AS LHV Group is publicly offering up to 2,000,000 shares

Price EUR 6.95 per share

Subscription period 2 May 2016 – 16 May 2016

PUBLIC OFFERING, LISTING AND ADMISSION TO TRADING PROSPECTUS

This Public Offering, Listing and Admission to Trading Prospectus has been drawn up and published by AS LHV Group (an Estonian public limited company, registered in the Estonian Commercial Register under register code 11098261, having its registered address at Tartu mnt 2, 10145 Tallinn, Estonia; the **Company**) in connection with the public offering, listing and the admission to trading of the shares issued by the Company on the Baltic Main List of the Nasdaq Tallinn Stock Exchange (the **Prospectus**).

The Company is publicly offering up to 2,000,000 shares with the nominal value of EUR 1 (the **Offer Shares**) to institutional and retail investors in Estonia (the **Offering**).

The Offer Shares are offered for the price of EUR 6.95 per one Offer Share (the **Offer Price**), of which EUR 1 is the nominal value of one Offer Share and EUR 5.95 is the issue premium. The Offer Shares may be subscribed for during the period commencing on 2 May 2016 and ending on 16 May 2016 (the **Offering Period**) in accordance with the terms and conditions described in this Prospectus.

The Company will, simultaneously with the Offering, apply for the listing and the admission to trading of all the shares of the Company, including the Offer Shares (together with the Offer Shares, the **Shares**), on the Baltic Main List of the Nasdaq Tallinn Stock Exchange.

The Offering will be carried out only in Estonia and there will not be any public offering of the Offer Shares in any other jurisdiction.

The Company reserves the right to cancel the Offering or change the terms and conditions thereof as described in this Prospectus.

It is estimated that trading with the Shares will commence on or about 23 May 2016.

Investing into the Shares involves risks. While every care has been taken to ensure that this Prospectus presents a fair and complete overview of the risks related to the Company, the operations of the Company and its subsidiaries (the Group) and to the Shares, the value of any investment in the Shares may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus.

13 April 2016

TABLE OF CONTENTS

AS LHV GROUP TARTU MNT 2, 10145 TALLINN 6 802 670 INFO@LHV.EE LHV.EE

AS LHV GROUP TARTU MNT 2, 10145 TALLINN 6 802 670 INFO@LHV.EE LHV.EE

1. INTRODUCTORY INFORMATION

1.1. Applicable Law

The Prospectus has been drawn up in accordance with and is governed by Estonian laws implementing the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and in accordance with the Commission Regulation No 809/2004 of 29 April 2004 implementing the Directive 2003/71/EC (the **Prospectus Regulation**), in particular the Annexes I, III and XXII thereof.

Before reading this Prospectus, please take notice of the following important introductory information.

1.2. Persons Responsible and Limitations of Liability

The person responsible for the information given in this Prospectus is AS LHV Group (the **Company**). The Company accepts responsibility for the fullness and correctness of the information contained in this Prospectus as of the date hereof. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts, and contains no omission likely to affect its import.

AS LHV Group

Erkki Raasuke

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely based on the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

1.3. Presentation of Information

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision that is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the Financial Statements, to the extent that the relevant information is reflected therein.

Currencies. In this Prospectus, financial information is presented in euro (EUR), the official currency of the European Union Member States in the Eurozone.

Date of Information. This Prospectus is drawn up based on information, which was valid as of 31 December 2015. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Group, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 31 December 2015, this is identified by either specifying the relevant date or by the use of expressions "the date of this Prospectus", "to date", "until the date hereof" and other similar expressions, which must all be construed to mean the date of this Prospectus (13 April 2016).

Third Party Information and Market Information. For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets in which the Company and its subsidiaries operate is based on the best assessment made by the Management (as defined in Section "Glossary"). With respect to the industry in which the Company and its subsidiaries are active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant.

Updates. The Company will update the information contained in this Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate by the Management. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus (please see Section "Forward-Looking Statements" below).

Definitions of Terms. In this Prospectus, capitalised terms have the meaning ascribed to them in Section "Glossary", with the exception of such cases where the context evidently requires to the contrary, whereas the singular shall include plural and vice versa. Other terms may be defined elsewhere in the Prospectus.

1.4. Documents on Display

In addition to this Prospectus, the following documents are on display:

(i) the Articles of Association available at the website of the Company at https://www.lhv.ee/en/for-investors/management/articles-of-association/?l3=en;

(ii) the audited consolidated annual report of the Company for the financial year ended on 31 December 2014 prepared for statutory purposes available at the website of the Company at https://www.lhv.ee/images/files/docs/LHV_Group_Annual_Report_2014-EN.pdf;

(iii) the audited consolidated annual report of the Company for the financial year ended on 31 December 2013 prepared for statutory purposes available at the website of the Company at https://www.lhv.ee/images/files/docs/LHV_Group_Annual_Report_2013-EN.pdf.

Further, additional documents and information on the Group, certain information on corporate governance of the Group, historic financial data, etc. may be obtained from the website of the Company at www.lhv.ee/en/for-investors/. In addition to the documents and information made available at the website of the Company as referred to above, company announcements published by the Company via the information system of the Nasdaq Tallinn Stock Exchange available at http://www.nasdaqbaltic.com may be inspected. After the date of this Prospectus, the Company will publish unaudited consolidated interim report for the first quarter 2016, which will be made available via the information system of the Nasdaq Tallinn Stock Exchange available at http://www.nasdaqbaltic.com on or about 19 April 2016.

1.5. Accounting Principles

The Financial Statements have been prepared in accordance with IFRS as adopted by the European Union.

1.6. Forward-Looking Statements

This Prospectus includes forward-looking statements (notably under Sections “Summary”, “Risk Factors”, “Reasons for Offering and Use of Proceeds” and “Principal Activities and Markets”. Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macroeconomic environment and other similar factors.

In particular, such forward-looking statements may be identified by the use of words such as “strategy”, “expect”, “plan”, “anticipate”, “believe”, “will”, “continue”, “estimate”, “intend”, “project”, “goals”, “targets” and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a highly competitive business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing products and technological developments and other factors. The Group’s actual results may differ materially from the Management’s expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see “Risk Factors” for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.7. Use of Prospectus

This Prospectus is prepared solely for the purposes of the Offering of the Offer Shares and listing and the admission to trading of the Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange. No public offering of the Offer Shares is conducted in any jurisdiction other than Estonia and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. This Prospectus may not be used for any other purpose than for making the decision of participating in the Offering or investing into the Shares. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company.

AS LHV GROUP TARTU MNT 2, 10145 TALLINN 6 802 670 INFO@LHV.EE LHV.EE

2. SUMMARY

This Summary is a brief overview of the information disclosed in this Prospectus. This summary is made up on the basis of the applicable disclosure requirements known as “Elements”. These Elements are numbered in the Sections A – E (A.1 – E.7). This Summary contains all Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding that Element. In this case, a short description of the Element is included in this Summary with the mention of “not applicable”.

Section A – Introduction and Warnings

Element	Title	Disclosure
A.1	Introduction and warnings	This Summary should be read as an introduction to the Prospectus and any decision to invest in the Shares should be based on consideration of the Prospectus as a whole by an investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff might, under Estonian legislation, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have prepared the Summary, including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Shares.
A.2	Use of Prospectus for subsequent resale of Shares	Not applicable; the Prospectus cannot be used for the resale of the Shares.

Section B – Issuer

Element	Title	Disclosure
B.1	Legal and commercial name	AS LHV Group
B.2	Domicile/ legal form/ legislation/ country of incorporation	The Company has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *aktsiaselts* or *AS*) and is established for an indefinite term.

B.3	Description and key factors of current operations and principal activities, categories of products and/ or services. Principal markets	According to the latest available annual report of the Company, i.e. the annual report for the financial year ended on 31 December 2015, the field of activity of the Company was “activities of holding companies” (EMTAK 64201). The consolidated fields of activity of the Group were “security and commodity contracts brokerage” (EMTAK 66121), “credit institutions (banks, granting loans)” (EMTAK 64191), “finance lease” (EMTAK 64911) and “fund management” (EMTAK 66301). The Group companies operate in five business segments and three geographical markets. The business segments of the Group are banking, asset management, hire-purchase and consumer finance in Estonia, hire-purchase and consumer finance in Lithuania and treasury activities. The Group companies operate in Estonia, Latvia and Lithuania.
B.4a	Significant recent trends affecting the Company and industry	There has been no material adverse change in the prospects of Group since 31 December 2015. The Management is not aware of any trends having material adverse effect on the operations of the Group.
B.4b	Known trends affecting the Company and industry	The operations of the Group and the industry where the Group companies operate are affected by numerous factors such as the overall macroeconomic environment, changes in regulatory environment, competitive situation in relevant markets and quality of credit portfolio. Although the current economic environment may be described as stable, 2015 was marked by the emergence of geopolitical risks to the fore, the growth slowdown in the world economy, commodity prices continued to fall and low inflation rate. The regulatory environment where the Group companies operate may be described as extensive, whereas the volume of regulation on the European Union as well as national levels is constantly increasing. The competitive situation in the principal markets of the Group is intensifying. Due to the growing business volumes, the impairment charges of the Group are constantly increasing.
B.5	Group description; position of the Company within the Group	The Company is the holding company of the Group with limited operations of its own. The Company is engaged in investor relations management and ensuring necessary capitalisation for the Group companies. The Company has three fully-owned Subsidiaries – LHV Pank (a licensed credit institution) and LHV Varahaldus (a licensed fund manager) and Cuber Technology OÜ. The Company holds 50%, plus one share, in Mokilizingas, a Lithuanian financial institution, engaged in offering hire-purchase and consumer loan services in the Lithuanian market. LHV Pank holds 65% shares in LHV Finance, an Estonian financial institution offering hire-purchase services in the Estonian market.
B.6	Persons, directly or indirectly	There are no controlling shareholders of the Company. The founders of the Group – Mr Rain Lõhmus and Mr Andres Viisemann hold, directly and indirectly through related parties, altogether approximately 38.6% of

<table>
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<td>having interest in the Company’s capital or voting rights notifiable under Estonian law and the amount of such interest. Voting rights of major shareholder. Direct or indirect control of the Company</td>
<td>all the Shares, whereas approximately 28% of the Shares are held by Mr Rain Lõhmus and 10.6% by Mr Andres Viisemann.

