DESCRIPTION OF RISK FACTORS APPLICABLE TO AN INVESTMENT IN AS LHV GROUP FIXED RATE RESET PERPETUAL ADDITIONAL TIER 1 TEMPORARY WRITE-DOWN NOTES

INTRODUCTION

Investing in the Fixed Rate Reset Perpetual Additional Tier 1 Temporary Write-Down Notes (the "**Notes**") issued by AS LHV Group (the "**Company**" or the "**Issuer**") involves risks. Each prospective investor in the Notes should thoroughly consider all the information provided to them, including the risk factors described below. Any of the risk factors described below, or additional risks not currently known to the Company, could have a material adverse effect on the business, financial condition, operations, or prospects of the Company and the Company's subsidiaries (together the "**Issuer's Group**") and result in a corresponding decline in the value of the Notes, cancellation of interest payments, write-down of the nominal value of the Notes, or the inability of the Company to redeem the Notes.

This document must be read together with the Terms and Conditions of the Notes setting out the full contractual and detailed framework of the Notes. Words and expressions defined in the Terms and Conditions of the Notes have the same meanings in this document, unless defined differently herein. The risk factors are not listed in any order of priority with regard to significance or probability.

RISKS RELATING TO THE GROUP

The Issuer is a holding company and availability of Group operating cash flow may be limited.

The Issuer is a holding company and conducts its operations principally through, and derives all of its revenue and cash flow from, its subsidiaries and it does not anticipate that this will change in the near future. The subsidiaries are separate and distinct legal entities, and they have no obligations to pay any amounts due to Noteholders from the Issuer or to provide the Issuer with funds to meet any of its payment obligations under the Notes. The Issuer's rights to participate in the assets of any of its subsidiaries if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors, except in the circumstance where the Issuer is also a creditor with claims that are recognised to be ranked ahead of or which rank pari passu with the claims of other creditors. Accordingly, if a subsidiary of the Issuer were to be wound up, liquidated or dissolved, (i) Noteholders would have no right to proceed against the assets of such subsidiary, and (ii) the Issuer would only recover any amounts directly in the liquidation of that subsidiary in respect of its direct holding of ordinary shares in such subsidiary, if and to the extent that any surplus assets remain following payment in full of the claims of the creditors and preference shareholders (if any) of such subsidiary or if the Issuer is itself a creditor of such subsidiary (in accordance with the relevant ranking of its claims).

The Issuer itself does not own significant assets other than its investments in subsidiaries. Therefore, in order to be able to make payments in respect of the Notes, pay dividends to its shareholders and meet its other obligations, the Issuer is dependent on the receipt of dividends, principal and interest payments or other payments from its subsidiaries, which in turn, in the case of AS LHV Pank ("**LHV Pank**"), may be influenced by the need to comply with applicable capital adequacy ratios. In 2025 and 2024, the Issuer paid out dividends to its shareholders of €29.2 million and €41.6 million, respectively, and received dividends of €2.0 million and €4.9 million from AS LHV Varahaldus ("**LHV Varahaldus**") and €126.8 million and €76.3 million from LHV Pank. In April 2026, the Issuer paid out dividends to its shareholders of €55.2 million (which amount was deducted from the Issuer's own funds as at 31 March 2026) and, during the three months ended 31 March 2026, the Issuer received dividends of €94.0 million from LHV Pank and €4.0 million from LHV Varahaldus.

The Issuer may have to commit additional investments into its existing subsidiaries or any new businesses that it may launch in the future. For example, in 2021 the Issuer established a new subsidiary LHV Bank Ltd ("**LHV Bank**") in the UK which received a banking licence in the UK in 2023. The Issuer may have to commit further additional capital to cover the costs of expanding the subsidiary's business as envisaged in its business plan.

Under Estonian law, a company may only pay dividends or make other distributions if its current profits and retained earnings are sufficient for such distribution. Therefore, the Group's financial position and the Issuer's ability to make payments in respect of the Notes remains dependent on its subsidiaries' profit and financial position which, in turn, will depend on the future performance of the subsidiary concerned which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond its control. In addition, any such subsidiary itself may be subject to restrictions on the making of such distributions contained in applicable laws and regulations or in contractual agreements entered into by it.

There can be no assurance that the Group's subsidiaries will generate sufficient cash flow from operations or that alternative sources of financing will be available at any time in an amount sufficient to enable these subsidiaries to service their indebtedness, fund their other liquidity needs and make payments to the Issuer to enable it to service its indebtedness, including the Notes.

Additionally, the Issuer may suffer losses if any of its loans to, or investments in, LHV Pank (as defined below) are subject to statutory write-down and conversion powers or if LHV Pank is otherwise subject to resolution proceedings. The Issuer is also exposed to the risk of losses in the event of a Group member's insolvency. The Issuer may in the future make loans to, or other investments in, LHV Pank with the proceeds received from the Issuer's issuance of debt instruments (including the issuance of the Notes), and loans or other investments. Where securities (such as the Notes) issued by the Issuer have been structured so as to qualify as eligible liabilities instruments under the relevant Applicable Banking Regulations (as defined below), the terms of the corresponding on-loan to, or investment in, LHV Pank may be structured to achieve equivalent regulatory treatment for LHV Pank, as the case may be. Accordingly, loans to, or investments in, LHV Pank may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of LHV Pank or other specified trigger events, would automatically result in a write-down or conversion into equity of such loans or investments, impairing the Issuer's ability to recover amounts that would otherwise have been payable under such loans or investments. Such loans to, or investments in, LHV Pank may also be subject to non-viability loss absorption as described in "*The Group may be subject to statutory resolution*". The Issuer retains absolute discretion to restructure such loans to (or any other investments in) any of its subsidiaries, including LHV Pank, at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to such subsidiary as part of meeting regulatory requirements, including the total loss-absorbing capacity requirements in respect of the Group. A restructuring of a loan or investment made by the Issuer in a Group member could include changes to any or all features of such loan, including its legal or regulatory form and how it would rank in the event of resolution and/or insolvency proceedings in relation to the Group member. Any restructuring of the Issuer's loans to any of the members of the Group may be implemented by the Issuer without prior notification to, or consent of, Noteholders.

The Group's operations and assets are principally located in Estonia and, accordingly, the Group is exposed to general economic conditions in Estonia.

The Issuer and most of its subsidiaries operate principally in Estonia and the vast majority of the Group's assets and business are located in Estonia. Whilst the Group also has a banking subsidiary in the UK, LHV Bank, the business of LHV Bank is at present still a small part of the Group overall. As a result, the Group is predominantly affected by general economic and geopolitical conditions in Estonia, changes in which are outside the Group's control. The Estonian economy is a small open economy that is closely linked to the global economy and especially to macro-economic conditions in Europe.

Global macroeconomic conditions may, for example, be adversely affected by geopolitical tensions, conflicts and/or expansion of sanctions (such as those related to the Russian war against Ukraine and the ongoing conflicts in the Middle East contributing to volatility in global energy prices and thereby the broader European economy), or the imposition of further international trade tariffs. The prolongation of such geopolitical tensions, sanctions and political uncertainty, or the imposition of further international trade tariffs could negatively impact economic growth and business operations in Estonia, which in turn, could have a material adverse effect on the Estonian economy and any material adverse impact on the Estonian economy could negatively impact the financial position and profitability of the Group.

After a period of decline in the Estonian economy in 2023 to 2024, it grew by 0.6 per cent in 2025. Government consumption and investment were positive contributors to Gross Domestic Product ("**GDP**") growth, whereas the contributions from household consumption and net exports remained neutral. On a sectoral basis, manufacturing, energy, ICT and real estate activities made small positive contributions. Although GDP growth accelerated to 2.4 per cent. in the first quarter of 2026, the recovery is not yet fully anchored by investment. While investment remains on a downward trend, current growth continues to be driven primarily by private consumption and public spending, strongly supported by an export sector that has successfully returned to growth and is gaining robust momentum. Going forward, growth in corporate investment is expected to be supported by a recovery in foreign demand. The Estonian government has introduced a plan to increase defence spending to 5 per cent. of GDP in the coming years. Whilst necessary, this introduces uncertainty regarding future fiscal policy, as budget revenues are not increasing as rapidly as costs. As a result, the projected budget deficit is forecast to increase from 1.3 per cent. in 2025 to 4.5 per cent. in 2026 to 2027.

Inflation in Estonia has started to decelerate, reaching 3.3 per cent. in the first half of 2026. For the full year of 2026, price growth is expected to stand at 3.6 per cent., owing partly to the effects of energy inflation, wage growth, and base effects from tax increases in the first half of the year. Going further, inflation is forecast to slow to 2.5 per cent. in 2027.

The probability of unfavourable developments in the energy markets has somewhat lowered but still poses the most significant downside risk to the Estonian economy. The materialisation of any downside risk could lead to higher inflation, higher interest rates and tighter financing conditions, which could adversely affect the economy and weaken the creditworthiness of the Group's borrowers. Any deterioration in or slowing recovery of the Estonian economy could negatively impact the financial position and profitability of the Group.

The Group may be materially adversely affected by the Russian invasion of Ukraine.

The global and European economic and political environment has been influenced by the Russian war against Ukraine since 24 February 2022. This aggression was followed by comprehensive sanctions against Russian and Belarusian leaders and companies. The war has put additional pressure on the growth of energy and commodity prices. Whilst Estonian companies have been able to rearrange supply chains and adjust consumption, and the Group has been able to manage related risks including credit and anti-money laundering ("**AML**") related risks successfully to date, there is no certainty that this will continue or that there will not be a further deterioration in the geopolitical and economic environment as a result of Russia's war against Ukraine. Should any such risks materialise, this could have a material adverse effect on the financial position and profitability of the Group.

The Group is exposed to the credit risk of borrowers and other counterparties due to its lending activities.

Risks arising from adverse changes in the credit quality and recoverability of lending and other amounts due from counterparties are inherent in the Group's business, principally in its lending activities. In particular, the Group is exposed to the risk that its counterparties may not meet their obligations in respect of loans advanced by the Group and that the collateral (if any) securing the loans advanced may be insufficient. Credit losses could arise from a deterioration in the credit quality of specific counterparties of the Group, from a general deterioration in local or global economic conditions, or from systemic risks within these financial systems, any of which could affect the recoverability and value of the Group's assets and require an increase in its allowances for credit losses of loans and other credit exposures.

As at 31 December 2025, the Group's loans and advances to customers amounted to €5,465.4 million, compared to €4,552.1 million as at 31 December 2024. The Group's non-performing loans (calculated in accordance with the guidelines on management of non-performing and forborne exposures EBA/GL/2018/06 and Annex V to Commission Implementing Regulation (EU) No 680/2014) ("**Stage 3 loans**") were €89.3 million as at 31 December 2025 compared to €37.6 million as at 31 December 2024. Allowance for impairments in respect of the Group's loans and advances to customers amounted to 0.8 per cent. and 0.9 per cent. of the value of its loan portfolio as at 31 December 2025 and 31 December 2024, respectively. The increase in Stage 3 loans was due to the re-classification of outstanding loans to two client groups as Stage 3 loans.

As at 30 June 2026, the amount of Stage 3 loans amounted to €82.3 million, and allowances for impairments in respect of the Group's loans and advances to customers amounted to 0.82 per cent. As of 30 June 2026, the Group's consolidated credit portfolio reached EUR 5.77 billion, representing a substantial annual increase, while impairment charges for the first half of 2026 stood at EUR 7.1 million.

