EUR thousand)		-	-	-	-	30*
Annual performance pay granted to the Management Board	Madis Toomsalu	333,050 shares (EUR 144 thousand)	370,600 shares (EUR 200 thousand)	340,540 shares (EUR 288 thousand)	149,170 shares (EUR 312 thousand)	219,948 shares (EUR 384 thousand)
	Meelis Paakspuu	173,470 shares (EUR 75 thousand)	200,120 shares (EUR 108 thousand)	212,840 shares (EUR 180 thousand)	114,740 shares (EUR 240 thousand)	178,708 shares (EUR 312 thousand)
	Martti Singi	173,470 shares (EUR 75 thousand)	200,120 shares (EUR 108 thousand)	191,550 shares (EUR 162 thousand)	114,740 shares (EUR 240 thousand)	178,708 shares (EUR 312 thousand)
	Jüri Heero	208,160 shares (EUR 90 thousand)	200,120 shares (EUR 108 thousand)	191,550 shares (EUR 162 thousand)	114,740 shares (EUR 240 thousand)	178,708 shares (EUR 312 thousand)
Consolidated profit of LHV Group (EUR thousand)		27,092	39,846	60,263	61,432	140,938
Return on equity (ROE)		14.0%	17.3%	22.1%	16.4%	29.0%

*since September 2023

LHV Group has signed on 1 September 2023 one employment contract. Other persons are performing official duties in LHV Group under their Management Board member contracts.

Madis Toomsalu, Meelis Paakspuu, Martti Singi and Jüri Heero were not granted any exceptions to, or exemptions from, the remuneration principles in 2023. 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, was paid an average monthly remuneration of EUR 16 thousand in 2023 as the basic remuneration, which amounts to an annual basic remuneration of EUR 192 thousand. As a performance fee, Madis Toomsalu was granted the right to subscribe to a total of 219,948 shares of LHV Group in the amount of EUR 384 thousand in 2023. In 2023, Madis Toomsalu exercised his right for a performance fee for the results of the 2019 financial year according to the LTI plan and share option agreement concluded with him in 2020. He subscribed to all 370,600 options granted to him in 2020

for the results of the previous financial year in the amount of EUR 200 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 13 thousand in 2023 as the basic remuneration, which amounts to an annual basic remuneration of EUR 156 thousand on a consolidated basis. As a performance fee, they were each granted the right to subscribe to a total of 178,708 shares of LHV Group in the amount of EUR 312 thousand in 2023. In 2023, they all exercised their rights for performance fees for the results of the 2019 financial year according to the LTI plan and share option agreements concluded with them in 2020. Jüri Heero, Meelis Paakspuu and Martti Singi each subscribed to all 200,120 options granted to them in 2020 for the results of the previous financial year in the amount of EUR 108 thousand.

According to the proposal of the Remuneration Committee, the Supervisory Board of LHV Group has set the monthly basic remuneration of Madis Toomsalu at EUR 16 thousand, and the Supervisory Board of LHV Pank has set the monthly basic remuneration of Meelis Paakspuu, Martti Singi and Jüri Heero at EUR 13 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 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. In 2023 the monthly basic remuneration of Management Board members was not amended.

At the beginning of 2023, the Remuneration Committee, established at the level of the Supervisory Board of LHV Group, discussed and set the objectives for the Chairman and other members of the Management Board of LHV Group for 2023, assessed the performance of them in 2022 and determined 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 2022, 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 2023 at 200% of their annual remuneration in 2022.

The Remuneration Committee also discussed and found, in connection with the exercise of the options granted in 2023, that there had been no subsequent changes to the 2019 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 2019 accrual period which would make it necessary to revise the estimate of the number of options to be exercised in 2023 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 2023 for the results of the 2019 financial year and the rights of the Management Board members to subscribe to all options granted to them in 2020 for the results of the previous financial year. Each of the Management Board members exercised their rights.

In 2023, 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 2023.

In the light of the above, in 2023 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.