As at the date of this Prospectus, the Shareholders holding over 5% of all Shares in the Company are the following:

<table>
<tr><th>Name of Shareholder</th><th>Shares</th><th>%</th></tr>
<tr><td>AS Lõhmus Holdings (a company under the control of Mr Rain Lõhmus, the Chairman of the Supervisory Board of the Company)</td><td>3,357,920</td><td>14.4%</td></tr>
<tr><td>Mr Rain Lõhmus</td><td>2,938,367</td><td>12.6%</td></tr>
<tr><td>Mr Andres Viisemann</td><td>1,637,897</td><td>7.0%</td></tr>
<tr><td>Ambient Sound Investments OÜ</td><td>1,418,000</td><td>6.1%</td></tr>
<tr><td>OÜ Krenno (a company under the control of Mrs Mai Kaarepere)</td><td>1,210,215</td><td>5.2%</td></tr>
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<td>B.7</td>
<td>Selected historical key financial information. Narrative description of significant change to the Company’s financial condition and operating results subsequent to the period covered by selected historical key financial information</td>
<td>
<table>
<tr><th>(in MEUR)</th><th>2015</th><th>2014</th><th>2013</th></tr>
<tr><td>Net interest income</td><td>23.2</td><td>16.5</td><td>9.1</td></tr>
<tr><td>Net profit</td><td>14.8</td><td>9.7</td><td>4.3</td></tr>
<tr><td>Net profit attributable to owners of the parent</td><td>13.7</td><td>9.2</td><td>4.2</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Average assets</td><td>648</td><td>463</td><td>351</td></tr>
<tr><td>Average interest earning assets</td><td>637</td><td>455</td><td>346</td></tr>
<tr><td>Average equity</td><td>63</td><td>44</td><td>27</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Return on equity (ROE) %</td><td>21.6</td><td>21.0</td><td>15.6</td></tr>
<tr><td>Net interest margin (NIM) %</td><td>3.65</td><td>3.62</td><td>2.63</td></tr>
<tr><td>Spread %</td><td>3.57</td><td>3.55</td><td>2.63</td></tr>
<tr><td>Cost/ income ratio %</td><td>62.8</td><td>67.5</td><td>71.6</td></tr>
</table>
In the opinion of the Management, the key ratios and indicators are the most appropriate ratios and indicators, considering the markets where the Group companies operate. These ratios and indicators enable adequate evaluation of the profitability of the operations of the Group, considering business volumes of the Group companies.

There have been no significant changes to the Group’s financial condition and operating results since 31 December 2015.
</td>
</tr>
<tr>
<td>B.8</td>
<td>Selected key pro forma</td>
<td>Not applicable.</td>
</tr>
</table>

AS LHV GROUP TARTU MNT 2, 10145 TALLINN 6 802 670 INFO@LHV.EE LHV.EE

	financial information	
B.9	Profit forecast	Not applicable; no profit forecast has been made.
B.10	Qualifications in audit report on the historical financial information	Not applicable.

Section C – Securities

Element	Title	Disclosure
C.1	Type and class of securities and security identification number	The current registered and fully paid-in share capital of the Company is EUR 23,356,005, which is divided into 23,356,005 ordinary shares of the Company (the Shares) with the nominal value of EUR 1. The Shares are registered in the ECRS under ISIN code EE3100073644 and kept in book-entry form.
C.2	Currency of the Shares	The Shares are denominated in euro.
C.3	Number of Shares issued and fully paid/ issued but not fully paid. Par value per Share	There are altogether 23,356,005 fully paid-in ordinary shares of the Company with the nominal value of EUR 1. There are no Shares outstanding but not fully paid-in.
C.4	Rights attached to the Shares	The main right attached to the Shares are (i) the right to participate in the corporate governance of the Company; (ii) the right to information; (iii) the right to subscribe for new Shares upon the increase of share capital of the Company; and (iv) the right to dividends. The shareholders of the Company are entitled to take part in the corporate governance of such company through the General Meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as the amendment of the Articles of Association, the increase and decrease of the share capital, the issue of convertible bonds, the election and removal of the members of the Supervisory Board and the auditor, the approval of annual reports and the distribution of profit, the dissolution, merger, division or transformation of the company, and certain other matters. Each Share

		grants a shareholder one vote at the General Meeting of shareholders. A general meeting of shareholders of a public limited company is capable of passing resolutions if more than 1/2 of the votes represented by all shares held by shareholders are present at the meeting. As a rule, the resolutions of a General Meeting of shareholders of the Company require the affirmative vote of the majority of the votes represented at the meeting, unless a higher quorum requirement is set forth by the Articles of Association or applicable law. The shareholders of the Company have the right to receive information on the activities of the Company from the Management Board at the General Meetings of shareholders of the Company. Pursuant to the Estonian Commercial Code, the existing shareholders of the Company have, upon the increase of the share capital of the Company and the issue of the new shares of the Company, the preferential right to subscribe for such new shares of the Company proportionally to their existing shareholding in the Company. Such preferential right can be excluded by the respective resolution of the General Meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders. All shareholders of the Company have the right to participate in the distribution of profit of the Company and have the right to receive dividends proportionally to their shareholding in the company. Resolving the distribution of profit and the payment of dividends is in the competence of the General Meeting of shareholders of the Company.
C.5	Restrictions on free transferability of Shares	The Shares are freely transferrable.
C.6	Admission to trading /name of regulated market	The Company intends to apply for the listing and the admission to trading of the Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Shares is on or about 23 May 2016.
C.7	Dividend policy	According to the Company's dividend policy as approved by the Supervisory Board on 16 March 2016 and placed into the agenda of the General Meeting to be held on 20 April 2016, it is the intention of the Company to distribute profit and pay dividends to shareholders in the ratio of at least 25% of the profit before taxes. Such dividend policy is planned to be followed, provided that the operating needs of the Group as determined by the Supervisory Board are covered and that after the distribution of profit all Group companies comply with all internal and external capital and liquidity requirements in full. The Company reserves itself a right to reduce the amount of profit distributed and dividends paid or not to distribute profit and pay dividends if there is a credible investment opportunity, which is expected to result in significant increase of the value of the Group in a long-term perspective.

Section D – Risks

Element	Title	Disclosure
D.1	Key risks specific to the Company or its industry	Counterparty Credit Risk. Counterparty credit risk is inherent to the core operations of the Group – counterparty credit risk is the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group companies. Concentration Risk. The operations of the Group are subject to concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of clients. If loans are heavily concentrated in certain economic sector, the Group is exposed to risks inherent to such economic sector. Market Risk. Market risk arises from the Group's trading and investment activities in the financial markets, primarily in interest rate products, foreign exchange and stock markets as well as from borrowing activities and other means of taking in financial resources. Foreign Currency Risk. Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities. Price Risk. The Group holds positions in different financial instruments, which are subject to fluctuations in market price arising from various circumstances beyond the control of the Group. Interest Rate Risk. The operations of the Group and foremost the operations of LHV Pank are inherently exposed to interest rate risk. Interest rates are affected by numerous factors beyond the control of the Group companies, which may not be estimated adequately. Liquidity Risk. Liquidity risk relates to the ability of the Group to meet its contractual obligations on time and it arises from differences between maturities of assets and liabilities. Operating Risk. Operating risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition to human, process or information system failures and flaws, the operating risk embraces risk of corporate fraud and misconduct. Dependency on Information Technology Systems. The Group has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. Failures of or significant disruptions to the Group's information technology systems could prevent it from conducting its operations. Dependency on Cash-Flows from Subsidiaries. The Company is a holding company conducting its operations through the Subsidiaries. The Company itself does not own significant assets other than investments into the Subsidiaries. Therefore, in order to be able to pay dividends to shareholders and meet its own obligations, the Company is dependent

AS LHV GROUP TARTU MNT 2, 10145 TALLINN 6 802 670 INFO@LHV.EE LHV.EE

		on the receipt of dividends, interest payments or payments from share capital decrease from its Subsidiaries, which in turn may be influenced by the compliance with the capital adequacy ratios applicable in respect of certain Subsidiaries and subject to change from time to time. Dependency on Qualified Staff. The results of operations of the Group companies depend highly on the ability to engage and retain qualified, skilled and experienced staff. In the highly competitive environment, the Group companies must make continuous efforts to attract new qualified personnel and motivate existing management and employees. Competitive Market. The Group operates in a highly competitive market. Exposure to Conduct of Other Market Participants. The Group's access to financing, investment and derivative transactions may be adversely affected by market practises of other market participants. Control over Joint Ventures. The operations of these joint ventures (LHV Finance and Mokilizingas) may be adversely affected by the joint venture partners of the Company. Changes in Economic Environment. Each of the Group's operating segments is affected by general economic and geopolitical conditions. Exposure to Regulative Changes. The Group operates in highly regulated fields of business and its operations are subject to a number of laws, regulations, policies, guidance and voluntary codes of practice, which are subject to changes. Maintaining Capital Adequacy Ratios. Credit institutions and investment firms are subject to strict capital adequacy requirements subject to frequent reforms and changes. Exposure to Regulatory Actions and Investigations. The Group provides various financial services and products and is therefore subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Several local and European authorities, including financial supervision, consumer protection, anti-money laundering, tax, and other authorities, regularly perform investigations, examinations, inspections and audits of the Group's business, including, but not limited to regarding capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting, corporate governance, etc. Contractual Risks. The operations of the Group are materially dependent on the validity and enforceability of the transactions and agreements entered into by the Group. Exposure to Civil Liability. The Group operates in a legal and regulatory environment that exposes it to significant risk of claims, disputes and legal proceedings. Tax Regime Risks. Tax regimes of the geographical markets where the Group operates are from time to time subject to change, some of which