Although the Group makes allowances for potential credit losses in accordance with applicable requirements, the allowances are made based on available information, estimates and assumptions, which by definition are subject to uncertainty. Therefore, there can be no assurance that allowances made by the Group are or will be sufficient to cover potential future losses. Further, if the credit quality of the Group's loans or the financial health of any of its borrowers were to deteriorate, the Group may have to make additional allowances for credit losses which could have a material adverse effect on the Group. The recoverability of the credit provided by the Group to its customers may be adversely affected by negative changes in the overall economic, political or regulatory environment affecting the ability of the Group's counterparties to repay their loans, the effectiveness of enforcement proceedings, a decrease in collateral values and other circumstances beyond the Group's control.

The Group's loans and advances to customers and its deposits from customers are mostly concentrated in Estonia.

Geographically, the Group's loans and advances to customers and its deposits from customers are concentrated in Estonia.

The Group's loans and advances to customers accounted for 53.4 per cent. of its total assets as at 31 December 2025, compared to 52.1 per cent. of its total assets as at 31 December 2024. As at 31 December 2025, 85.0 per cent. of the Group's loans and advances to customers was classified as Estonian risk meaning that the borrowers are Estonian entities or individuals. As at 31 December 2024, the comparative percentage was 91.3 per cent.

The only other materially significant class of assets on the Group's statement of financial position is the cash and balances with central bank, which represented 41.7 per cent. of the Group's total assets as at 31 December 2025 compared to 43.2 per cent. of its total assets as at 31 December 2024.

The Group's deposits from customers were €8,134.4 million, equal to 85.9 per cent. of its total liabilities, as at 31 December 2025 and €6,910.1 million, or 85.8 per cent. of its total liabilities, as at 31 December 2024. As at 31 December 2025, 62.5 per cent. of the Group's deposits from customers was classified as Estonian risk meaning that the depositors are Estonian entities. As at 31 December 2024, the comparative percentage was 66.0 per cent.

Accordingly, any deterioration in general economic conditions in Estonia or any failure by the Group to effectively manage its geographic risk concentrations could have a more significant adverse effect on its business than on that of a more diversified banking group. See "*The Group's operations and assets are principally located in Estonia and, accordingly, the Group is exposed to general economic conditions in Estonia*" above.

The Group has significant customer and sector concentrations.

The Group's loans and advances to customers are concentrated in the real estate sector, which is traditionally the sector that receives the greatest financing from commercial banks in Estonia. As at 31 December 2025, the Group's loans and advances before allowances for credit losses to the real estate sector accounted for 33.3 per cent. of its total loans and advances to customers before allowances for credit losses. As at 31 December 2024, the comparative percentage was 29.6 per cent. A large majority of loans granted to the real estate sector are cash-flow based, with a well-diversified spectrum of customers split across office, retail and industrial segments.

In addition, loans and advances to individuals before allowances for credit losses accounted for 35.9 per cent. of the Group's total loans and advances to customers as at 31 December 2025 compared to 36.1 per cent. as at 31 December 2024.

A small number of the Group's loans and advances to customers carry a large risk exposure, meaning that the Group's exposure under each loan exceeded 10 per cent. of its net own funds (broadly equal to its capital). As at 31 December 2025, the Group had large exposure loans outstanding to two customers and these loans constituted 21.5 per cent. of the Group's net own funds and as at 31 December 2024, the Group had large exposure loans outstanding to three customers and these loans constituted 32.4 per cent. of the Group's net own funds.

As a result, a material weakening in the credit quality of, or a default by, any one or more of the Group's large exposure counterparties, or any factors which negatively impact the real estate or retail sectors in Estonia to which the Group has significant exposure, could result in the Group having to make significant additional allowances for credit losses and/or experiencing significantly reduced interest income, each of which could have a material adverse effect on the Group.

The sector specific factors referred to above might include:

- a significant decline in real estate values which would weaken the credit quality of the Group's real estate borrowers and could also reduce the value of the real estate collateral which the Group holds;

- low levels of economic growth or a recession in Estonia which could materially adversely impact the ability of the Group's retail customers to repay their financing, particularly if combined with increased levels of unemployment, falling house prices, higher interest rates, increased inflation or other factors constraining consumer income.

The Group also has some very large customers contributing a large proportion of deposits. These customers are predominantly serviced by LHV Pank's financial intermediaries unit and their deposits are backed with liquidity buffers, instead of using the deposits for long-term lending. These financial intermediaries are holding these deposits in LHV Pank due to the regulations imposed on the e-money institutions of having a certain percentage amount of their cash in the European banking system. Nevertheless, the share of the Group's 20 largest depositors was 25.3 per cent. as at 31 December 2025 compared to 25.9 per cent. as at 31 December 2024. As at 31 December 2025, there were eight customers whose deposits exceeded 1 per cent. of the Group's total deposits from customers and their deposits aggregated €1,580.9 million. As at 31 December 2024, there were seven customers whose deposits exceeded 1 per cent. of the Group's total deposits from customers, and their deposits aggregated €1,232.8 million.

The Group is subject to the risk that liquidity may not always be readily available.

Liquidity risk is the risk that the Group will be unable to meet its obligations, including funding commitments, as they become due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding and, particularly in the Group's case, demand deposits) and changes in credit ratings or market-wide phenomena such as market dislocation and major disasters.

The Group's assets have, on average, a longer maturity than its funding sources. The Group has historically principally relied on deposits from customers, which are mainly repayable on demand or short-term and generally low cost in nature, to meet most of its funding needs. For example, as at 31 December in each of 2025 and 2024, demand and term deposits from customers amounted to 88.6 per cent. and 88.2 per cent., respectively, of the Group's total deposits from customers and loans received and debt securities in issue.

The availability of deposits is subject to fluctuation due to factors outside the Group's control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the return paid on its deposits to ensure that it retains sufficient deposits. As part of its liquidity risk management strategy, the Group makes assumptions in relation to the potential deposit outflows which could occur at times of stress. For example, demand deposits raised from retail customers are assumed to be a relatively stable source of funding based on historical behaviour analysis. Nevertheless, they are contractually repayable on demand. If any of these assumptions prove to be incorrect, the Group could face unplanned liquidity outflows which have not been considered in its liquidity contingency plans and funding plans.

On a future undiscounted cash flow basis, as at 31 December 2025, 58.3 per cent. of the Group's deposits from customers and loans received and debt securities in issue did not have a fixed maturity. As at the same date and on the same basis, only 14.1 per cent. of the Group's total funding (which comprises deposits from customers and loans received and debt securities in issue and subordinated debt) had a remaining contractual maturity in excess of one year. These percentages were 55.8 per cent. and 10.2 per cent., respectively, as at 31 December 2024.

The Group may experience outflows of deposits at times when liquidity in Estonia is constrained generally or when its major depositors experience short- or long-term liquidity requirements.

In addition to deposits from its core customers in Estonia and the UK, the Group has also raised term deposits from the Raisin deposit intermediation platform. The Raisin platform enables the Group to raise term deposit funding from outside its geographic home markets (from outside of Estonia for LHV Pank and from non-core customers in the UK for LHV Bank). As at August 2026, the main geographic markets from which the Group has raised term deposit funding through the Raisin platform have been the UK and the Netherlands. However, the availability of these platform deposits could be more volatile than the Group's core customer deposits in the event of any market or idiosyncratic stress. Furthermore, as these term deposits mature, it is not certain that they can be rolled over and the Group may be required to raise other types of funding to replace any of these deposits which are not rolled over.

In addition, the Group's deposits are geographically concentrated and the Group is reliant on certain large deposits from a limited group of customers. See "*The Group's loans and advances to customers and its deposits from customers are mostly concentrated in Estonia*" above and "*The Group has significant customer and sector concentrations*" above.

In addition to deposits, the Group has raised funding from capital markets through the issuance of covered bonds, unsecured bonds and other financial instruments. The Group may not be able to raise funds from money and/or capital markets on terms comparable with those previously available, which may have an adverse effect on its business operations, performance or financial position. Access to, and the cost of, financing raised by the Group through money and capital markets are affected, among other things, by general interest rate levels, the situation on the financial markets, downturns in the performance of market participants and the Group's own capital adequacy and credit ratings.

If a substantial portion of the Group's depositors, or any of its largest depositors, withdraw their demand deposits or do not roll over their time deposits at maturity, the Group may need to seek other sources of funding or may have to sell, or enter into sale and repurchase or securitisation transactions over, certain of its assets to meet its funding requirements. There can be no assurance that the Group will be able to obtain additional funding as and when required or at prices that will not affect its ability to compete effectively and, if the Group is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.

In extreme cases, if the Group is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, such as the interbank markets, the international capital markets or through asset sales, this would have a material adverse effect on its business generally and could, potentially, result in insolvency.

The Group could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties.

Given the high level of inter-dependence between financial institutions, the Group is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. This was experienced in 2008, 2009 and again in late 2022 and early 2023, demonstrating that concerns about, or a default by, one institution can lead to significant liquidity problems, losses or defaults by other institutions. This is because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide or institution specific liquidity problems and losses or defaults by the Group or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a daily basis. There is also a risk that problems initially affecting only one or a few financial institutions could spill over to the Group due to perceived interconnectedness or supposed similarities in risk profile, no matter if actually true or not. Such risks, should they materialise, could have a material adverse effect on the Group's ability to raise new funding and on its business generally.

The Group is exposed to reputational risks related to its operations and industry.

The Group, through the activities of its member companies, is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Group's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing. For example, if one of the Group's borrowers becomes associated with financial scandals or widely publicised improper behaviour, the Group's own reputation may be affected. The Group is also exposed to adverse publicity relating to the financial services industry as a whole or individual institutions which are perceived to be similar to the Group. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Group's reputation could lead to existing customers withdrawing their business and potential customers hesitating to do business with the Group, which could have a material adverse effect on the Group.

The Group could be adversely affected by market risks.

The Group could be adversely affected by market risks that are outside its control, including, without limitation, material adverse changes in interest rates, prices of securities and currency exchange rates. In relation to interest rates, the Group is vulnerable to fluctuations in interests rates as there is a pricing gap between the Group's interest-rate sensitive assets and liabilities. For example, an increase in interest rates generally may decrease the value of the Group's fixed-rate loans and securities and may increase the Group's funding costs. Further, a decrease in the level of interest rates may decrease the revenue that the Group earns from its floating rate loans, securities and other assets. At the same time, the Group's ability to pass on declining interest rates to its customers on the funding side by lowering the rates on its deposits is limited. See subsection 7.5.3 to the Risk and Capital Management section of the 2025 Annual Report (which is incorporated by reference herein) which references stress tests conducted in relation to the Group's sensitivity to change in interest rates as at 31 December 2025 and 31 December 2024. Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the European Central Bank (the "**ECB**") and the Bank of England, political factors and domestic and international economic conditions.

The Group faces foreign exchange rate risk as a financial intermediary. This encompasses the potential for changes in exchange rates to alter the value of assets or liabilities denominated in foreign currencies, and the risk of incurring losses when closing open positions in a foreign currency due to unfavourable exchange rate fluctuations. The Group attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the limits set out in the Group's internal risk management documents. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not protect the Group against such risks. See subsection 7.5.1 to the Risk and Capital Management section of the 2025 Annual Report (which is incorporated by reference herein) which shows the Group's open foreign currency positions as at 31 December 2025 and 31 December 2024.

The Group also has a portfolio of debt and equity financial assets held at fair value which are exposed to the effect of changes in market prices on their fair value. However, in 2022 the majority of the investments classified as debt securities held at fair value were reclassified as investment securities measured as amortised cost.

Group companies may enter into derivative transactions, such as interest rate swaps and currency swaps and forward contracts, as part of their ordinary customer business. There is no assurance that these derivative contracts will be successful in mitigating the Group's interest rate and foreign exchange exposures or that the Group will not experience significant losses on these derivatives contracts from time to time.

Adverse movements in interest and foreign exchange rates may also adversely impact the revenue and financial condition of the Group's depositors, borrowers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain borrowers and other counterparties. Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future negative changes in interest rate or currency exchange rates or from a significant change in the prices of its securities.

The Group is exposed to a range of operational risks. In particular, the Group is exposed to the risk of loss as a result of employee misrepresentation, misconduct and improper practice or a failure of the Group's internal or external systems.

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures (including, in particular, information technology ("**IT**") failures), natural disasters or the failure of external systems (for example, those of the Group's counterparties or vendors). The Group has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks that the Group faces. Losses from the failure of the Group's system of internal controls could have a material adverse effect on its business generally and its reputation.

The Group's employees could engage in misrepresentation, misconduct or improper practices that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat these types of misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result or to fines or other regulatory sanctions and could damage the Group's reputation.

The Group is dependent on its IT systems and any disruption to these systems, including as a result of cyber-attack, could materially disrupt the Group's business.

The Group depends on its IT systems to process a large number of transactions on an accurate and timely basis and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to its business and its ability to compete effectively. The Group's business activities would be materially disrupted if there were a partial or complete failure of any of these IT systems or communications networks. Such failures can be caused by a variety of reasons some of which are outside the Group's control, including natural disasters, extended power outages, and computer viruses and other external electronic attacks. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system inputs, which are subject to internal human errors. Any failure or delay in recording or processing transaction data could subject the Group to claims for losses and regulatory fines and penalties. There can be no assurance that the Group's IT safeguards will be fully effective in the event of a disaster and or that they will protect the Group from all losses that could occur.

The threat to the security of the Group's information and customer data from security breaches and cyber-attacks presents a real and growing risk to its business. Activists, rogue states and cyber criminals are among those targeting IT systems around the world. Risks to technology and cyber-security evolve and change rapidly and require continued focus, monitoring and investment in preventative measures. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. A failure to adequately manage cyber-security risk and continually monitor, review and update current processes in response to new threats could have a number of adverse effects on the Group, including disruption to its business, unauthorised disclosure of confidential information, significant financial and/or legal exposure and damage to its reputation.

The Group takes proactive measures to adjust its cybersecurity policies and practices in preparation for potential future regulations that could present new compliance challenges. This approach is designed to ensure continued compliance with changing regulatory requirements, safeguarding the Group's operations and its stakeholders' interests. The Digital Operational Resilience Act ("**DORA**"), applicable from 17 January 2025, creates a harmonised regulatory framework across the EU financial sector on digital operational resilience to respond to and recover from all types of information communication technologies ("**ICT**") related disruptions and threats. DORA is supplemented by regulatory and implementing acts, including in areas such as ICT risk management, incident classification and reporting and critical ICT subcontracting. Non-compliance by the Group or the relevant entities of the Group with DORA and its implementing acts could lead to supervisory intervention, administrative penalties or remedial measures, as well as criminal penalties under national law. Such increased regulatory engagement, supervision and enforcement is uncertain in relation to the scope, cost, consequence and the pace of change, which may adversely affect the Group's future results, financial condition and/or prospects.

In accordance with the EU General Data Protection Regulation ("**GDPR**"), the Group is required to ensure it implements timely, appropriate and effective organisational and technological safeguards against unauthorised or unlawful access to the data of the Group, its customers and its employees. In order to meet this requirement, the Group places a high priority on employee training and awareness programmes to combat phishing and other forms of social engineering attacks. Recognising that a well-informed workforce is a critical defence layer, these programmes aim to equip employees with the knowledge and tools necessary to identify and respond to cybersecurity threats effectively. The Group relies on the effectiveness of its internal policies, controls and procedures to protect the confidentiality, integrity and availability of information held on its IT systems, networks and devices as well as with third parties with whom the Group interacts. A failure to monitor and manage data in accordance with the requirements of the applicable legislation, including GDPR and DORA may result in financial losses, regulatory fines and investigations and associated reputational damage.

The Group's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks.

There can be no assurance that the Group's risk management policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis of 2008 to 2010, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant losses as a result of unidentified credit, liquidity, market or operational risks, should they occur.

The Group's internal compliance systems might not be fully effective in all circumstances.

The Group's ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Group is subject to oversight by regulatory authorities, including regular examination activity and annual supervisory review visits in relation to the Group's banking entities, performs regular internal audits and employs an external auditing firm to review its internal auditing function as required by applicable regulations, the Group cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it.

In 2022, the EFSA conducted an on-site inspection to assess the compliance of LHV Pank's financial intermediation business line control systems. The supervisory proceedings identified deficiencies regarding the assessment and management of money laundering and terrorist financing risks, as well as in the solutions for the onboarding and monitoring of clients to faultlessly fulfil the due diligence measures set for LHV Pank. In August 2023, the EFSA issued a precept to LHV Pank as a result of these supervisory proceedings and imposed a fine of €900,000 for the misdemeanour of incorrect application of due diligence measures. LHV Pank has since reported to the EFSA on a monthly basis on the action plan to remediate all of the shortcomings identified by the EFSA. The final report was presented to the EFSA on 26 January 2024 and the matter is now closed. LHV Pank continues to improve the risk control system of the financial intermediation business line.

Further, in 2024, the Estonian Financial Intelligence Unit ("**FIU**") conducted a misdemeanour proceeding against LHV Pank concerning two incidents in 2022 and one incident in January 2023 and on 6 May 2024 the FIU concluded that LHV Pank had violated the International Sanction Act and issued a fine of EUR 300,000. However, in September 2024, the Harju County Court annulled the EUR 300,000 fine imposed by the FIU in May 2024 and terminated the proceedings against LHV Pank, citing the absence of a misdemeanour. The FIU did not appeal the decision.

In July 2025, following a determination by the Chancellor of Justice that the FIU had unlawfully accessed financial institutions' client data from the state enforcement register over several years, the Bank challenged in administrative court the precepts issued by the FIU for disclosing the Bank's client data and declined to transfer the requested data to the FIU. The administrative court of first instance ruled in favour of the Bank, however, the FIU has appealed the judgment to the circuit court of appeal. As such, as at August 2026 the proceedings for this matter are ongoing. While no breach of applicable laws by the Bank in connection with this case has been identified at this stage, the dispute illustrates that disagreements may arise between the Bank and supervisory or law enforcement authorities regarding the substance and scope of the Bank's regulatory obligations, which could result in additional proceedings or regulatory scrutiny.

In the case of actual or alleged non-compliance with applicable regulations, the Group could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages that could have a material adverse effect on the Group.

Failure to maintain an effective system of financial reporting and internal controls may materially and adversely affect the Group's ability to accurately or timely prepare financial information.

Internal controls over financial reporting are intended to ensure the Group maintains accurate records, promote the accurate and timely reporting of the Group's financial information, maintain adequate control over the Group's assets, and detect unauthorized acquisition, use or disposition of the Group's assets. Effective internal and disclosure controls are necessary for the Group to provide reliable financial reports and to operate successfully as a business. The Group's management is responsible for establishing and maintaining adequate internal controls.

If the Group's systems over internal controls and/or financial reporting do not keep pace with the sophistication of its businesses or the applicable financial reporting framework; or its finance and accounting personnel, and other relevant resources in such areas, for any reason cease to be sufficient, and the Group is not able to replace them in a timely manner, if at all, the Group may not be able to maintain adequate internal controls over financial reporting. This in turn could result in the Group's failure to meet its financial reporting obligations as a public company in an accurate or timely manner in accordance with the requirements of the applicable legislation, may result in financial losses, regulatory fines, investigations and associated reputational damage which could have a material adverse effect on the Group.

The Group is subject to extensive regulation and changes in this regulation, or the interpretation or enforcement of this regulation, or any failure by the Group to comply with this regulation could have a material adverse effect on the Group.

The financial services industry in which the Group operates is highly regulated and the Group's operations are subject to numerous European directives and regulations, as well as Estonian laws, policies, guidance and voluntary codes of practice. Since the global financial crisis of 2008 to 2010, financial services regulation has changed materially and will continue to develop in the future. The regulatory requirements that the Group must comply with when conducting its business and operations or which the Group may become subject to include:

- capital adequacy requirements, for example Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions, as amended from time to time (the "**CRD**"), including by Directive (EU) 2024/2994 and Directive (EU) 2024/1619 ("**CRD VI**"), (as transposed into Estonian law through amendments to the Credit Institutions Act and other acts), and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, as amended from time to time (the "**CRR**"), including by Regulation (EU) 2024/1623, Regulation (EU) 2024/2987 and Regulation (EU) 2025/1215;

- a bank resolution framework, for example Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms as amended from time to time (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"), including by Directive (EU) 2024/1174 and Regulation (EU) No 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as amended from time to time (the "**SRM Regulation**"), including by Regulation (EU) 2025/2088, and by the European Union's bank crisis management and deposit insurance ("**CMDI**") package (comprising amendments to BRRD, SRM Regulation and the Deposit Guarantee Schemes Directive (Directive 2014/49)) adopted by the European Parliament on 26 March 2026 and expected to be implemented in Member States by early 2028;
- continuously tightening requirements with respect to anti-money laundering and anti-terrorism financing as well as the implementation of international financial sanctions and EU restrictive measures, including the EU's most recent AML/CFT legislative package comprising the directly applicable Regulation (EU) 2024/1624 (the "**AMLR**") and Directive (EU) 2024/1640 (the "**AMLD6**"), which is expected to be implemented in Member States over the course of 2025 to 2029;
- payment services regulations, for example Directive (EU) 2015/2366 on payment services in the internal market and Regulation (EU) 2024/886 as regards instant credit transfers in euro, as amended from time to time;
- regulations on markets in financial instruments, for example Directive 2014/65/EU on markets in financial instruments, as amended from time to time;
- the prudential framework for insurance undertakings, for example Directive 2009/138/EC on the taking-up and pursuit of the business on Insurance and Reinsurance (Solvency II) and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC, as amended from time to time;
- regulation on pension and pension funds, including the Estonian Funded Pensions Act and Investment Funds Act;
- data protection regulations, for example Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, as amended from time to time and regulations on IT security and prevention of cybercrime, such as Regulation (EU) 2022/2554 on digital operational resilience for the financial sector;
- DORA and its implementing acts containing rules designed to strengthen the operational resilience of financial institutions; and
- continuously evolving environmental, social and governance ("**ESG**") related regulations.

From 1 January 2023 onwards, the Issuer and its subsidiary LHV Pank are being directly supervised by the ECB. As such, the Issuer became subject to the SRM Regulation, increasing the regulatory requirements applicable to the Issuer and its activities, such as those further explained under the risk factor "*The Group may be subject to statutory resolution*". If the Group were to fail to maintain its regulatory requirements, this may result in administrative actions or sanctions against it which may impact the Issuer's ability to fulfil its obligations under the Notes.

In addition, the Group's UK subsidiary, LHV Bank, must also comply with UK laws and regulations when conducting its business and operations.

The Group has sought to comply with all of the requirements affecting it, but no assurance can be given that it will at all times and in all material respects either be or remain in compliance with applicable regulations. A number of Estonian 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 in relation to capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting and corporate governance. Any determination by any relevant authority that the Group has not acted in compliance with all applicable laws and regulations could have serious legal and reputational consequences for the Group, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or requirements to cease carrying on all or part of its business.

The pension funds management sector in Estonia has been subject to frequent regulatory changes and these, and any further changes, may adversely affect the Group's pensions business.

In recent years, the fees related to compulsory pension funds have been the subject of several reforms, each decreasing the fund management or other fees relating to compulsory pension funds. In December 2018, the Estonian Parliament reduced the management fee thresholds of compulsory pension funds.