		may be dictated by short-term political needs and may therefore be unexpected and unpredictable.
D.3	Key risks specific to the Shares	Cancellation of Offering. Although best efforts will be made by the Company to ensure that the Offering is successful, the Company cannot provide any assurance that the Offering will be successful and that the investors will receive the Offer Shares they subscribed for. The Company shall be entitled to cancel the Offering. The Offering may also be cancelled in the part not subscribed for in the course of the Offering. Considering the contemplated use of proceeds from the Offering as described in Section "Reasons for Offering and Use of Proceeds", the cancellation of the Offering in the part not subscribed for in the course of the Offering will have no material negative effect on the operations of the Group. The Group has developed an alternative growth strategy and limited capital plan, which will be used if the proceeds of the Offering are materially different than those expected and described above. The referred alternative growth strategy and limited capital plan includes the elements of engaging additional capital from alternative sources and limiting the growth of the Group's operations. The alternative strategy and plan ensures full compliance with the applicable capital adequacy requirements. Tax Regime Risks. Adverse changes in the tax regime applicable in respect of transacting with the Shares or receiving dividends may result in an increased tax burden of the shareholders and may therefore have adverse effect on the rate of return from the investment into the Shares. Volatility and Limited Liquidity of Securities Listed on Nasdaq Tallinn Stock Exchange. The Company will apply for the listing and admission to trading of the Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange. Though every effort will be made to ensure that listing and admission to trading will occur, the Company cannot provide any assurance that the Shares (including the Offer Shares) will be listed and admitted to trading. The Nasdaq Tallinn Stock Exchange is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The relatively small market capitalisation and low liquidity of the Nasdaq Tallinn Stock Exchange may impair the ability of shareholders to sell the Shares on the Nasdaq Tallinn Stock Exchange, or could increase the volatility of the price of the Shares. Payment of Dividends. The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends. Dilution. The proportion of shareholding held by the Shareholders in the Company may be diluted if the share capital of the Company is increased and new Shares are issued in the future. The shareholders' preferential right to subscribe for such new shares of the company proportionally to their existing shareholding in a company can as set forth in the

		Commercial Code may be excluded by the respective resolution of the General Meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the General Meeting of shareholders. Therefore, there can be no assurance that the Shareholders will be entitled to subscribe for the new Shares, which may be issued in the future and therefore the proportion of their shareholding in the Company may decrease in the future. Lack of Adequate Analyst Coverage. There is no guarantee of continued analyst research coverage for the Company.

Section E – Offer

Element	Title	Disclosure
E.1	Total net proceeds. Estimate of total expenses of the offer (including estimated expenses charged to the investor)	Provided that the Offering is successful and that all the Offer Shares (altogether 2,000,000 Shares) are subscribed for and issued by the Company, the expected amount of gross proceeds of the Offering is EUR 13.9 million. Expenses directly related to the Offering are estimated to be approximately EUR 200,000, whereas EUR 100,000 are estimated to be legal and audit expenses and EUR 100,000 communication and marketing expenses. Therefore the net proceeds of the Offering are expected to be EUR 13.7 million. No expenses are charged to investors.
E.2a	Reasons for offer; use of proceeds; estimated net amount of proceeds	The purpose of the Offering is to strengthen the capital structure of the Group. The proceeds from the Offering will be used for the general corporate purposes to support the further growth and market position of the Group, increase the business volumes of the Group and ensure conservative capital buffer for the Group companies. The Group has developed an alternative growth strategy and limited capital plan, which will be used if the proceeds of the Offering are materially different than those expected and described above. The referred alternative growth strategy and limited capital plan includes the elements of engaging additional capital from alternative sources and limiting the growth of the Group's operations. The alternative strategy and plan ensures full compliance with the applicable capital adequacy requirements. The estimated net proceeds of the Offering are expected to be EUR 13.7 million, provided that the Offering is successful and all the Offer Shares (altogether 2,000,000 Shares) are subscribed for and issued by the Company.
E.3	Terms and conditions of offer	In the course of the Offering, altogether up to 2,000,000 Offer Shares are being offered to retail and institutional investors in Estonia. The Retail Offering is directed to all retail and institutional investors in Estonia.

		The Offer Price is EUR 6.95 per one Offer Share, of which EUR 1 is the nominal value of one Offer Share and EUR 5.95 is the issue premium. The Offer Price will be the same in the Institutional Offering and in the Retail Offering. The Offering Period commences on 2 May 2016 at 9.00 local time in Estonia and terminates on 16 May 2016 at 17.00 local time in Estonia. The Company will decide on the allocation of the Offer Shares after the expiry of the Offering Period, and no later than on 18 May 2016. The Offer Shares will be allocated to the investors participating in the Offering in accordance with the following principles: (i) under the same circumstances, all investors shall be treated equally, whereas dependant on the number of investors and interest towards the Offering, the Company may set minimum and maximum number of the Offer Shares allocated to one investor; which will apply equally to both – the investors participating in the Institutional Offering and the investors participating in the Retail Offering; (ii) the allocation shall be aimed to create a solid and reliable investor base for the Company; (iii) the Company shall be entitled to prefer Estonian investors to foreign investors who may participate in the Institutional Offering; (iv) the Company shall be entitled to prefer its existing shareholders and bondholders of the Company to other investors; and (v) the Company shall be entitled to prefer the clients of LHV Pank and LHV Varahaldus to other investors. The Offer Shares allocated to investors will be transferred to their securities accounts on or about 20 May 2016 through the “delivery versus payment” method simultaneously with the transfer of payment for such Offer Shares. In addition to other cancellation rights, the Company has reserved the right to cancel the Offering in the part not subscribed for in the course of the Offering.
E.4	Interests material to issue/ offer	According to the knowledge of the Management, there are no personal interests of the persons involved in the Offering material to the Offering. The Management is unaware of any conflicts of interests related to the Offering.
E.5	Name of persons or entity offering to sell the security. Lock-up agreements:	The Offering is carried out by the Company. There are no lock-up arrangements in place.

	parties involved; period of lock-up	
E.6	Immediate dilution	As at the date of this Prospectus, the number of the Shares of the Company is 23,356,005. The amount of the Offer Shares is up to 2,000,000. Therefore, the number of the Shares of the Company after the successful registration of the increase of the share capital of the Company will be up to 25,356,005, provided; however, that the number of the Offer Shares is not changed. Therefore, the shareholdings in the Company prior to the Offering will be diluted by up to 8.5631% as a result of the Offering, unless a Shareholder subscribes for and is allocated the number of Shares corresponding to the proportion of its shareholding in the course of the Offering.
E.7	Estimated expenses charged to investor	Not applicable; no expenses are charged to the investor by the Company.

3. RISK FACTORS

3.1. Introduction

Investing into the Shares issued by the Company entails various risks. Each prospective investor in the Shares should thoroughly consider all the information in this Prospectus, including the risk factors described below. Any of the risk factors described below, or additional risks not currently known to the Management or not considered significant by the Management, could have a material adverse effect on the business, financial condition, operations or prospects of the Group and result in a corresponding decline in the value of the Shares. As a result, investors could lose a part or all of the value of their investments. The Management believes that the factors described below present the principal risks inherent in investing into the Shares. The risk factors are not listed in any order of priority with regard to significance or probability.

This Prospectus is not, and does not purport to be, investment advice or an investment recommendation to acquire the Shares. Each prospective investor in the Shares must determine, based on its own independent review and analysis and such professional advice as it deems necessary and appropriate, whether an investment into the Shares is consistent with its financial needs and investment objectives and whether such investment is consistent with any rules, requirements and restrictions as may be applicable to that investor, such as investment policies and guidelines, laws and regulations of the relevant authorities, etc.

3.2. Business Risks

Counterparty Credit Risk. Counterparty credit risk is inherent to the core operations of the Group – counterparty credit risk is the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group companies. Credit risk affects cash and cash equivalents held with third parties (such as deposits with banks and other financial institutions), bonds, derivatives, but mostly credit exposures to customers, including outstanding loans, cover for guarantees, as well as other receivables and commitments. In order to mitigate credit risk, the Group constantly analyses the operations and financial position of its customers and other counterparties. After authorising the initial credit exposure, the solvency of a customer and the value of the collateral are monitored regularly. Further, the Group makes provisions for potential credit losses in accordance with the applicable requirements, including the IFRS requirements; however, such provisions are made based on the available information, estimates and assumptions, which by definition are subject to certain amount of uncertainty. Therefore there can be no assurance that provisions are sufficient to cover potential losses. The recoverability of the credit provided to customers may be adversely affected by negative changes in the overall economic, political or regulatory environment, decrease in collateral values and other circumstances beyond the control of the Group. Materialisation of credit risk may have material adverse effect on the Group's operations, financial condition and results of operations.

Concentration Risk. The operations of the Group are subject to concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of clients. If loans are heavily concentrated in certain economic sector, the Group is exposed to risks inherent to such economic sector. 26% of the corporate credit portfolio of LHV Pank includes loans granted in real estate sector, which is traditionally the field that receives the greatest financing from commercial banks. LHV Pank's real estate development portfolio is well-positioned should market trends change – financed developments are sited in good locations, the major developments are nearing completion and the average loan to value ratio is around 50%. The real estate sector is followed by companies pursuing financial and insurance activities (20% of corporate credit portfolio) and the processing industry (9% corporate credit portfolio). Agriculture, which is under special surveillance due to the geopolitical situation, accounts for just 2% of the portfolio. The concentration risk may have material adverse effect on the Group's operations, financial condition and results of operations.

Market Risk. Market risk arises from the Group's trading and investment activities in the financial markets, primarily in interest rate products, foreign exchange and stock markets as well as from borrowing activities and other means of taking in financial resources. Market risk is the risk of potential loss which may arise from unfavourable changes in foreign exchange rates, prices of securities or interest rates. The market value of financial instruments may be adversely affected by the volatility of financial markets arising from numerous market variables beyond the control of the Group. Due to such volatility, the value of the financial instruments held by the Group may decrease more than it is able to foresee, and therefore result in write-downs of certain assets. Within the Group, internal judgement and know-how is used to assess and avoid potential market losses; however, such internal judgement may turn out to be inaccurate due to changes in the financial markets not foreseen at the time of making the judgement. In order to mitigate the market risk, conservative limits have been established for the trading portfolio and open foreign currency exposures of the Group companies. Despite the measures taken by the Group, the market risk may have material adverse effect on the Group's operations, financial condition and results of operations.