In 2020, further reforms were passed which, from the start of 2021, enable Estonian citizens to opt out of the mandatory pension system, pay the 22 per cent. income tax on the amount they receive and remain solely reliant on the state pension. According to the currently effective pension rules, it is possible to re-join the mandatory pension system after 10 years. Estonian citizens can also decide to remain in the system but use a personal pension investment account instead of receiving the funds. LHV Varahaldus estimates that approximately one quarter of LHV pension fund clients have exited the system since these reforms were introduced, according to LHV's internal assessment.

As at August 2026, further changes to the Funded Pensions Act are being discussed in the Estonian parliament, including reducing the limitation period for re-joining the pension system to 5 years and enabling to withdraw only a portion of the accumulated funds, rather than the entire amount as currently required.

Any further regulatory changes relating to the pension funds management sector may affect the Group's ability to effectively manage its pension funds and may have a negative impact on the revenues and profits that the Group earns from its pension fund management business.

The Group may need to raise eligible liabilities and capital and it may not be able to do so as and when needed on commercially attractive terms.

The capital of banks and investment firms in the EU is subject to the legal framework of the CRR, the CRD and the BRRD. The requirements imposed under this framework have been constantly evolving over time and can be expected to undergo further developments in the future. This will likely necessitate further and potentially significant changes to the Group’s operations, including the Group’s procedures, rules and reporting systems, as well as to the calculation systems of the capital requirements applicable to the Group.

The Group is currently required to hold a minimum amount of regulatory capital equal to 8 per cent. of its risk exposure amounts, which must be covered by a combination of common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital. In addition to these so called minimum Pillar 1 requirements, the regulation also prescribes the combined buffer requirement. For the Group, the combined buffer requirement is comprised of:

- the other systemically important institution (“**O-SII**”) buffer, which as at August 2026 stands at 2.0 per cent.;
- the capital conservation buffer which has been set at 2.5 per cent.;
- the countercyclical buffer which as at August 2026 stands at 1.5 per cent.;

- the systemic risk buffer which currently stands at 0.0 per cent. but could be raised by competent authorities in the future.

The combined buffer requirement applies to the total risk exposure amount and must be met by common equity Tier 1 own funds.

In addition to the minimum own funds requirements described above, the competent authorities may require additional so called Pillar 2 capital to be maintained by a credit institution relating to elements of risk which are not fully captured by other own funds requirements. Furthermore, competent authorities expect banks to follow Pillar 2 guidance, which indicates to banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stressed situations, in particular as assessed on the basis of the adverse scenario in the supervisory stress tests. The Pillar 2 requirement applicable to the Group as at August 2026 equalled 3.00 per cent. of the total own funds. The Pillar 2 capital requirement and the Pillar 2 guidance are subject to an annual review by the competent authorities as part of the supervisory review and evaluation process ("**SREP**").

As part of the crisis resolution plan provided for in the BRRD, the minimum requirement for own funds and eligible liabilities ("**MREL**") obliges banks and banking groups to have sufficient own funds and unsecured long-term liabilities that can be used to cover losses under the crisis resolution plan. The preferred resolution strategy for the Issuer is the "single point of entry" strategy, with the Issuer being the resolution entity of the Group. By its decision from 15 June 2026 and based on the relevant instruction from the Resolution Board, EFSA reduced the MREL target to 24.59 per cent. of the total risk exposure amount ("**MREL-TREA**") and retained the 5.91 per cent. of the leverage ratio exposure measure ("**MREL-LRE**") for the Group. There is no certainty that MREL requirements will not be increased again in the future. To distribute dividends, the Group must satisfy a higher MREL-TREA threshold. As at August 2026, the specified MREL-TREA threshold required for the distribution of dividends stands at 30.59 per cent. Since the Issuer and its subsidiary AS LHV Pank are being directly supervised by the ECB from 1 January 2023 and are therefore subject to the SRM Regulation, the determination of applicable minimum requirement for own funds and eligible liabilities for the Group now falls within the competence of the Resolution Board (as further explained under the risk factor "*The Group may be subject to statutory resolution*"). On the basis of the target levels set by the regulator, the Group has set internal limits for MREL-TREA at 26.05 per cent., for MREL-TREA to distribute dividends at 32.05 per cent. and for MREL-LRE at 7.0 per cent.

In addition to regulatory requirements, a variety of other factors may affect the Group's need for additional capital and eligible liabilities. For example, a significant increase in lending, reduced profitability or any losses experienced would reduce its capital adequacy and MREL ratios. The Group may also need to increase their capital or eligible liabilities as a result of market perceptions of adequate capitalisation levels, the perceptions of rating agencies or supervisory stress test results.

The Group is likely to need to obtain additional capital and eligible liabilities in the future to support the future growth of its business and to meet evolving regulatory requirements. Such capital and funding, whether in the form of debt financing or additional equity, may not be available on commercially favourable terms, or at all.

Moreover, should the Group's or any of the Group's banking entities' capital and MREL ratios fall close to regulatory minimum levels or the Group's own internal minimum levels, the Group or any of the Group's banking entities may need to adjust their business practices, including reducing the risk and leverage of certain activities or limiting asset growth. If either the Group or any of the Group's banking entities are unable to maintain satisfactory capital adequacy and MREL ratios, the Issuer's credit ratings may be lowered, its cost of funding may increase and it may suffer regulatory sanctions. Any such development may have a material adverse effect on the Group.

The Group is exposed to risks related to money laundering activities and sanctions violations.

In general, the risk that financial institutions will be subjected to or used for money laundering has increased worldwide. The high turnover of employees, the difficulty in consistently implementing related policies and technology systems, and the general business conditions in Estonia and proximate markets such as Russia, mean that the risk of the occurrence of money laundering for the Group is high. If global and regional financial market conditions deteriorate, there is a risk that incidents involving money laundering may increase and this may affect the Group's ability to monitor, detect and respond to such incidents.

Additionally, one of the core business areas of the Group is offering services to financial intermediaries such as payment service providers and virtual asset service providers. The services being offered include accounts, payments (including real time EUR and GBP payments), acquiring, working capital finance and foreign currency exchange services. Servicing such financial intermediary clients entails a higher risk of fraud and money laundering compared to regular retail and non-financial corporate clients due to the large number of end customers serviced by the financial intermediaries.

The EU AML/CFT legislative package, comprising the AMLR and AMLD6 (the transposition of which into national laws is expected by July 2027), will introduce additional changes to the AML/CFT framework, including more detailed rules on enhanced customer due diligence requirements, beneficial ownership registration rules and deeper EU-wide harmonisation in supervision. The establishment of AMLA will also bring a new layer of direct and indirect supervision for high-risk obliged entities.

In addition, financial institutions are required to comply with a number of international sanctions regimes, including those of the EU, the United Nations, the United States and a number of other individual countries. The international sanctions regime has been expanding since Russia's invasion of Ukraine in February 2022. A wide range of countries, organisations and individuals may be subject to sanctions under these regimes and the complexity of banking operations means that steps taken to screen transactions against sanctions lists may not always be effective.

Further, in addition to new measures, the regulatory focus has turned to enhancing the implementation of existing sanctions, for example the Directive (EU) 2024/1226, which sets minimum EU-wide rules on the definitions of criminal offences and penalties for the violation of the EU restrictive measures.

Because of the evolving complexity of sanctions regimes and sanctions evasion schemes there is a risk that the Group may not be able to adapt to changes quickly and detect the new patterns of sanctions evasion/circumvention which could lead to potential fines for sanctions breaches, regulatory criticism and reputational damage.

As a result, the risk of future incidents in relation to money laundering and sanctions violations always exists for the Group. Any violation of anti-money laundering rules or sanctions regimes, or even the suggestion of violations, may have severe legal and reputational consequences for the Group and may, as a result, have a material adverse effect on the Group.

The Group is subject to the risk of changes in tax regulations reducing its profitability.

Estonian tax regulations are subject to changes, some of which may be dictated by short-term political needs and may therefore be unexpected and unpredictable. For example, as a result of a separate corporate income tax ("**CIT**") regime targeted specifically at Estonian resident credit institutions, these institutions are required to make quarterly advance payments of corporate income tax on the profit earned by them in the previous quarter while the companies operating in other sectors remain subject to the general corporate income tax regime under which profit is subject to taxation only upon distribution.

Advance payments of CIT are made at a rate of 18 per cent. from 1 January 2025. The quarterly profit of credit institutions, on the basis of which the advance CIT is calculated, is reduced by the amount of the tax-exempt flow-through dividends received by the credit institution in that quarter, as well as by the amount of any loss recorded during the preceding 19 quarters (loss carry forward for five years). Estonian credit institutions cannot account for losses that have arisen prior to the 19 previous quarters. Estonian credit institutions have the right to set-off the CIT payable from dividend distributions or distributions from their equity capital, against the advance CIT payments that had been previously made to the tax authority under the above described advance payment arrangement. Furthermore, from 1 January 2025, the standard CIT rate for dividend and equity capital distributions has increased from the previous rate of 20 per cent. to 22 per cent. and the reduced CIT rate of 14 per cent. applied to regular dividend payments was abolished. The increase in the applicable CIT tax rate will reduce the own funds of the credit institutions and will tighten the ability to issue loans. The advance CIT has a more significant impact on credit institutions in an active growth phase, such as LHV Pank, as it reduces the own funds of the institution.

From 1 July 2025, the value added tax rate was increased by 2 per cent., rising from 22 per cent. to 24 per cent., which may result in higher costs for the Issuer's operations and hamper the recent economic recovery of Estonia by increasing the cost burden for consumers and businesses. This, in turn, could adversely affect the Issuer's results of operations and financial condition.

Any additional changes in Estonian tax regulations or in the interpretation of such regulations, may also have material adverse effect on the Group. It cannot be ruled out that new or additional taxes that may affect the Group may be implemented in the future. For instance, other Baltic countries have imposed banking taxes during recent years. While no official proposals have been made and no legislative initiative has been taken in Estonia for the introduction of a banking tax, no assurance can be given that such similar tax will not be introduced in Estonia any time in the future.

A negative change, or perceived negative change, in the Issuer's credit rating could limit its ability to raise funding and may increase its borrowing costs.

The Issuer has a long-term issuer rating from Moody's (currently Baa2 with a positive outlook). This credit rating is an important factor in determining the Issuer's cost of borrowings. Whereas the Notes are not expected to be rated, the EUR 50,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Temporary Write Down Notes issued by the Issuer in April 2025 carry the rating of Ba3.

There is no assurance that the Issuer's rating will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if circumstances in the future so warrant. A downgrade, or increased risk of a downgrade, of the Issuer's credit rating, or a negative change in its outlook, may:

- limit the Issuer's ability to raise funding;
- increase the Issuer's cost of borrowing; and

- limit the Issuer's ability to raise capital.

In addition, actual or anticipated changes in the Issuer's credit rating may negatively affect the market value of the Notes.

Moody's notes three factors which, if they materialise, could lead to a future downgrade of the Issuer's rating:

- a deterioration in solvency ratios;
- a material increase in the operational risk relating to its services to financial intermediaries, for example, as a result of weaknesses in anti-money laundering monitoring; and
- lower volumes of liquid resources, leading to reduced liquidity buffers compared to the increasing volume of more volatile funding sources such as senior debt.

In addition, the credit rating assigned to the Issuer may not reflect the potential impact of all risks related to an investment in the Notes, the market, additional factors discussed in this document and other factors that may affect the value of the Notes. A security rating is not a recommendation to buy, sell or hold securities. A rating may be subject to revision or withdrawal at any time by an assigning rating organisation.

The Group may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy.

The Group's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced operational and management personnel. The market for such personnel in Estonia is intensely competitive and the Group could face challenges in recruiting and retaining such personnel to manage its businesses. Amongst others, regulatory restrictions, such as the limits on certain types of remuneration paid by credit institutions and investment firms could adversely affect the Group's ability to attract new qualified personnel and retain and motivate existing employees. Any loss of the services of key employees, particularly to competitors, or any inability to attract and retain highly skilled personnel may have material adverse effect on the Group.

The Group also depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Group from implementing its strategies and the Group may not be able to efficiently replace any such lost personnel. The Group has crime and professional indemnity insurance cover in relation to its key personnel but is not insured against losses that may be incurred in the event of the loss of any member of its key personnel.

The Group operates in a highly competitive market which may adversely affect its results of operations if it is unable to compete effectively.

The Group operates in a highly competitive market. In relation to its banking activities, in addition to the licensed credit institutions and branches of foreign banks present in Estonia, there are market participants (such as non-bank lenders) who are not subject to regulatory and capital requirements as burdensome as those to which the Group is subject and who may therefore have a competitive advantage in relation to lending. Furthermore, the credit and lending market is characterised by the development of new products and technological solutions which compete with the more conservative and traditional products and services offered by the Group and may result in price pressure on the products and services offered by the Group. In addition, the Group is competing in the market of customer deposits in order to raise the funding that is required for supporting its lending business. In tightening monetary conditions, it is possible that competition in the deposits market will increase.

The majority of LHV Varahaldus' business is related to second and third pillar pension funds. While the number of market participants in the local pension market is limited to five fund managers, the competition between market players is strong. While voluntary third pillar funds are the most tax efficient solution for long-term investing, they are also indirectly competing with all other investment opportunities.

If the Group fails to respond to a more competitive environment by offering attractive and profitable product and service solutions, it may experience a loss of market share and a decrease in profitability.

The Group is subject to legal risks.

The Group's operations are materially dependent on the validity and enforceability of the transactions and agreements it enters into, high volumes of which may be based on standard templates. These transactions and agreements may be subject to the laws of Estonia or to the laws of other countries where the Group operates. While due care is taken to ensure that the terms of these transactions and agreements are fully enforceable under the laws applicable to them, human error or new laws and regulations and changes in interpretation of existing laws and regulations by the competent authorities and courts may create uncertainty or render part or all of a particular agreement unenforceable by the Group. Consequently, the Group may not be able to always enforce its contractual rights. Particularly in the context of a template agreement which has been replicated extensively, this could have a material adverse effect on the Group.

In the ordinary course of its business, Group companies are exposed to a significant risk of claims, disputes and legal proceedings. In many cases, the Group will be the plaintiff, typically seeking to recover money advanced and it may not always be successful in this endeavour and, even where it is successful, the costs involved in the litigation will reduce its recoveries. In cases where a Group company is a defendant, in addition to the cost of defending the claim the Group may be required to pay significant damages, and the dispute could also negatively affect the Group's reputation.

Underwriting, Claims, Reinsurance and Reserve Risks.

The Group's insurance operations, conducted through AS LHV Kindlustus, are exposed to risks inherent in the underwriting of non-life insurance business. The profitability and financial condition of AS LHV Kindlustus depend on its ability to accurately assess and price insurance risks, establish appropriate underwriting standards, effectively manage claims and maintain adequate technical provisions.

If actual claims experience differs materially from assumptions used in underwriting or pricing, including due to higher claims frequency or severity, inflation in repair or medical costs, adverse weather events, catastrophic losses, fraud, legal or regulatory developments, changes in judicial practice or other unforeseen factors, underwriting results may be adversely affected. In addition, competitive market conditions may limit the ability of AS LHV Kindlustus to adjust premiums or underwriting criteria to reflect changing risk conditions.

AS LHV Kindlustus may rely on reinsurance arrangements to manage its exposure to significant or catastrophic losses. Reinsurance may not fully protect against all losses, may be subject to exclusions, limits or disputes regarding coverage, and the failure of one or more reinsurers to meet their contractual obligations could result in losses that are not recoverable. Furthermore, reinsurance capacity may become more limited or more expensive following significant loss events or changes in market conditions, which could increase the Group's net exposure to insurance risks.

The valuation of insurance liabilities requires the use of actuarial models, estimates and assumptions regarding future claims development, claims inflation, settlement patterns and other factors. These estimates are inherently uncertain and may need to be revised as additional information becomes available. If technical provisions prove to be insufficient, AS LHV Kindlustus may be required to strengthen its reserves, which could adversely affect the Group's results of operations, financial position, capital ratios and ability to distribute profits.

Any material deterioration in underwriting performance, significant adverse claims development, insufficient reinsurance protection or reserve strengthening could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Environmental, social and governance risks.

The Group is subject to a variety of risks arising from ESG matters including physical climate risks, transition risks and regulatory compliance risks. In addition, ESG risks can also materialise through their impact on traditional risk categories, such as market risk, liquidity and funding risk, credit risk, operational risk or reputational risk.

In recognition of such risks, the Group has taken several actions, including those intended to manage its carbon footprint, and to engage in sustainable lending and investment activities. However, the Group cannot guarantee the success of these actions, nor can it make any assurances that its regulators, investors or other third parties, such as environmental advocacy organisations, will find such initiatives to be sufficient. The ESG regulatory landscape is complex, evolving and uncertain as the requirements may be expanded, delayed, simplified or reversed, and adapting to such changes may be costly for the Group. The Group may also face reputational risk based on the ESG performance of its customers and business partners, which could adversely affect its ability to attract and retain customers and employees.

Physical climate risks, including extreme weather events and environmental degradation, could damage the Group's customers' properties or operations, impairing asset values and creditworthiness, and leading to increased defaults and impairment charges. The Group's own premises may also suffer physical damage from weather-related events.

Transition risks include the potential negative financial impact to the Group that could result, directly or indirectly, from the process of decarbonisation and enacting more environmentally sustainable economic policies. The transition to a low-carbon economy, driven by policy, technological or market changes, and the necessity to mitigate physical risks, may itself have negative impact on the Group's customers. The possible negative impacts on the Group's customers from both physical and transition climate risks may lead to decreased collateral values and increased default rates and credit impairments for the Group.

Given the complexity and evolving nature of these requirements, there is a risk that the Group may incur additional compliance costs or fail to adapt its ESG practices in a timely manner, which could have an adverse effect on the Group's business and financial condition. The Group's failure to comply with any applicable ESG requirements may result in fines, regulatory sanctions and reputational damage.

RISKS RELATING TO THE NOTES

Upon the occurrence of a Trigger Event, Noteholders may lose all or some of the value of their investment in the Notes.

The Notes are issued for prudential regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital instruments of the Group. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Group. Accordingly, if, at any time, a Trigger Event occurs: (a) the Prevailing Principal Amount of each Note shall be immediately and mandatorily Written Down by the Write Down Amount; and (b) all accrued and unpaid interest up to (and including) the Write Down Date (whether or not such interest has become due for payment) shall be deemed cancelled.

A Trigger Event will occur if the CET1 Ratio of the Group falls below 5.125 per cent. The Issuer intends to calculate and publish the CET1 Ratio of the Group on at least a quarterly basis. Although Condition 6(d) (Write Down and Write Up – Write Up) permits the Issuer in its sole and full discretion to reinstate Written Down principal amounts if certain conditions (further described in the Conditions) are met, the Issuer is under no obligation to do so. Moreover the Issuer will only have the option to Write Up the principal amount of the Notes if, at a time when the Prevailing Principal Amount is less than their Initial Principal Amount, it records positive net income and (to the extent permitted by the then prevailing Applicable Banking Regulations) positive consolidated net income, and if the Maximum Distributable Amount (if any) (after taking account of (x) any other relevant distributions of the kind referred to in Article 141(2) of the CRD Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD Directive, as amended or replaced) or in any other applicable provisions of the Applicable Banking Regulations which require a maximum distributable amount to be calculated and which are required under prevailing Applicable Banking Regulations to be taken into account for this purpose and (y) the applicable requirements of Article 21.2(f) of the CRR Supplementing Regulation, as amended or replaced) would not be exceeded as a result of the Write Up. No assurance can be given that these conditions will ever be met, or that the Issuer will ever Write Up the principal amount of the Notes following a Write Down. Furthermore, any Write Up must be undertaken on a pro rata basis with any other securities of the Issuer and any member of the Group that have terms permitting a principal write up to occur on a basis similar to that set out in Condition 6(d) (Write Down and Write Up – Write Up) in the circumstances then existing. During the period of any Write Down pursuant to Condition 6 (Write Down and Write Up), interest will accrue on the Prevailing Principal Amount of the Notes, which shall be lower than the Initial Principal Amount unless and until the Notes are subsequently Written Up in full. Furthermore, in the event that a Write Down occurs during an Interest Period, any interest accrued but not yet paid until the occurrence of such Write Down will be cancelled and, if not cancelled in accordance with Condition 5 (Cancellation of Interest), the interest amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated on the Prevailing Principal Amount resulting from the Write Down.

Noteholders may lose all or some of their investment as a result of a Write Down. In any Winding-Up (as defined in the Conditions) commenced prior to the Notes being written up in full pursuant to Condition 6(d) (Write Down and Write Up – Write Up), Noteholders' claims for principal and interest will be based on the reduced Prevailing Principal Amount of the Notes. Noteholders' claims for principal and interest will also be based on the reduced Prevailing Principal Amount of the Notes in the event - 39 - that the Issuer exercises its option to redeem the Notes upon the occurrence of a Tax Event, a Capital Event, an MREL Disqualification Event or where the outstanding aggregate principal amount of the Notes is 20 per cent. or less of the Notes originally issued (and, for these purposes, any further Notes issued pursuant to Condition 15 (Further Issues) shall be deemed to have been originally issued and any Write Down and/or Write Up of the principal amount of the Notes shall be disregarded) in accordance with Conditions 7(b) (Redemption for Tax Reasons), 7(e) (Early Redemption as a result of an MREL Disqualification Event), 7(f) (Early Redemption as a Result of Capital Event) or 7(d) (Issuer Residual Call) at a time when the Notes have been Written Down and not subsequently Written Up. In addition, in certain circumstances the Maximum Distributable Amount will impose a cap on the Issuer's ability to pay interest on the Notes, on the Issuer's ability to reinstate the Prevailing Principal Amount of the Notes following a Write Down and on its ability to redeem or repurchase Notes.

The market price of the Notes is expected to be affected by fluctuations in the CET1 Ratio of the Group. Any indication that the CET1 Ratio of the Group is approaching the level that would trigger a Trigger Event may have an adverse effect on the market price of the Notes. The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer or the Group. Accordingly, investors may be unable to accurately predict if and when a Trigger Event may occur. See also the risk factor entitled "*The circumstances surrounding or triggering a Write Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio*" below.

The Issuer may at any time elect, and in certain circumstances shall be required, not to make interest payments on the Notes.

The Issuer may at any time (but subject to the requirement for mandatory cancellation of interest pursuant to Conditions 4 (*Status – Solvency Condition*), 5(2)(b) (*Restriction on Interest Payments*) and 7(a)(i)) (*Loss Absorption Mechanism – Write Down Upon Trigger Event)* elect, in its sole and full discretion, to cancel any interest payment (in whole or in part) on the Notes otherwise scheduled to be paid on any date.

The Issuer may use such cancelled payment without restriction and the cancellation of such interest amounts will not impose any restrictions on the Issuer nor prevent or restrict the Issuer from declaring or making any distributions or interest payments on any of its shares or other instruments or obligations. Additionally, as reflected in the Conditions, the Competent Authority has the power (including under Article 104 of the CRD Directive) to restrict or prohibit payments by an issuer of interest to holders of Additional Tier 1 Capital instruments (such as the Notes).

It is the Issuer's policy that, whenever exercising its discretion to declare any distribution in respect of its shares, or its discretion to cancel interest on the Notes or any other Additional Tier 1 Capital instruments, it will take into account the relative ranking of solely the shares, the Notes and any other Additional Tier 1 Capital instruments and no other outstanding instruments in the Group's capital structure. The Issuer reserves the right to depart from this policy at its sole discretion at any time and in any circumstance.