Foreign Currency Risk. Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities. Foreign exchange rates may be affected by complex political and economic factors, including relative rates of inflation, interest rate levels, the balance of payments between countries, the extent of any governmental surplus or deficit, and from the monetary, fiscal and trade policies pursued by the governments of the relevant currencies. Devaluation, depreciation or appreciation of foreign currency may have significant adverse effect on the value of the Group's assets denominated in foreign currency or increase the euro value of the Group's foreign currency liabilities. The Group's foreign currency risk management is based on risk policies, limits and internal procedures, which, however, may turn out to be inadequate. If an open currency position exceeds the established limits, measures are implemented to immediately reduce such a position or to hedge the risk with relevant instruments (such as foreign currency derivatives), but such measures may not be effective or sufficient to avoid significant losses arising from adverse changes in foreign currency exchange rates. Therefore foreign currency risk may have material adverse effect on the Group's operations, financial condition and results of operations.

Price Risk. The Group holds positions in different financial instruments, which are subject to fluctuations in market price arising from various circumstances beyond the control of the Group. In order to mitigate the price risk, the Group has established internal rules setting forth limits to the size of trading and investment portfolios and requirements to acceptable credit quality ratings. Due to the fact that such internal rules are established based on historical market data, such rules may not be adequate or sufficient to mitigate potential losses arising from adverse changes in the market prices of the financial instruments held by the Group companies. The price risk may have material adverse effect on the Group's operations, financial condition and results of operations.

Interest Rate Risk. The operations of the Group and foremost the operations of LHV Pank are inherently exposed to interest rate risk. The amount of net interest income earned by the Group companies materially affects the revenues and the profitability of the operations of the Group. Interest rates are affected by numerous factors beyond the control of the Group companies, which may not be estimated adequately. Such factors include the changes in the overall economic environment, level of inflation, monetary policies of states, etc. Due to the fluctuations of market interest rates there may be a mismatch between the interest income earned from the lending and crediting operations of the Group and the interest costs paid on the interest-bearing liabilities, which may have material adverse effect on the Group's operations, financial condition and results of operations.

Liquidity Risk. Liquidity risk relates to the ability of the Group to meet its contractual obligations on time and it arises from differences between maturities of assets and liabilities. The Group's liquidity management and strategy is based on risk policies, resulting in various liquidity risk measures, limits and internal procedures. As per policy statements, the Group's liquidity management reflects a conservative approach towards liquidity risk. Such risk policies and internal procedures may, however, not be adequate or sufficient in order to ensure the Group's access to funding resources when needed in order to ensure sufficient liquidity. The liquidity risk may have material adverse effect on the Group's operations, financial condition and results of operations.

Operating Risk. Operating risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition to human, process or information system failures and flaws, the operating risk embraces risk of corporate fraud and misconduct. When completing transactions, transaction limits and competence systems are used to minimise potential loss and the principle of duality is used in the Group's working procedures, according to which there should be an approval by at least two employees or units in order to carry out a transaction or procedure. The information systems and operations of the Group companies are monitored constantly in order to identify risks of system failures, flaws or fraud and mitigate the operating risk. The information received from the monitoring of the information systems and operations of the Group companies is used to correct the flaws in information systems and avoid failures thereof. The Group's working procedures are reviewed periodically to ensure minimising human and process flaws and the potential loss arising therefrom; however, the risk of such losses cannot be eliminated altogether. The operating risk may have material adverse effect on the Group's operations, financial condition and results of operations.

Dependency on Information Technology Systems. The Group has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. The dependency on such systems is increasing in time with the spread of online and mobile banking services and the development of cloud computing. This means that the Group is exceedingly open to risks over which it has no control, including system-wide failures of communication infrastructure, quality and reliability of equipment and software supplied by third parties and other similar risks. Failures of or significant disruptions to the Group's information technology systems could prevent it from conducting its operations. Furthermore, should the Group experience a significant security breakdown or other significant disruption to its information technology systems, sensitive information could be compromised, which in turn could result in civil and administrative liability of the Group companies before its customers, counterparties and state authorities, as well as in a general decrease in the trustworthiness of the Group and consequently in the demand for its services. Ensuring security and reliability of information technology systems is becoming more challenging in the environment where service providers are facing increasingly sophisticated and highly targeted attacks aimed at obtaining unauthorised access to confidential and sensitive information, disable or degrade service or sabotage information systems for other purposes. The Group has made significant investments into developing well-functioning and secure information technology systems and is constantly working on improving such systems and developing adequate contingency procedures; however, the Group may, despite its efforts, fail to mitigate all risks or fail to take appropriate and effective countermeasures if its information technology systems fall under attack, which in turn may have material adverse effect on the Group's operations, financial condition and results of operations.

Dependency on Cash-Flows from Subsidiaries. The Company is a holding company conducting its operations through the Subsidiaries. The Company itself does not own significant assets other than investments into the Subsidiaries. Therefore, in order to be able to pay dividends to shareholders and meet its own obligations, the Company is dependent on the receipt of dividends, interest payments or payments from share capital decrease from its Subsidiaries, which in turn may be influenced by the compliance with the capital adequacy ratios applicable in respect of certain Subsidiaries and subject to change from time to time. According to 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 is dependent on the Subsidiaries' profit and ability to pay dividends.

Dependency on Qualified Staff. The results of operations of the Group companies depend highly on the ability to engage and retain qualified, skilled and experienced staff. In the highly competitive environment, the Group companies must make continuous efforts to attract new qualified personnel and motivate existing management and employees. New regulatory restrictions, such as the recently introduced limits on certain types of remuneration paid by credit institutions and investment firms set forth in CRD IV[1], 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 the inability to attract and retain highly skilled personnel may have material adverse effect on the Group's operations, financial condition and results of operations.

Competitive Market. The Group operates in a highly competitive market. In addition to the licensed credit institutions and branches of foreign banks present in the geographical markets where the Group companies operate, there are market participants who are not subject to regulatory and capital requirements as burdensome as the Group companies, and who therefore may have a competitive advantage on the relevant market. Furthermore, recent trends in the crediting and lending market may be characterised by the development of new products and solutions, which compete with the more conservative and traditional products and services offered by the Group. Often such alternative service providers are able to offer more favourable terms, which may result in price pressure on the products and services offered by the Group. If the Group fails to respond to the competitive environment in its target markets by offering attractive and profitable product and service solutions, it may face the decrease of its market shares or the overall profitability of the Group may suffer.

Exposure to Conduct of Other Market Participants. The Group's access to financing, investment and derivative transactions may be adversely affected by market practises of other market participants. Financial and securities markets are interrelated and defaults and failures to conduct sound business by other market players could lead to market-wide liquidity problems or other market-wide issues, which could adversely affect the Group companies' access to capital resources. Further, the Group companies have exposure to many counterparties arising from trading, clearing, funding or other relationships with them. Failure of such market participants to meet their obligations may result in the default of the Group companies before other counterparties and clients, which in turn may have material adverse effect on the Group's operations, financial condition and results of operations.

Control over Joint Ventures. The Company holds interests in two joint ventures – LHV Finance in Estonia and Mokilizingas in Lithuania. In LHV Finance, the Company holds a 65% shareholding, and in Mokilizingas a 50% shareholding plus one share. The Company is therefore the controlling shareholder in both of these joint ventures and has executed shareholders' agreements with its joint venture partners in respect of both companies (please see Section "Material Agreements" for further details). Although due care is taken by the Company in order to ensure effective control over these joint ventures and ensure that they are managed prudently and effectively, the operations of these joint ventures may be adversely affected by the joint venture partners of the Company. Despite the shareholders' agreements,

[1] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

it cannot be excluded that the joint venture partners exercise their voting rights for influencing management decisions in a direction with which the Company disagrees, or fail to exercise their voting rights to adopt management decisions that in the view of the Company are necessary in the interest of the joint ventures. Furthermore, the joint venture partners may understand the terms of the shareholders' agreements differently from the Company or fail to perform the shareholders' agreements. Although the Management considers the materialisation of the above-described risks unlikely and has high confidence and trust in its joint venture partners, such behaviour by the joint venture partners of the Company, in theory, cannot be excluded or prevented, and may have adverse effect on the financial position and results of operations of the joint ventures. This may have material adverse effect on the Group's operations, financial condition and results of operations.

3.3. Political, Economic and Legal Risks

Changes in Economic Environment. Each of the Group's operating segments is affected by general economic and geopolitical conditions. The repercussions of the global financial crisis of 2008-2009 continue to have some effect on the overall economic environment and there have been new adverse developments in recent years. The year 2015 can be globally characterised with the increase of geopolitical risks, declining of the growth of world economy and maintaining low inflation rates, whereas further slowdown of Chinese economy is becoming one of the major concerns. In 2015, the economic growth remained weak also in the Group's target markets and the Europe is continuously struggling with the migrant crisis. The incentive measures to achieve a growth of consumer prices applied by the European Central Bank in the first quarter of 2015 have not provided the desired results and expectations for introducing new mechanisms have grown. These or other, yet unknown, adverse developments of the global and local economies and of financial markets could have a degrading effect on the financial position of the Group. Any deterioration in the economic environment of the countries where the Group operates, in particular in Estonia, where most of the Group's services and products are focused, could have a direct negative impact on the financial position and profitability of the Group. The Estonian economy is a small open economy that is closely linked to the global economy and especially the macroeconomic conditions in the Eurozone countries and Russia. Over the recent years, the Eurozone debt crisis has had an adverse effect on the Estonian economy. Although the Group constantly monitors developments on both domestic and international markets, it is not possible to forecast the timing or extent of changes in the economic environment.

Exposure to Regulative Changes. The Group operates in highly regulated fields of business and its operations are subject to a number of laws, regulations, policies, guidance and voluntary codes of practice. As a result of the recent global financial and economic crises, a number of regulatory initiatives have been taken to amend or implement rules and regulations in the fields where the Group companies operate. As to the significant recent developments in the regulatory framework, in May 2014, the Council of the European Union adopted a bank recovery and resolution directive (BRRD[2]) which is intended to provide resolution authorities with a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing in order to safeguard financial stability and minimise taxpayers' exposure to losses. The implementation of the BRRD regulation in Estonia in the first quarter of 2015 has imposed additional restrictions on the operations of some of the Group companies and

[2] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

resulted in a need to review certain internal procedures of some Group companies, above all LHV Pank. The Group has duly and timely complied with the new requirements. Nevertheless, considering the recent reforms and changes in the regulatory framework applicable in respect of the operations of the Group, the Group cannot predict to what extent laws and policies or their interpretations will change in the future nor the impact of such changes. Increased requirements and expectations, enhanced supervisory standards and uncertainty with regard to further changes may result in limitations of operating flexibility and certain lines of business, in additional costs and liabilities, in a necessity to change legal, capital or funding structures, and in decisions to exit or not to engage in certain business activities.