Furthermore, interest otherwise due to be paid on any date will not become due or payable (in whole or, as the case may be, in part), and the relevant payment will be deemed cancelled and will not be made if and to the extent that payment of such interest otherwise due would, (A) together with other Relevant Distributions in aggregate would exceed the amount of Distributable Items of the Issuer as at such date, (B) result in the Solvency Condition not being satisfied with respect to payment of such interest amount (or part thereof), or (C) cause, when aggregated with other distributions of the kind referred to in Article 141(2) of the CRD Directive (or any provision of applicable law transposing or - 40 - implementing Article 141(2) of the CRD Directive as amended or replaced), or referred to in any other applicable provisions of the Applicable Banking Regulations which require a maximum distributable amount to be calculated if the Group is failing to meet any relevant requirement or any buffers relating to such requirements, to the extent then applicable, the Maximum Distributable Amount then applicable to the Group to be exceeded, or (D) cause a breach of any other regulatory restriction or prohibition on payments on Additional Tier 1 Capital instruments pursuant to Applicable Banking Regulations and where the Applicable Banking Regulations (or where the Competent Authority or an applicable resolution authority acting pursuant to such Applicable Banking Regulations or other applicable laws or regulations) require interest payments on the Additional Tier 1 Capital Notes to be so cancelled.

Under Article 141(2) (*Restrictions on distributions*) of the CRD Directive, EU Member States must require that institutions that fail to meet the combined buffer (broadly, the combination of the capital conservation buffer, an institution-specific countercyclical capital buffer and either the higher of (depending on the institution), the systemic risk buffer, the G-SII buffer and the O-SII buffer or a combination thereof, in each case as applicable to the institution) will be subject to restricted discretionary payments (which are defined broadly by CRD as distributions in connection with CET1 Capital, payments on Additional Tier 1 Capital instruments (including interest amounts on the Notes) and payments of discretionary staff remuneration). As at August 2026, the Group's combined buffer is made up of a combination of the capital conservation buffer, an institution-specific countercyclical capital buffer, the systemic risk buffer and the O-SII buffer.

In the event of a breach of the combined buffer, the restrictions under article 141(2) of the CRD Directive will be scaled according to the extent of the breach of the combined buffer and calculated as a percentage of the institution's profits. Such calculation will result in a Maximum Distributable Amount in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer it may be necessary to reduce payments that would, but for the breach of the combined buffer, be discretionary, including potentially exercising the Issuer's discretion to cancel (in whole or in part) interest payments in respect of the Notes. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, interest payments, writeup amounts and redemption amounts on its Tier 1 instruments (including the Notes) and certain bonuses will be limited.

Maximum Distributable Amount restrictions ("**MDA restrictions**") would need to be calculated for each separate level of supervision. As at August 2026 prudential supervision only takes place at Group consolidated level and therefore MDA restrictions should be calculated at Group consolidated level. For each such level of supervision, the level of restriction under Article 141(2) of the CRD Directive will be scaled according to the extent of the breach of the combined buffer applicable at such level and calculated as a percentage of the respective profits calculated at such level.

Amendments to the CRR and BRRD extend the scope of the MDA restrictions, with the original restrictions based on risk-weighted capital requirements being extended also to include restrictions based on leverage requirements for certain institutions and restrictions based on MREL requirements. The CRR and BRRD, respectively, now provide for the following:

- leverage-based MDA: an institution that is designated as a "global systemically important institution" ("**GSII**") that: (A) meets an applicable leverage ratio buffer shall not be entitled to make any distribution in connection with tier 1 capital to the extent this would decrease its tier 1 capital to a level where the leverage ratio buffer requirement is no longer met; and (B) is failing to meet an applicable leverage ratio buffer shall calculate a leverage ratio-based maximum distributable amount (the "**L-MDA**") and must not make discretionary payments (payments relating to Common Equity Tier 1 Capital instruments, Additional Tier 1 Capital instruments (such as the Notes) and variable remuneration) which would, in aggregate, exceed such L-MDA. As with the MDA, the L-MDA restrictions will be scaled according to the extent of the breach of the leverage buffer requirement and calculated by reference to the institution's distributable profits; and

- MREL-based MDA: where an institution is failing to meet its buffer requirements as a result of its MREL requirement (but would meet its buffer requirements but for its MREL requirement), the relevant resolution authority, having considered certain specified factors, will be entitled (and, if non-compliance continues for an extended period, may, subject to certain exceptions, be required) to prohibit such institution from distributing more than a maximum distributable amount determined by reference to its MREL requirement (the "**M-MDA**") by way of discretionary payments (payments relating to Common Equity Tier 1 Capital instruments, Additional Tier 1 Capital instruments (such as the Notes) and variable remuneration). As with the MDA and the L-MDA, the M-MDA restrictions will be scaled according to the extent of the breach of the buffer requirement (when having regard to MREL requirements) and calculated by reference to the institution's distributable profits.

The Resolution Board may set restrictions for banks that do not comply with the combined buffer, which is added on top of the MREL requirements expressed in total risk exposure amount ("**TREA**"), preventing them from distributing more than the M-MDA via various actions (including dividend payments on ordinary shares, variable remuneration and payments on AT1 instruments (including the Notes)). The M-MDA may be applied where the bank meets the combined buffer on top of the own funds requirements (i.e. the bank is not under the prudential MDA restriction), but fails to meet the combined buffer when considered in addition to the external and internal MREL (including subordination), in all cases calculated in terms of TREA. In addition, the M-MDA may also be imposed in cases of breaches of the minimum requirement, i.e. MREL.

In addition, if a Trigger Event occurs, any accrued and unpaid interest up to (but excluding) the Write Down Date shall be automatically and irrevocably cancelled.

With respect to cancellation of interest due to insufficient Distributable Items, see also the risk factor entitled "*The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Notes*". With respect to cancellation of interest due to the application of a Maximum Distributable Amount, see also the risk factor entitled "*The Group is subject to extensive regulation and changes in this regulation, or the interpretation or enforcement of this regulation, or any failure by the Group to comply with this regulation could have a material adverse effect on the Group*" above. With respect to the CET1 Ratio of the Group, see also the risk factor entitled "*The circumstances surrounding or triggering a Write Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio*" and "*The CET1 Ratio will be affected by the Group's business decisions and, in making such decisions, the Group's interests may not be aligned with those of the Noteholders*" below.

Any interest payment (or, as the case may be, part thereof) not paid on any scheduled payment date in accordance with the Conditions shall be cancelled, shall not accumulate and will not become due or payable at any time thereafter. A cancellation of interest in accordance with the Conditions will not constitute a default of the Issuer under the Notes for any purpose, nor shall it impose any contractual restrictions (such as dividend stoppers) or any other obligation on the Issuer. Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price (if any) of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's or the Group's financial condition. Any indication that the CET1 Ratio of the Group is trending towards the combined capital buffer requirement (the level at which the Maximum Distributable Amount restriction under the CRD Directive becomes relevant) may have an adverse effect on the market price of the Notes.

The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Notes.

Interest otherwise due on an Interest Payment Date will not be due, and the relevant payment will be deemed cancelled, if and to the extent that the amount of such interest payment exceeds the Distributable Items of the Issuer. Distributable Items are determined on the basis of the individual (solo) accounts of the Issuer and not on the basis of the consolidated accounts of the Issuer's Group.

As at 30 June 2026, the Issuer had Distributable Items of approximately EUR 42.6 million on a solo basis. The level of the Issuer's Distributable Items and available funding, and therefore its ability to make interest payments under the Notes, are a function of the Issuer's existing Distributable Items, the future profitability of the Issuer and other members of the Group, and the ability of the Issuer's operating subsidiaries (principally AS LHV Pank) to distribute or dividend profits up the Group structure to the Issuer. In addition, the Issuer's Distributable Items available for making payments to Holders may also be adversely affected by the servicing of other instruments issued by the Issuer or by Issuer's Group subsidiaries.

Further, the Issuer's Distributable Items and its available funding, and therefore the Issuer's ability to make interest payments under the Notes, may be adversely affected by the performance of the business of the Issuer's Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Issuer's Group operates and other factors outside of the Issuer's control. Adverse changes in the performance of the business of the Issuer's Group could result in an impairment of the carrying value of the Issuer's investment in the Issuer's Group, which could affect the level of the Issuer's Distributable Items. In addition, adjustments to earnings may fluctuate significantly and may materially adversely affect Distributable Items.

In addition, the ability of the Issuer's subsidiaries to make distributions is subject to applicable laws, respective regulatory requirements, capital and leverage requirements, statutory reserves, and operating performance, which, in turn, may impact the Issuer's ability to make payments on the Notes.

The circumstances surrounding or triggering a Write Down are unpredictable, and there are a number of factors that could affect the CET1 Ratio.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer. Moreover, because the Competent Authority may instruct to calculate the CET1 Ratio of the Group as at any date, a Trigger Event could occur at any time, including if the Group is subject to recovery and resolution actions by the Relevant Resolution Authority, or the Issuer might otherwise determine to calculate such ratio(s) in its own discretion. Moreover, the Relevant Resolution Authority is likely to allow a Trigger Event to occur rather than to resort to the use of public funds to provide capital to the Group. Additionally the Relevant Resolution Authority may permanently write down the Notes at the point of non-viability of the Group or any relevant entity of the Group, and this may occur prior to a Trigger Event (see the risk factors entitled "*The Group may be subject to statutory resolution*" and "*The Estonian resolution legislation implementing the BRRD Directive*" and "*The Notes may be subjected in the future to the bail-in and loss absorption resolution tool* *by the Relevant Resolution Authority and to the mandatory burden sharing measures for the provision of precautionary capital support which may result into their write-down in full*" for further information).

The CET1 Ratio of the Group may fluctuate. The calculation of such ratios could be affected by one or more factors, including, among other things, changes in the mix of the business of the Issuer and the Group, major events affecting their earnings, distributions by the Issuer or other entities of the Group, regulatory changes (including changes to definitions and calculations of the CET1 Ratio and its components, including Common Equity Tier 1 Capital and risk weighted assets (including as a result of the operation of any applicable output floors), in each case on either an individual or consolidated basis, and the unwinding of transitional provisions under CRD) and the ability of the Group to manage risk weighted assets in both its on-going businesses and those which it may seek to exit. The CET1 Ratio will also depend on the decisions of the Issuer's Group relating to its business and operations, as well as the management of its capital position, whereas the Issuer or the Issuer's Group will not have any obligation to consider the interests of the Holders in connection with its strategic decisions, including in respect of its capital management. In addition, each of the Issuer and the Group may have capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the euro equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the CET1 Ratio of the Group is exposed to foreign currency movements.

The calculation of the CET1 Ratio of the Group may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as at the relevant calculation date, the Competent Authority could require reflection of such changes in any particular calculation of the CET1 Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Group's calculations of regulatory capital, including Common Equity Tier 1 Capital and risk weighted assets and the CET1 Ratio of the Group.

Further, the Issuer currently constitutes the highest entity of the prudential regulatory consolidation in the group of which the Issuer forms part, but there can be no assurance that that will be the case for so long as the Notes remain outstanding. For example, the Issuer could be acquired by another banking group or financial conglomerate which is regulated in accordance with CRR or a parent financial holding company could be interposed between the shareholders of the Issuer and the Issuer. This could, in turn, affect the calculation of the CET1 Ratio of the Group.

It will be difficult to predict when, if at all, a Trigger Event and subsequent Write Down may occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviour of other types of securities. Any indication that a Trigger Event and subsequent Write Down may occur can be expected to have a material adverse effect on the market price (if any) of the Notes.

The Notes have no scheduled maturity date and may only be redeemed at the option of the Issuer at a price equal to 100 per cent. of their Prevailing Principal Amount (which may be less than par).

The Notes are undated (perpetual) securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Notes at any time, and the Noteholders have no right to require the Issuer to redeem or purchase any Notes at any time.

Any redemption of the Notes by the Issuer is subject always to the prior approval of the Competent Authority and to compliance with prevailing prudential requirements. Under the Conditions, the Issuer may redeem the Notes at its option, in whole but not in part, on the First Reset Date (occurring in August 2031, 5 years after issuance) or on any Interest Payment Date thereafter. The Issuer may choose to redeem the Notes (subject to certain regulatory conditions and approvals) at times when prevailing interest rates may be relatively low.

The Issuer may also be entitled to redeem the Notes upon the occurrence of a Tax Event, a Capital Event, or an MREL Disqualification Event.

If the Notes are to be redeemed during the first five years after the Issue Date, the Issuer must demonstrate to the satisfaction of the Competent Authority that the event triggering such redemption was not reasonably foreseeable at the time of the issue.

Any such redemption will be at the Prevailing Principal Amount of the Notes from time to time, which may be less than the Original Principal Amount, provided that the Notes may only be redeemed pursuant to Condition 6(d) if the Prevailing Principal Amount of each Note is not less than its Initial Principal Amount. Further, investors should be prepared to hold their Notes for a significant or indefinite period of time.

Under certain circumstances, the Issuer's ability to redeem or repurchase the Notes may be limited.

Pursuant to the CRR and the CRD, and as set out in Condition 6(h) (*Redemption and Purchase - Conditions to Redemption or Purchase*), the Issuer may redeem or repurchase the Notes only if such redemption or repurchase is in accordance with applicable provisions of the Applicable Banking Regulations, and, where necessary, has been granted the approval of or permission from the Competent Authority (to the extent such approval is then required under the Applicable Banking Regulations) and, in addition if:

(i) on or before such redemption or repurchase, the Issuer replaces the Notes with own funds instruments of an equal or higher quality on terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption or repurchase, exceed the requirements under the Applicable Banking Regulations by a margin that the Competent Authority may consider necessary.

In addition, if the Issuer has elected to redeem the Notes, or if the Issuer has entered into an agreement to purchase any Notes and (A) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption or purchase; or (B) prior to the redemption or purchase of the Notes, a Trigger Event occurs, the relevant redemption notice or, as the case may be, the relevant purchase agreement shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Noteholders.

Remedies in case of default on the Notes are limited.

The Conditions do not provide for events of default allowing acceleration of the Notes. Accordingly, if the Issuer fails to make a payment that has become due under the Notes, investors will not have the right to accelerate the Prevailing Principal Amount of the Notes. In such circumstances, a Noteholder may institute proceedings for the liquidation or bankruptcy of the Issuer.

The Notes are subordinated to most of the Issuer's liabilities.

The Notes constitute unsecured and deeply subordinated obligations of the Issuer.

If the Issuer is declared bankrupt and a winding up is initiated, the claims of the holders of its senior debt and its obligations to most of its other creditors (including holders of Tier 2 Capital instruments and other unsecured and subordinated creditors but excluding any other obligations that by law rank, or by their terms are expressed to rank, pari passu with or junior to the claims of the holders of the Notes) will be satisfied (after covering the costs of and other payments relating to bankruptcy proceedings) before any payments on the Notes. Furthermore, pursuant to the amendments introduced by BRRD II (which was transposed into Estonian law in 2021), all claims resulting from the Group's own funds items (such as the Notes) shall have, in relevant insolvency proceedings, a lower priority ranking than any claim that does not result from an own funds item. For the purposes of the previous sentence, to the extent that an instrument is only partly recognised as an own funds item, the whole instrument shall be treated as a claim resulting from an own funds item and shall rank lower than any claim that does not result from an own funds item. This means that, regardless of their contractual ranking, liabilities that are no longer at least partially recognised as an own funds instrument for the purpose of the CRR shall rank senior to any liabilities fully or partially recognised as an own funds instrument. Accordingly, claims of the holders of the Notes will have, in the bankruptcy proceedings carried out in respect of the Group, a lower priority ranking than any claims that do not result from own funds items in accordance with the provisions of BBRD II, even if the Notes are only partly recognised as an own funds item of the Group. In any of the above situations, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Notes. Furthermore, if the Issuer does have remaining assets thereafter, any claim in respect of the Notes will be for the Prevailing Principal Amount of the Notes held by a Noteholder, which, if the Notes have been Written Down and not subsequently Written Up to the Initial Principal Amount at the time of claim, will be less than par. As such, although the Notes may pay a higher rate of interest than Tier 2 Capital instruments and notes which are not subordinated, there is a substantial risk that investors in the Notes will lose all or some of the value of their investment should the Issuer become insolvent. See also "*The Group may be subject to statutory resolution*".

The Group may be subject to statutory resolution.

The Issuer as a financial holding company falls under the scope of Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended by Directive (EU) 2019/879 of the European Parliament and of the Council (**"BRRD II"**), Directive (EU) 2024/1174 of the European Parliament and of the Council and Directive (EU) 2026/806 of the European Parliament and of the Council (**"BRRD III"**)) (the "**Bank Recovery and Resolution Directive**" or **"BRRD"**). The BRRD sets out the necessary steps and powers to ensure that bank and banking group failures across the EU are managed in a way which mitigates the risk of financial instability and minimises costs for taxpayers. The BRRD is designed to provide authorities with a harmonised set of tools and powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

For this purpose, the BRRD grants competent and resolution authorities various rights including (but not limited to) a statutory "**write-down and conversion power**" (exercisable in relation to Tier 1 Capital instruments (such as the Notes) and Tier 2 Capital instruments) and a 'bail-in and loss absorption' power (exercisable in relation to other securities that are not Tier 1 Capital instruments or Tier 2 Capital instruments), which gives the resolution authority under the BRRD and the SRM Regulation (the "**Relevant Resolution Authority**"), the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the

Notes) of a failing financial institution and/or to convert certain debt claims (which could include the Notes) into another security, including equity instruments of the surviving issuer entity, if any. The BRRD is implemented into Estonian law by the Estonian Financial Crisis Prevention and Resolution Act (the "**FCPRA**"). For more information on the implementation of the BRRD in Estonia, see "*The Estonian resolution legislation implementing the BRRD* " below.

As well as a "write-down and conversion power" and a "bail-in and loss absorption" power described above, the powers granted to the Relevant Resolution Authority under the BRRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply (known as the 'sale of business tool'), (ii) transfer all or part of the business of the relevant financial institution to a "bridge bank" which is wholly or partially owned by a publicly controlled entity (known as the 'bridge institution tool') and (iii) transfer assets of the relevant financial institution to an asset management vehicle which is wholly or partially owned by public authorities to allow them to be managed over time (known as the 'asset separation tool'). In addition, among the broader powers granted to the Relevant Resolution Authority under the BRRD, the BRRD provides powers to the Relevant Resolution Authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

The write-down and conversion power can be used to ensure that Tier 1 Capital instruments (such as the Notes) and Tier 2 Capital instruments fully absorb losses at the point of non-viability of an institution (or, if applicable, its group) and before any other resolution action is taken. The BRRD specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD and otherwise respecting the hierarchy of claims in an ordinary insolvency (see "*The Notes may be subjected in the future to the bail-in and loss absorption resolution tool by the Relevant Resolution Authority and to the mandatory burden sharing measures for the provision of precautionary capital support which may result into their write-down in full*" below).

While the BRRD (and the FCPRA implementing the BRRD) lists certain general principles applicable to resolution, including the principle that no creditor of the institution subject to resolution shall incur greater losses than would have been incurred thereby if the institution had been wound up under hypothetical insolvency proceedings (so-called "**NCWO safeguard**"), the operation of this principle in various circumstances is not clear on the basis of the manner of transposition of this principle into the FCPRA. While EBA has explained that the NCWO safeguard serves as a fundamental right of creditors, and several amendments were introduced by the BRRD II to clarify the application of the said principle, it is not entirely clear from the FCPRA whether this principle will be strictly applied in all circumstances, particularly, in case write-down and conversion powers are used independently without the application of any other resolution tools and outside of resolution proceedings. Further, it is not entirely clear if this principle is equally applied in case of financial holding companies. Provided the provisions of the FCPRA are applied and interpreted in conformity with the objectives of the BRRD, the NCWO safeguard should also apply equally in the aforesaid scenario, but no assurances can be given to this respect.

Pursuant to Condition 16 (*Acknowledgement of Bail-in Powers*), each Holder acknowledges and accepts that any liability of the Issuer arising under the Notes may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority. The exercise of any such power or any suggestion of such exercise could materially adversely affect the value of any Notes subject to the BRRD and could lead to the Holders losing some or all of their investment in the Notes. Prospective investors in the Notes should consult their own advisers as to the consequences of the implementation of the BRRD.

In addition to the BRRD, the EU has adopted the SRM Regulation, a directly applicable regulation governing the resolution of the most significant financial institutions in the Eurozone, i.e. a regulation establishing a Single Resolution Mechanism. The SRM Regulation establishes a single resolution board (including representatives from the relevant national resolution authorities and working in cooperation with the representatives from the ECB, the European Commission) (the "**Resolution Board**") having resolution powers over the entities that are subject to the SRM Regulation, thus replacing or exceeding the powers of the national resolution authorities. The Issuer and LHV Pank as its subsidiary are classified as other systemically important institutions and are being directly supervised by the ECB as of 1 January 2023. As such, the Issuer and LHV Pank became subject to the SRM Regulation.

Under the SRM Regulation, the Resolution Board has been granted those responsibilities and powers granted to the member states' resolution authorities under the BRRD for those banking groups and banks subject to direct supervision by the ECB. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the Resolution Board is able to apply the same powers (including the bail-in and loss absorption tool and the mandatory write-down and conversion power described above) that would otherwise be available to the relevant national resolution authority. The use of one or more of these tools will be included in a resolution scheme to be adopted by the Resolution Board. National resolution authorities will remain responsible for the execution of the resolution scheme according to the instructions of the Resolution Board.

The Resolution Board is responsible for preparing and adopting a resolution plan for the entities subject to its powers, including the Issuer and the Issuer's subsidiary, AS LHV Pank. It also determines, after consulting competent authorities, including the ECB, the MREL requirement which the Issuer is expected to meet at all times. The ECB has the powers of early intervention as set forth in the SRM Regulation, and the Resolution Board, having been informed of the relevant measures, has the power to require the Issuer to contact potential purchasers in order to prepare for resolution of the Issuer. The Resolution Board has the authority to exercise the specific resolution powers under the SRM Regulation. These will be launched if the Resolution Board assesses that the following conditions are met: (i) the Issuer is failing or is likely to fail; (ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action or the write-down or conversion of relevant capital instruments, taken in respect of the Issuer, would prevent its failure within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest.

In addition, in March 2026 the European Parliament adopted the legislative package of CMDI (comprising amendments to BRRD, the SRM Regulation and the Deposit Guarantee Schemes Directive (Directive 2014/49)). The CMDI legislative package includes changes which would, once implemented, amend the hierarchy of claims towards credit institutions in a manner so that all depositors rank pari passu among themselves and senior to other unsecured and unsubordinated claims towards the relevant credit institution (such as claims arising from, inter alia, the Notes). The amendments, once implemented in Estonia (the transposition deadline being in the second quarter of 2028), may also lead to a rating downgrade of the Notes, which could have an adverse effect on the liquidity or value of such Notes

The exercise of any resolution powers, early intervention measures or any powers pursuant to the BRRD and the SRM Regulation with respect to the Issuer or LHV Pank, or any suggestion of such exercise will likely materially adversely affect the price or value of an investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and could lead to the holders of the Notes losing some or all of their investment in the Notes.