Maintaining Capital Adequacy Ratios. Credit institutions and investment firms are subject to strict capital adequacy requirements subject to frequent reforms and changes. At the start of 2014, the capital of banks and investment firms in the EU became subject to a new legal framework (CRD IV/CRR[3]), largely based on the Basel III framework that was agreed in the Basel Committee on Banking Supervision. The objective of the new legal framework is to strengthen the resilience of the financial sector to economic shocks and thereby ensure the adequate and sustainable financing of the economy. Significant changes implemented with the new rules include the requirement for credit institutions to maintain a higher level and quality of capital than before, and a unified framework for designing liquidity buffers. The new capital requirements directive also defines measures for macro-financial supervision that the Member States can use to control the behaviour of credit institutions in amplifying the cycles and to alleviate risks arising from market structure. In Estonia, in addition to the baseline capital requirements, credit institutions have been subjected to capital maintenance and systemic risk buffers imposed by the Financial Supervisory Authority and the Eesti Pank (i.e. the Bank of Estonia). So far, the Group has complied with all applicable capital requirements. However, the capital requirements adopted in Estonia and the European Union may change, whether as a result of further changes of the EU or Estonian legislation, global standards or interpretation thereof. Such changes, either individually or in combination, may lead to unexpected increased requirements and have a material adverse effect on the business of LHV Pank and the Group as a whole. This may result in the need to increase capital, reduce leverage and risk weighted assets, modify the Group's legal structure or even change the Group's business model.

Exposure to Regulatory Actions and Investigations. The Group provides various financial services and products and is therefore subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Several local and European authorities, including financial supervision, consumer protection, anti-money laundering, tax, and other authorities, regularly perform investigations, examinations, inspections and audits of the Group's business, including, but not limited to regarding capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting, corporate governance, etc. Any determination by the authorities that the Group has not acted in compliance with all the 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 even lead to business disruption in the respective fields. Any of these consequences may have material adverse effect on the Group's operations, financial condition and results of operations.

Contractual Risks. The operations of the Group are materially dependent on the validity and enforceability of the transactions and agreements entered into by the Group. These transactions and

[3] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

agreements may be subject to the laws of Estonia or to the laws of other countries where the Group companies operate. While due care is taken to ensure that the terms of these transactions and agreements are fully enforceable under the laws applicable to them, occasional contradictions and variations of interpretation may occur. Consequently, the Group companies may not be able to always enforce their contractual rights. Moreover, the legal environment where such transactions are effected and agreements are entered into, which is primarily that of the Baltic states, is subject to changes, both through the enactment of new laws and regulations and through changes in interpretation by the competent authorities and courts. Therefore, it cannot be fully excluded that certain terms of the transactions and agreements entered into by the Group companies turn out to be unenforceable, which in turn may have material adverse effect on the Group's operations, financial condition and results of operations.

Exposure to Civil Liability. The Group operates in a legal and regulatory environment that exposes it to significant risk of claims, disputes and legal proceedings. The results of such disputes are inherently difficult to predict and even the disputes themselves, not only unfavourable outcomes, may result in the Group incurring significant expenses and damages, and in negative effects on the Group's reputation, which in turn may have material adverse effect on the Group's operations, financial condition and results of operations.

Tax Regime Risks. Tax regimes of the geographical markets where the Group operates are from time to time subject to change, some of which may be dictated by short-term political needs and may therefore be unexpected and unpredictable. Any changes in the tax regimes in the jurisdictions where the Group companies operate or in the interpretation of such tax laws, regulations or treaties may have material adverse effect on the Group's operations, financial condition and results of operations.

3.4. Group's Risk Management

The principles of risk management of the Group, the respective facts and figures have been described in detail in Note 3 of the annual Financial Statements.

3.5. Risks Related to Shares, Offering and Listing

Cancellation of Offering. Although best efforts will be made by the Company to ensure that the Offering is successful, the Company cannot provide any assurance that the Offering will be successful and that the investors will receive the Offer Shares they subscribed for. The Company shall be entitled to cancel the Offering on the terms and conditions described in the Section "Cancellation of Offering". The Offering may also be cancelled in the part not subscribed for in the course of the Offering. Considering the contemplated use of proceeds from the Offering as described in Section "Reasons for Offering and Use of Proceeds", the cancellation of the Offering in the part not subscribed for in the course of the Offering will have no material negative effect on the operations of the Group. The Group has developed an alternative growth strategy and limited capital plan, which will be used if the proceeds of the Offering are materially different than those expected and described above. The referred alternative growth strategy and limited capital plan includes the elements of engaging additional capital from alternative sources and limiting the growth of the Group's operations. The alternative strategy and plan ensures full compliance with the applicable capital adequacy requirements.

Tax Regime Risks. Adverse changes in the tax regime applicable in respect of transacting with the Shares or receiving dividends may result in an increased tax burden of the shareholders and may therefore have adverse effect on the rate of return from the investment into the Shares.

Volatility and Limited Liquidity of Securities Listed on Nasdaq Tallinn Stock Exchange. The Company will apply for the listing and admission to trading of the Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange. Though every effort will be made to ensure that listing and admission to trading will occur, the Company cannot provide any assurance that the Shares (including the Offer Shares) will be listed and admitted to trading. The total trading turnover of the Baltic Main list the Nasdaq Baltic Stock Exchanges in 2015 was EUR 257,395,350.91. As at 30 December 2015, total of 32 companies were listed on the Baltic Main List of the Nasdaq Baltic Stock Exchange. The aggregate market capitalisation of the Baltic Main list of the Nasdaq Baltic Stock Exchange was as at 30 December 2015 EUR 4,885,759,065.77. Consequently, the Baltic Main List of the Nasdaq Tallinn Stock Exchange, as well as Nasdaq Tallinn Stock Exchange in general, is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The relatively small market capitalisation and low liquidity of the Nasdaq Tallinn Stock Exchange may impair the ability of shareholders to sell the Shares on the Nasdaq Tallinn Stock Exchange, or could increase the volatility of the price of the Shares. The delisting of any of the large companies listed on the Nasdaq Tallinn Stock Exchange would be likely to have a negative effect on the market capitalisation and liquidity of the Nasdaq Tallinn Stock Exchange as a whole. Since the Nasdaq Tallinn Stock Exchange is characterised by relatively low investor activity, the impact of individual transactions on the market price of securities may be significant. Lower investor activity may lead to wider spreads between the bid and ask prices and a correspondingly lower liquidity of traded securities.

Payment of Dividends. The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends. The Management's recommendations for the distribution of profit will be based on financial performance, capital adequacy requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders.

Dilution. The proportion of shareholding held by the Shareholders in the Company may be diluted if the share capital of the Company is increased and new Shares are issued in the future. In the future there may be a need to increase the share capital of the Company and issue new Shares in order to engage additional capital into the Company. Pursuant to the Estonian Commercial Code, existing shareholders of a public limited company have, upon the increase of the share capital of the company and the issue of the new shares of the company, the preferential right to subscribe for such new shares of the company proportionally to their existing shareholding in the company. Such preferential right can; however, be excluded by the respective resolution of the General Meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the General Meeting of shareholders. Therefore, there can be no assurance that the Shareholders will be entitled to subscribe for the new Shares, which may be issued in the future and therefore the proportion of their shareholding in the Company may decrease in the future.

Lack of Adequate Analyst Coverage. There is no guarantee of continued analyst research coverage for the Company. Over time, the amount of third party research available in respect of the Company may increase or decrease with little or no correlation with the actual results of its operations as Company has no influence on the analysts who prepare such reports. Negative or insufficient third party reports would be likely to have an adverse effect on the market price and the trading volume of Shares.

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4. TERMS AND CONDITIONS OF OFFERING

4.1. Offering

In the course of the Offering, altogether up to 2,000,000 Offer Shares are being offered to retail and institutional investors in Estonia (the **Retail Offering**). In addition to the Retail Offering the Offer Shares may be offered to institutional investors outside Estonia (the **Institutional Offering**); however, the Institutional Offering will be carried out under a separate offering circular and this Prospectus relates only to the Retail Offering.

The Offering will involve the issue of new Shares in a volume corresponding to the number of the Offer Shares subscribed for in the course of the Offering and allocated to investors in accordance with the terms described in this Section “Terms and Conditions of Offering”. In order to conduct the Offering and issue the respective amount of new Shares, conditional increase of share capital of the Company is placed into the agenda of the General Meeting of shareholders to be held on 20 April 2016. Provided that the respective resolution is adopted by the General Meeting of shareholders, the Management shall be authorised to issue up to 2,000,000 new Shares to conduct the Offering. According to the proposal made by the Supervisory Board, the shareholders of the Company participating at the General Meeting to be held on 20 April 2016 are invited to vote in favour of excluding the preferential right to subscribe for such new shares for the purposes of conducting the Offering (please see Section “Rights of Shareholders” for further details on the preferential right to subscribe for new shares). Such issue of new Shares is expected to be registered in the Estonian Commercial Register on or about 23 May 2016. Once the increase of share capital and the issue of the new Shares has been registered with the Estonian Commercial Register, the new Shares will rank equally with all the outstanding shares of the Company.

The division of the Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined and will be determined by the Company in accordance with the principles described in Section “Distribution and Allocation” below. The total amount of Offer Shares may decrease in case any part of the Offering is cancelled – please see the Section “Cancellation of Offering” for further details.

4.2. Right to Participate in Offering

The Retail Offering is directed to all retail and institutional investors in Estonia. For the purposes of the Offering, a natural person is considered to be “in Estonia” if such person has a securities account with the ECRS and such person’s address recorded in the ECRS records in connection with such person’s securities account is located in Estonia. A legal person is considered to be “in Estonia” if such person has a securities account with the ECRS and such person’s address recorded in the ECRS records in connection with such person’s securities account is located in Estonia or its registration code recorded in the ECRS records is the registration code of the Estonian Commercial Register.