The Estonian resolution legislation implementing the BRRD.

The BRRD is implemented in Estonia by the FCPRA. Under the FCPRA, the Relevant Resolution Authority is the Estonian Financial Supervision and Resolution Authority (the "**EFSA**"). The FCPRA provides for certain resolution measures, including the power to impose in certain circumstances a suspension of activities. Any suspension of activities can, to the extent determined by the EFSA, result in the partial or complete suspension of the performance of agreements entered into by the Issuer or AS LHV Pank. The FCPRA also grants the power to the EFSA to take a number of resolution measures which may apply to the Issuer or AS LHV Pank, including, without limitation, the application of the general bail-in and loss absorption tool (and other tools as described under the risk factor "*The Group may be subject to statutory resolution*"). The FCPRA received several amendments that took effect in November 2025, transposing the requirements of Directive (EU) 2024/1174 of the European Parliament and of the Council amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities. Among others, the FCPRA was amended in respect of bail-in and contractual recognition clauses, technical specifications with regard to defining "eligible liabilities" and "convertible liabilities", the setting of MREL, regulatory reporting on MREL and other refinements. The powers set out in the resolution legislation will impact how credit institutions are managed as well as, in certain circumstances, the rights of creditors.

If the debt bail-in and loss absorption tool and the statutory write-down and conversion power become applicable to the Issuer or the Group, the Notes may be subject to write-down or conversion into equity on any application of the bail-in and loss absorption tool, which may result in Noteholders losing some or all of their investment. Subject to certain conditions, the terms of the obligations owed by the Issuer may also be varied by the Relevant Resolution Authority (e.g. as to maturity, interest and interest payment dates). The exercise of any power under the resolution legislation or any suggestion of such exercise could materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Notes.

There is no restriction on the amount of debt that the Issuer may issue that ranks senior to the Notes or on the amount of securities that it may issue that rank pari passu with the Notes. The issue of any such debt or securities may reduce the amount recoverable by Noteholders in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer.

Interest rate risks and Reset Date.

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. Particularly, long-term fixed-rate reset Notes involve a high risk of a material decline in value if market rates exceed the rate paid in accordance with the Notes.

The Notes will initially bear interest on the Prevailing Principal Amount from (and including) the Issue Date to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest. The interest rate will be reset in respect of each Reset Period commencing on or after the First Reset Date at the rate per annum equal to the relevant Reset Rate of Interest (as described in Condition 5 (*Interest*)). A Reset Rate of Interest could be less than the Initial Rate of Interest or (where applicable) the previous Reset Rate of Interest, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes. As the Notes bear interest at a fixed rate (reset with effect from each Reset Date), an investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

There may be no active trading market for the Notes.

There can be no assurance that a liquid market for the Notes will be maintained. The investors may find it difficult to sell their Notes or to sell them at prices producing a return comparable to returns on similar investments in the secondary market.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If a market does develop for the Notes, it may not be very liquid. Therefore, no liquidity of any market in the Notes can be assured; nor the ability of the holders of the Notes to sell their Notes or the prices at which they would be able to sell their Notes. Additionally, given the relatively small size of the issuance, large holdings by one or more investors could also impact secondary market liquidity.

There may be no rights of set-off, netting or counterclaim.
Noteholders shall not be entitled to exercise any right of set-off, netting or counterclaim against moneys owed by the Issuer in respect of the Notes. Therefore, the Noteholders will not be entitled (subject to applicable law) to set off the Issuer's obligations under the Notes against obligations owed by them to the Issuer. This could have an adverse impact on the counterparty risk for such Noteholders in the event that the Issuer were to become insolvent.

Credit Risk.

An investment in the Notes is subject to credit risk, which means that the Issuer may fail to meet its obligations arising from the Notes duly and in a timely manner. The Issuer's ability to meet its obligations arising from the Notes and the ability of the holders of the Notes to receive payments arising from the Notes depends on the financial position and the results of operations of the Issuer and its subsidiaries, which are subject to other risks described herein. The Notes are not bank deposits in the Issuer and are not guaranteed by the Deposit Guarantee Fund (in Estonian: Tagatisfond).

No ownership rights.

An investment in the Notes is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Issuer or any of the subsidiaries thereof or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. The Notes represent an unsecured debt obligation of the Issuer, granting the Noteholders only such rights as set forth in the Conditions. The value of the Notes might be affected by the actions of the shareholder of the Issuer over which the investors do not have control.

Credit Rating.

The Issuer has a long-term issuer rating from Moody's (currently Baa2 with a positive outlook). Whereas the Notes are not expected to be rated, the EUR 50,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Temporary Write Down Notes issued by the Issuer in April 2025 carry the rating of Ba3. However, a credit rating is not a recommendation to buy, sell, or hold securities and may be subject to suspension, reduction, or withdrawal at any time by the rating agency. Any adverse change in the applicable credit rating could adversely affect the trading price for the Notes.

A security rating may not reflect the potential impact of all risks related to the structure, market, and other factors that may affect the value of the Notes.

Investors regulated in the European Economic Area (EEA) should be aware that under the EU CRA Regulation, regulated investors are generally restricted from using a credit rating for regulatory purposes unless it is issued by a credit rating agency established and registered in the EEA, or by a third-country agency whose ratings are endorsed or certified in the EU.

If the regulatory status of the rating agency assigning the rating to the Notes changes for the purposes of the EU CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes. This could result in the Notes having a different regulatory treatment for those investors, which may negatively impact the value and liquidity of the Notes in the secondary market.

The Notes may be subjected in the future to the bail-in and loss absorption resolution tool by the Relevant Resolution Authority and to the mandatory burden sharing measures for the provision of precautionary capital support which may result into their write-down in full.

Under the FCPRA, powers have been granted to the Relevant Resolution Authority which include the bail-in and loss absorption tool through which a credit institution or banking group subjected to resolution may be recapitalised either by way of write-down or conversion of liabilities into ordinary shares. The bail-in and loss absorption tool may be imposed either as a sole resolution measure or in combination with the rest of the resolution tools that may be imposed by the Relevant Resolution Authority in case of the resolution of a failing credit institution or group.

The Notes may be subjected to the said bail-in and loss absorption tool. So, if the Issuer, AS LHV Pank or the Group is subjected to resolution measures in the future, then the value of the Notes may be written down (up to zero) as a result of the imposition of the bail-in and loss absorption tool. Furthermore, the Notes may be subject to modifications or the disapplication of provisions in the Conditions, including alteration of the principal amount or any interest payable on the Notes, the dates on which payments may be due, as well as the suspension of payments for a certain period.

The BRRD and, accordingly, the FCPRA, contemplates a statutory sequence for the application of the bail-in tool towards the liabilities of the failing credit institution or group. According to this sequence, first, the CET1 Capital items are reduced in the proportion and in accordance with the terms outlined under the BRRD. If the reduction pursuant to these rules is less than the aggregate necessary amount of write-down, next the amounts of Additional Tier 1 Capital instruments and Tier 2 Capital instruments are reduced to the extent required. If the total reduction of the own funds items is not sufficient to cover the aggregate necessary amount of write-down, the principal amount of other subordinated liabilities that do not constitute Additional Tier 1 Capital instruments or Tier 2 Capital instruments of the institution are reduced to the extent required in accordance with the ranking of claims in bankruptcy proceedings. Further, if (and only if) the total reduction of the foregoing liabilities of the institution is less than the aggregate necessary amount of write-down, the Relevant Resolution Authority will apply the bail-in tool (to the extent required) to the rest of the liabilities of the institution, reducing the principal amount of or outstanding amount of the respective liabilities in the order of ranking of claims in bankruptcy proceedings. The BRRD further contemplates the statutory preference in the insolvency proceedings of credit institutions (such as the Issuer's subsidiary AS LHV Pank), ascribing deposits that are covered under deposit guarantee schemes set-up and implemented in accordance with Directive 2014/49/EU on deposit guarantee schemes ("covered deposits") and certain other deposits of individuals, micro, small and medium sized enterprises priority ranking over other unsecured senior creditors of the institution in insolvency proceedings, including the Issuer as the holder of the intra-group liabilities that will be issued in order to downstream the proceeds of the Notes to AS LHV Pank.

Furthermore, unlike the liabilities arising from the Notes, covered deposits are excluded from the scope of application of the bail-in tool. As a result, the Notes issued by the Issuer will be more likely to be bailed in than certain other unsubordinated liabilities of the Issuer or AS LHV Pank (such as covered deposits and other deposits of individuals and micro, small and medium sized enterprises). In addition, in April 2023, the European Commission published a proposal to update the CMDI, including changes which would, if implemented, amend the hierarchy of claims towards credit institutions in a manner so that even a broader scope of claims of various depositors rank senior to other unsecured and unsubordinated claims towards the relevant credit institution. Pursuant to Condition 21 (Acknowledgment of Bail-in and Loss Absorption Powers), each Noteholder acknowledges and accepts that any liability of the Issuer arising under the Notes may be subject to the exercise of Bail-in and Loss Absorption Powers by the Relevant Resolution Authority. In any case, a Noteholder may claim payment in respect of the Notes only in the event of the liquidation or bankruptcy of the Issuer. Further, the Issuer will not be obliged to pay any sum or sums sooner than the same would otherwise have been due and payable by it, except with the prior approval of the Competent Authority (if such approval is then required under the Applicable Banking Regulations).

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future.

From and including the First Reset Date, amounts payable under the Notes will be calculated by reference to the applicable annualised mid-swap rate for swap transactions in euro (with a maturity equal to 5 years) as displayed on Reuters screen "ICESWAP2" on the relevant Reset Determination Date and by reference to the Euro Interbank Offered Rate ("EURIBOR"). EURIBOR and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes. Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds became applicable from 1 January 2018. The EU Benchmarks Regulation applies, subject to certain transitional provisions to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The EU Benchmarks Regulation could have a material impact on the Notes which are linked to EURIBOR, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks." On 21 September 2017, the ECB announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark. The elimination of EURIBOR (or any successor benchmark), or changes in the manner of administration of EURIBOR (or any successor benchmark), could require or result in an adjustment to the reset interest calculation provisions of the Conditions (as further described in Condition 4(e) (Interest)) or result in adverse consequences to holders of the Notes.

Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to EURIBOR (or any successor benchmark) may adversely affect such benchmark and in turn the 5 Year Swap Rate during the term of the Notes, the return on the Notes and the trading market for securities (including the Notes) based on EURIBOR (or any successor benchmark). The Conditions provide for certain fallback arrangements in the event that the Original Reference Rate becomes unavailable, including the possibility that the rate of interest could be determined by an independent adviser or the Issuer or set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. However, any such adjustment may not be successful in eliminating economic prejudice or benefit and the Notes may still perform differently than they would if the original rate had remained in place. In certain circumstances the ultimate fallback of interest for the relevant Reset Period may result in the rate of interest for the last preceding Interest Period being used. Therefore, in respect of the first Reset Period, this may result in the application of the Initial Rate of Interest. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an independent adviser or the Issuer, the relevant fallback provisions may not operate as intended at the relevant time. Notwithstanding any provision of Condition 5 (*Interest*), no Successor Rate, Alternative Reference Rate or Adjustment Spread will be adopted, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Additional Tier 1 Capital instruments of the Issuer.

Any such consequences could have a material adverse effect on the value of and return on any the Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under the Notes. Investors should consider these matters when making their investment decision with respect to the Notes and consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, any of the international or national reforms and the possible application of the benchmarks replacement provisions on the Notes in making any investment decision with respect to the Notes.

Conflicts may arise between the interests of the Calculation Agent and the interests of the Noteholders.

Potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that such Calculation Agent makes pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.