4.3. Offer Price

The Offer Price is EUR 6.95 per one Offer Share, of which EUR 1 is the nominal value of one Offer Share and EUR 5.95 is the issue premium. The Offer Price will be the same in the Institutional Offering and in the Retail Offering.

4.4. Offering Period

The Offering Period is the period during which the persons who have the right to participate in the Retail Offering may submit Subscription Undertakings (please see Section “Subscription Undertakings” for further details) for the Offer Shares. The Offering Period commences on 2 May 2016 at 09.00 local time in Estonia and terminates on 16 May 2016 at 17.00 local time in Estonia.

4.5. Subscription Undertakings

The Subscription Undertakings may be submitted only during the Offering Period. An investor participating in the Retail Offering may apply to subscribe for the Offer Shares only for the Offer Price. Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in euro. An investor shall bear all costs and fees charged by the respective custodian of the ECRS accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking.

In order to subscribe for the Offer Shares, an investor must have a securities account with the ECRS. Such securities account may be opened through any custodian of the ECRS. As of the date hereof, the following banks and investment firms operate as custodians of the ECRS:

(i) AS LHV Pank;

(ii) AS Swedbank;

(iii) AS SEB Pank;

(iv) Nordea Bank AB Estonian branch;

(v) Danske Bank A/S Estonian branch;

(vi) AS Eesti Krediidipank;

(vii) Tallinna Äripanga AS;

(viii) AS Citadele banka; and

(ix) Versobank AS.

An investor wishing to subscribe for the Offer Shares should contact a custodian that operates such investor's ECRS securities account and submit a Subscription Undertaking for the purchase of Offer Shares in the form set out below. The Subscription Undertaking must be submitted to the custodian by the end of the Offering Period. The investor may use any method that such investor's custodian offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the custodian, over the internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
Custodian:	name of the investor's custodian
Security:	LHV Group share
ISIN code:	EE3100073644
Amount of securities:	the number of Offer Shares for which the investor wishes to subscribe
Price (per one offer Share):	EUR 6.95
Transaction amount:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty:	AS LHV Group

Securities account of counterparty:	99100539709
Custodian of the counterparty:	AS LHV Pank
Value date of the transaction:	20 May 2016
Type of transaction:	“purchase”
Type of settlement:	“delivery versus payment”

An investor may submit a Subscription Undertaking through a nominee account only if such investor authorises the owner of the nominee account to disclose the investor’s identity to the registrar of the ECRS in writing. The Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to the registrar of the ECRS in writing. Among other information it is also requested to disclose a permanent address and personal identification code in case of a natural person or a registration address for a legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorised (in the form required by law) to submit the Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment the registrar of the ECRS receives a duly completed transaction instruction from the custodian of the respective investor.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings, which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Offering Period in accordance with all requirements set out in these terms and conditions.

By submitting a Subscription Undertaking every investor:

(i) accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor’s acquisition of any Offer Shares;

(ii) acknowledges that the Retail Offering does not constitute an offer of the Offer Shares by the Company in legal terms or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Offer Shares nor result in a contract for the sale of Offer Shares between the Company and the investor;

(iii) accepts that the number of the Offer Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of the Offer Shares, which the investor wishes to acquire (the **Maximum Amount**) and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (please see Section “Distribution and Allocation”);

(iv) undertakes to acquire and pay for any number of Offer Shares allocated to it in accordance with these terms and conditions, up to the Maximum Amount;

(v) authorises and instructs its custodian to forward the registered transaction instruction to the registrar of the ECRS;

(vi) authorises the custodian and the registrar of the ECRS to amend the information contained in the investor’s transaction instruction, including (a) to specify the value date of the transaction and (b) to specify the number of the Offer Shares to be purchased by the investor and the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor.

An investor may amend or cancel a Subscription Undertaking at any time before the expiry of the Offering Period. To do so, the investor must contact its custodian through whom the Subscription Undertaking in question has been made, and carry out the procedures required by the custodian for amending or cancelling a Subscription Undertaking (such procedures may differ between different custodians).

4.6. Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its securities account (which may or may not also be the investor's custodian) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Subscription Price multiplied by the Maximum Amount. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its ECRS securities account or its securities account to cover the whole transaction amount for that particular Subscription Undertaking.

4.7. Distribution and Allocation

The Company will decide on the allocation of the Offer Shares after the expiry of the Offering Period, and no later than on 18 May 2016. The Offer Shares will be allocated to the investors participating in the Offering in accordance with the following principles:

(i) under the same circumstances, all investors shall be treated equally, whereas dependant on the number of investors and interest towards the Offering, the Company may set minimum and maximum number of the Offer Shares allocated to one investor; which will apply equally to both – the investors participating in the Institutional Offering and the investors participating in the Retail Offering;

(ii) the allocation shall be aimed to create a solid and reliable investor base for the Company;

(iii) the Company shall be entitled to prefer Estonian investors to foreign investors who may participate in the Institutional Offering;

(iv) the Company shall be entitled to prefer its existing shareholders and bondholders of the Company to other investors; and

(v) the Company shall be entitled to prefer the clients of LHV Pank and LHV Varahaldus to other investors.

Upon over-subscription of the Offering, the number of the Offer Shares will remain the same (altogether 2,000,000 Shares), which will be allocated to the investors participating in the Offering in accordance with the principles described in this Section "Distribution and Allocation". The funds blocked on the investor's account will be returned in the amount corresponding to the Offer Price multiplied by the number of Shares not allocated to the specific investor as described in Section "Return of Funds". Upon under-subscription of the Offering, the Company shall be entitled to cancel the Offering in the part not subscribed for in the course of the Offering as described in Section "Cancellation of Offering" below. The Offer Shares subscribed for will be allocated to the investors participating in the Offering in accordance with the principles described in this Section "Distribution and Allocation".

The Company expects to announce the results of the allocation process through the information system of the Nasdaq Tallinn Stock Exchange and at the Company's website www.lhv.ee/en/for-investors/ no later than on 18 May 2016.

4.8. Settlement and Trading

The Offer Shares allocated to investors will be transferred to their securities accounts on or about 20 May 2016 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares.

If an investor has submitted several Subscription Undertakings through several securities accounts belonging to it, the Offer Shares allocated to such investor are transferred to such investor's securities accounts proportionally with the respective securities amounts set out in such investor's Subscription Undertakings. The number of the Offer Shares to be transferred to each securities account may be rounded up or down, as necessary, in order to ensure that a whole number of Offer Shares is transferred to each securities account. If the transfer cannot be completed due to the lack of sufficient funds on the investor's cash account, the Subscription Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.

Trading with the Offer Shares is expected to commence on the Nasdaq Tallinn Stock Exchange on or about 23 May 2016.

4.9. Return of Funds

If the Offering or a part thereof is cancelled in accordance with the terms and conditions described in this Prospectus, if the investor's Subscription Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor's cash account, or a part thereof (the amount in excess of payment for the allocated Offer Shares), will be released by the respective custodian on or about 20 May 2016. The Company shall not be liable for the release of the respective amount and for the payment of interest on the released amount for the time it was blocked.

4.10. Cancellation of Offering

The Company has the right to cancel the Offering in full if the resolution on conditional increase of share capital is not adopted by the General Meeting as described in Section "Offering". In addition to other cancellation rights, the Company has reserved the right to cancel the Offering in the part not subscribed for in the course of the Offering. Any cancellation of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and at the Company's website www.lhv.ee/en/for-investors/. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated at the moment when such announcement is made public.

4.11. Conflicts of Interests

According to the knowledge of the Management, there are no personal interests of the persons involved in the Offering material to the Offering. The Management is unaware of any conflicts of interests related to the Offering.

4.12. Dilution

As at the date of this Prospectus, the number of the Shares of the Company is 23,356,005. The amount of the Offer Shares is up to 2,000,000. Therefore, the number of the Shares of the Company after the successful registration of the increase of the share capital of the Company will be up to 25,356,005, provided; however, that the number of the Offer Shares is not changed in accordance with the terms and conditions described in the Section "Cancellation of Offering". Therefore, the shareholdings in the Company prior to the Offering will be diluted by up to 8.5631% as a result of the Offering, unless a

Shareholder subscribes for and is allocated the number of Shares corresponding to the proportion of its shareholding in the course of the Offering.

5. REASONS FOR OFFERING AND USE OF PROCEEDS

Provided that the Offering is successful and that all the Offer Shares (altogether 2,000,000 Shares) are subscribed for and issued by the Company, the expected amount of gross proceeds of the Offering is EUR 13.9 million. Expenses directly related to the Offering are estimated to be approximately EUR 200,000, whereas EUR 100,000 is estimated to be legal and audit expenses and EUR 100,000 communication and marketing expenses. Therefore, the net proceeds of the Offering are expected to be EUR 13.7 million.

The purpose of the Offering is to strengthen the capital structure of the Group. The proceeds from the Offering will be used for the general corporate purposes to support the further growth and market position of the Group, increase the business volumes of the Group and ensure conservative capital buffer for the Group companies. During 2016, the Company intends to further increase the own funds of LHV Pank. Based on the existing business plan and the Management's assumptions of the organic growth of the operations of the Group companies, LHV Pank, LHV Varahaldus and Mokilizingas will not need additional increase of own funds from 2017.

As described in Section "Investments" below, on 29 January 2016, AS LHV Varahaldus entered into a share purchase agreement with Danske Bank A/S and Danske Bank A/S Eesti Estonian branch pursuant to which LHV Varahaldus agreed to purchase 100% of the shares of Danske Capital AS. The finalisation of the transaction is subject to the approval of the FSA and the Estonian Competition Authority. The transaction is expected to be closed and the 100% shareholding in Danske Capital AS acquired during the first half-year of 2016. The purchase price payable for the shares will be fixed upon the closing of the transaction. It is the intention of the Group to finalise the transaction referred to above despite the success of the Offering and the proceeds received from the Offering. Nevertheless, the Group has developed an alternative growth strategy and limited capital plan, which will be used if the proceeds of the Offering are materially different than those expected and described above. The referred alternative growth strategy and limited capital plan includes the elements of engaging additional capital from alternative sources and limiting the growth of the Group's operations. The alternative strategy and plan ensures full compliance with the applicable capital adequacy requirements.

AS LHV GROUP TARTU MNT 2, 10145 TALLINN 6 802 670 INFO@LHV.EE LHV.EE

6. DIVIDEND POLICY

The Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2016 and for the subsequent financial years. The Company cannot ensure that dividends will be paid in the future, or if dividends will be paid, how much they will amount to. Resolving the payment of dividends is in the competence of the General Meeting. The payment by the Company of any future dividends and the amount thereof will depend on the Company's results of operations, financial condition, capital requirements, future prospects and other aspects.

The Management is expecting the Company to start paying dividends to the shareholders of the Company on an annual basis from 2017. The operations of the Group have been constantly growing over the years and been subject to rapid expansion. Such high growth and rapid expansion has resulted in the Group companies consuming more capital that they have generated internally. Such a capital deficit has been covered by engaging additional capital by increasing the share capital of the Company and issuing new Shares as well as issuing of debt instruments (bonds). Although the Management is expecting to continue the relatively high growth of the operations of the Group also over the upcoming years, the business of the Group is maturing and therefore the Management is expecting the growth rates to decrease gradually, which in turn is expected to result in the growth of internally generated capital. Given the regulated nature of the operations of the Group, the Group must ensure to stay sufficiently capitalised (including to meet the applicable capital adequacy requirements) and liquid, including maintaining adequate liquidity buffers to correspond to general risk level of operations of the Group and business segments where the Group companies operate.

According to the Company's dividend policy as approved by the Supervisory Board on 16 March 2016 and placed into the agenda of the General Meeting to be held on 20 April 2016, it is the intention of the Company to distribute profit and pay dividends to shareholders in the ratio of at least 25% of the profit before taxes. Such dividend policy is planned to be followed, provided that the operating needs of the Group as determined by the Supervisory Board are covered and that after the distribution of profit all Group companies comply with all internal and external capital and liquidity requirements in full. The Company reserves itself a right to reduce the amount of profit distributed and dividends paid or not to distribute profit and pay dividends if there is a credible investment opportunity, which is expected to result in significant increase of the value of the Group in a long-term perspective.

During the period covered by the Financial Statements, no profit has been distributed or dividends paid to the Shareholders.

7. GENERAL CORPORATE INFORMATION AND ARTICLES OF ASSOCIATION

7.1. General Corporate Information

The business name of the Company is AS LHV Group. The Company was registered in the Estonian Commercial Register on 21 January 2005 under the register code 11098261. The Company has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *aktsiaselts* or *AS*) and is established for an indefinite term.

The contact details of the Company are the following:

Address: Tartu mnt 2, 10145 Tallinn, Estonia

Phone: +372 6 800 400

Fax: +372 6 800 410

E-mail: lhv@lhv.ee

According to the latest available annual report of the Company, i.e. the annual report for the financial year ended on 31 December 2015, the field of activity of the Company was “activities of holding companies” (EMTAK[4] 64201). The consolidated fields of activity of the Group were “security and commodity contracts brokerage” (EMTAK 66121), “credit institutions (banks, granting loans)” (EMTAK 64191), “finance lease” (EMTAK 64911) and “fund management” (EMTAK 66301).

7.2. Articles of Association

The latest version of the Articles of Association of the Company was adopted by the respective resolution of the General Meeting of shareholders of the Company, dated 21 May 2014. The main terms of the Articles of Association of the Company are the following:

(i) the minimum amount of the share capital of the Company is EUR 15,000,000 and the maximum amount of the share capital of the Company is EUR 60,000,000, whereas the share capital of the Company may be increased and decreased within the minimum and maximum amount of the share capital without amending the currently effective version of the Articles of Association of the Company;

(ii) the Company has one type of shares only. The nominal value of the ordinary share of the Company is EUR 1 and each share grants the shareholder one vote at the General Meeting of shareholders;

(iii) the Shares may be paid in by monetary or non-monetary contribution into the share capital as determined by the General Meeting of shareholders of the Company;

(iv) the Shares are freely transferrable and may be pledged in accordance with applicable law;

(v) the Company may issue convertible bonds;

(vi) the Supervisory Board comprises of five to seven members elected for a period of three years; only persons with sufficient knowledge and professional experience for the position of a member of the Supervisory Board may be elected as members of the Supervisory Board; the Articles of Association

[4] EMTAK (the Estonian Classification of Economic Activities) is the basis for determining the fields of activity of Estonian companies. EMTAK is the national version of the international harmonised NACE classification. As of 1 January 2007, the Estonian companies are, instead of providing their fields of activity in the Articles of Association, required to report them in their annual reports using EMTAK classification.

further specify the persons who may not be appointed to the Supervisory Board and such persons are (i) members of management bodies of companies competing with the Company or with a Group company, members of audit committees or other committees of a credit institution, or auditors, except for intra-group positions; (ii) persons subject to restrictions on acting as a member of Supervisory Board or as an entrepreneur, imposed by a competent court; (iii) persons whose wrongful action or failure to act has, according to a ruling of a competent court, caused damage to a legal entity, resulted in a bankruptcy of a legal entity or the revocation of an activity license or a permit issued to a legal entity; (iv) persons who have committed a criminal offence in the field of economic activity or related to acting within a professional relationship, or an offence against property;

(vii) the Supervisory Board resolves the appointment and recalling of the members of the Management Board and determines the strategy, general activity plan, risk management principles and annual budget of the Company and exercises regular supervision over the compliance with them; the Supervisory Board adopts resolutions in matters not placed into the competence of the General Meeting of shareholders of the Company and falling outside the everyday economic activities of the Company;

(viii) the Supervisory Board is entitled to establish committees and determine the existence, duties and role thereof within the corporate structure of the Company; the Supervisory Board establishes the audit committee and determines the rules of procedure thereof;

(ix) the Management Board comprises of one to five members elected for a period of five years, whereas the Articles of Association provide joint representation right of the members of the Management Board – the Company may be represented by the Chairman of the Management Board acting alone (if there is more than one member in the Management Board) or two members of the Management Board acting jointly;

(x) the financial year of the Company is the calendar year.

8. SHARE CAPITAL, SHARES AND OWNERSHIP STRUCTURE

8.1. Share Capital and Shares

The current registered and fully paid-in share capital of the Company is EUR 23,356,005, which is divided into 23,356,005 ordinary shares of the Company (the Shares) with the nominal value of EUR 1. The Shares are registered in the ECRS under ISIN code EE3100073644 and kept in book-entry form.

The Shares are governed by the laws of the Republic of Estonia.

The Shares are not listed or admitted to trading on any regulated market.

The Shares are freely transferrable.

During the period covered by the Financial Statements, the share capital of the Company has been altered as follows:

Date of Registration	New Amount of Share Capital	Number of New Shares Issued
13 March 2013	EUR 18,581,638	1,200,000
5 July 2013	EUR 19,014,976	433,338
16 July 2013	EUR 19,202,669	187,693
3 July 2014	EUR 22,702,669	3,500,000
9 July 2014	EUR 23,329,338	626,669
11 July 2014	EUR 23,356,005	26,667

8.2. Shareholders of Company

As at the date of this Prospectus, the Shareholders holding over 5% of all Shares in the Company are the following:

Name of Shareholder	Number of Shares	Proportion
AS Lõhmus Holdings (a company under the control of Mr Rain Lõhmus, the Chairman of the Supervisory Board of the Company)	3,357,920	14.4%
Mr Rain Lõhmus	2,938,367	12.6%
Mr Andres Viisemann	1,637,897	7.0%
Ambient Sound Investments OÜ	1,418,000	6.1%
OÜ Krenno (a company under the control of Mrs Mai Kaarepere)	1,210,215	5.2%

The founders of the Group – Mr Rain Lõhmus and Mr Andres Viisemann hold, directly and indirectly through related parties, altogether approximately 38.6% of all the Shares, whereas approximately 28% of the Shares are held by Mr Rain Lõhmus and 10.6% by Mr Andres Viisemann.

The Management is as at the date of this Prospectus not aware of any arrangements or circumstances, which may at a subsequent date result in a change in control over the Company.

The major Shareholders of the Company do not have voting rights different than those described in Section “Rights of Shareholders” below.

8.3. Rights of Shareholders

Introductory Remarks. This Section "Rights of Shareholders" aims to provide general overview of the rights of shareholders arising from Estonian law applicable in respect of the Shareholders of the Company.

Right to Participate in Corporate Governance. The shareholders of a public limited company are entitled to take part in the corporate governance of such company through the general meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as the amendment of the articles of association, the increase and decrease of the share capital, the issue of convertible bonds, the election and removal of the members of the supervisory board and the auditor, the approval of annual reports and the distribution of profit, the dissolution, merger, division or transformation of the company, and certain other matters. The general meeting of shareholders is the highest governing body of a public limited company.

The ordinary general meeting of shareholders must be held once a year pursuant to the procedure and at the time set forth by the law and the articles of association. Despite the fact that according to the Estonian Commercial Code the ordinary general meeting of shareholders must be held within six months as from the end of a financial year, the Estonian Securities Market Act specifies that the audited annual report of a listed and publicly traded company must be made public within four months as from the end of a financial year. According to the Estonian Commercial Code, before the ordinary general meeting of shareholders is held, the supervisory board must review the annual report and provide the general meeting of shareholders with a written report on the annual report, indicating whether the supervisory board approves the report or not but also providing information on how the supervisory board has organised and supervised the activities of the management of a public limited company in the respective year. In practice, the referred report is made available together with the notice on convening the general meeting of shareholders.

An extraordinary general meeting of shareholders must be convened in the cases set forth in the articles of association of a public limited company but also: (i) in the event where the net equity of the company decreases below the legally required minimum level, or (ii) if shareholders representing at least 1/20 of the share capital of a public limited company listed and admitted to trading on a regulated market, the supervisory board, or the auditor request that a meeting is convened or (iii) if the meeting is required in the interests of the company. The Articles of Association of the Company do not include any deviation from the applicable law with respect to when the General Meeting of shareholders needs to be convened. If the management board of a public limited company fails to convene the extraordinary general meeting within one month after the receipt of the relevant request from shareholders (or from the supervisory board or from the auditor), the shareholders (or, respectively, the supervisory board or the auditor) have the right to convene the meeting themselves.

The notice of an upcoming general meeting of shareholders must be published and disclosed to shareholders three weeks in advance. The notice on convening the general meeting of shareholders must be published in at least one national daily newspaper in Estonia and, for issuers of listed instruments, through the information system of the Nasdaq Tallinn Stock Exchange. If there is a material breach of the requirements of convening a general meeting of shareholders, such meeting does not have the capacity to adopt resolutions, except if all the shareholders participate at the meeting.

As a rule, the agenda of a general meeting of shareholders is determined by the supervisory board. However, if the meeting is convened by the shareholders or by the auditor, the agenda is determined by them. Furthermore, the management board or the shareholders whose shares represent at least 1/20 of the share capital of a public limited company listed and admitted to trading on a regulated market may demand the inclusion of a certain item into the agenda. An item which is initially not on the agenda of a general meeting of shareholders may be included in the agenda upon the consent of at least 9/10 of the shareholders who participate at the meeting if their shares represent at least 2/3 of the share capital of such company.

A general meeting of shareholders of a public limited company is capable of passing resolutions if more than 1/2 of the votes represented by all shares held by shareholders are present at the meeting. If this quorum requirement is not met, the management board is required to convene a new meeting not more than three weeks but not less than seven days after the date of the initial meeting. There are no quorum requirements for the newly convened general meetings of shareholders convened in such a manner.

Only those shareholders are eligible to attend and vote at a general meeting of shareholders who were on the list of shareholders as of the date falling seven calendar days before the meeting.

As a rule, the resolutions of a general meeting of shareholders require the affirmative vote of the majority of the votes represented at the meeting. Certain resolutions, such as amending the articles of association, increasing or decreasing the share capital, resolutions relating to a merger or liquidation of the company, etc., require a qualified majority of 2/3 of the votes represented at the meeting of shareholders. In addition to such resolutions, there are resolutions which require an even higher rate of affirmative votes of shareholders, such as excluding the shareholders' preferential right to subscribe for new shares upon an increase of the share capital, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders, and squeeze-out of minority shares, which requires the affirmative vote of 95/100 of the votes represented at the general meeting of shareholders. Higher quorum and voting requirements compared to the ones described herein may be stipulated by the articles of association of a public limited company. The quorum and voting requirements set forth by the Articles of Association of the Company do not deviate from the ones set forth by the applicable law.

Right to Information. Pursuant to the Estonian Commercial Code, the shareholders of a public limited company have the right to receive information on the activities of the company from the management board at the general meetings of shareholders. However, management board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the company. In the event the management board refuses to give information, shareholders may require the general meeting of shareholders to decide on the legality of such refusal or submit a respective claim to the competent court.

Right to Subscribe for New Shares. Pursuant to the Estonian Commercial Code, existing shareholders of a public limited company have, upon the increase of the share capital of the company and the issue of the new shares of the company, the preferential right to subscribe for such new shares of the company proportionally to their existing shareholding in the company. Such preferential right can be excluded by the respective resolution of the general meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders.

Right to Dividends. All shareholders of a public limited company have the right to participate in the distribution of profit of the company and have the right to receive dividends proportionally to their shareholding in the company. Resolving the distribution of profit and the payment of dividends is in the competence of the general meeting of shareholders. The resolution of the distribution of profit and the payment of dividends is adopted on the basis of the approved annual report for the preceding financial year, whereas the management board is under the obligation to make a proposal for the distribution of profit and the payment of dividends in the annual report or in a separate document accompanying the annual report, whereas such a proposal of the management board is subject to a review by supervisory board, which is in turn entitled to introduce amendments to the proposal. The resolution on the distribution of profit and on the payment of dividends must include the following information – (i) the amount of net profit; (ii) the payments into statutory capital reserve; (iii) the payments into other reserves if such exist according to the applicable law or the articles of association (which is not the case for the Company); (iv) the amount of profit being distributed among shareholders; and (v) using the profit for other purposes, if applicable. Shareholders who are entitled to participate in the distribution of profit and receive dividends shall be determined on the basis of the list of shareholders as maintained by the ECRS, which is fixed on the date determined by the general meeting of shareholders resolving the distribution of profit, whereas in respect of companies listed on the Nasdaq Tallinn Stock Exchange, such date may not occur earlier than on the tenth trading day after the general meeting of shareholders. While distributing profit and making dividend payments to shareholders, a public limited company is under the obligation to treat all shareholders equally.

8.4. Shareholders' Agreements

According to the Management's knowledge, there are no shareholders' agreements executed between the Shareholders in respect of their shareholdings in the Company.

8.5. Management and Key Employees Share Option Program

On 29 April 2015, the ordinary General Meeting of the shareholders of the Company resolved to approve the management and key employees share option program. The main purpose of the share option program is to align the long-term interests of the members of the management bodies and key employees of the Company and the Group with the long-term interests of the Shareholders. The share option program was approved for the term of 5 years. The volume of the program is up to 2% of the total number of Shares per one calendar year. The determination of the persons eligible to participate in the program and the number of options granted to such persons was placed into the competence of the Supervisory Board upon a proposal made by the Remuneration Committee (please see Section "Remuneration Committee" for further details).

The main terms under which the options are granted to the members of the management and key employees are the following:

(i) options are granted for certain number of Shares and such number is not subject to change upon an increase or decrease of the share capital of the Company (i.e. no anti-dilution protection is granted);

(ii) option price is determined in accordance with the Black-Scholes model, whereas the input for the option price calculation is determined by the Supervisory Board;

(iii) option is granted with the term of three years to enjoy the benefits arising from the tax exemption applicable in respect of similar programs (according to the Estonian tax laws, no income or social tax obligations arise from the exercise of employee options granted with the term of at least three years, whereas for the purposes of the tax exemption, the members of the management bodies are also considered employees);

(iv) options are granted personally to the members of management bodies and employees and options may not be exchanged, transferred, pledged or otherwise disposed or encumbered; options are inheritable;

(v) the exercise of the options and the issue of new Shares corresponding to the options is carried out by the increase of the share capital of the Company and by the issue of new Shares, which is subject to relevant affirmative resolution of the General Meeting of shareholders;

(vi) the Company has retained a right to refuse to exercise options on the following grounds – (i) the General Meeting of shareholders does not adopt relevant resolution on the share capital increase; (ii) option holder's professional relationship with relevant Group company is terminated upon the initiative of the option holder or due to reasons arising from the option holder; (iii) the results of operations of the Company or a relevant Group company have significantly deteriorated, if compared to previous period; (iv) the option holder fails to comply with objectives set for his/ her position or fails to comply with the requirements applicable in respect of a member of management or employee of a credit institution; (v) the Company or relevant Group company fails to comply with applicable prudential standards or the risks of the relevant company are not adequately covered with own resources; (vi) the option is granted relying on data, which turns out to be materially inaccurate or false;

(vii) the option program is implemented in accordance with applicable requirements and restrictions, including the restrictions arising from the Estonian Credit Institutions Act.

By the date of this Prospectus, the Company has granted options to altogether 960,257 Shares. The option price for altogether 411,337 options granted in 2014 is EUR 1.5 per one Share (of which EUR 1 is the nominal value of the Share and EUR 0.5 the issue premium); the option price for altogether 278,598 options granted in 2015 is EUR 2.4 (of which EUR 1 is the nominal value of the Share and EUR 1.4 the issue premium) and the option price for altogether 270,322 options granted in 2016 is EUR 3 (of which EUR 1 is the nominal value of the Share and EUR 2 the issue premium).

In relation to the audited consolidated annual report of the Company for the financial year ended on 31 December 2015 it needs to be clarified that in the English translation of Note 22 there exists a discrepancy with the Estonian text. The first sentence of the last paragraph of the left column on page 81 should read as follows: "In addition the Supervisory Board has approved the share options in 2016 in the amount of 826 thousand euro with exercise period 01 May 2019 - 31 July 2019.

8.6. Other Instruments

The Company has issued subordinated bonds (the subordinated bonds 20.06.2024 issued by the Management Board on 20 June 2014 and registered in the ECRS under ISIN code EE3300110550 and subordinated bonds 29.10.2025 issued by the Management Board on 21 September 2015 and registered in the ECRS under ISIN code EE3300110741).

The nominal value of the subordinated bonds 20.06.2024 is EUR 50,000 and they carry an annual coupon interest at a rate of 7.25% per annum, calculated from the date of issue of the Bonds 20.06.2024, i.e. 20 June 2014, until the date of redemption. The maturity date of the Bonds 20.06.2024 is 20 June 2024. As at the date of this Prospectus, there are altogether 318 subordinated bonds 20.06.2024 issued and outstanding.

The nominal value of the subordinated bonds 29.10.2025 is EUR 1,000 and they carry an annual coupon interest at the rate of 6.5% per annum, calculated from the date of issue of the Bonds 29.10.2025, i.e. 29 October 2015, until the date of redemption. The maturity date of the Bonds 29.10.2025 is 29 October 2025. As at the date of this Prospectus, there are altogether 15,000 subordinated bonds 29.10.2025 issued and outstanding.

In October 2015, the Company carried out public offering of the subordinated bonds 29.10.2025, which was followed by the listing and admission to trading of both, the subordinated bonds 20.06.2024 and the subordinated bonds 29.10.2025, in the Baltic Bond List of the Nasdaq Tallinn Stock Exchange on 5 October 2015. In connection with public offering of the subordinated bonds 29.10.2025 and the listing and admission to trading of the subordinated bonds 20.06.2024, the Company drew up and published a public offering, listing and admission to trading prospectus, available for inspection at https://www.lhv.ee/en/for-investors/bonds/?l3=en.

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9. MANAGEMENT

9.1. Management Structure

In accordance with the Estonian law, the operational management of the Company is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is authorised to represent the Company based on the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and for supervising the activities of the Management Board.

The address of operations of the Management Board and the Supervisory Board is the registered address of the Company - Tartu mnt 2, 10145 Tallinn, Estonia.

9.2. Management Board

Role. The Management Board of the Company is responsible for the day-to-day management of the Company's operations, the representation of the Company and for organising its accounting. Further, according to the Estonian Commercial Code, it is the obligation of the Management Board to draft the annual reports and submit the reports to the Supervisory Board for review and to the General Meeting of shareholders for approval. The Management Board is accountable to the Supervisory Board and must adhere to its lawful instructions.

Duties. The Management Board must present an overview of the economic activities and economic situation of the Company to the Supervisory Board at least once every three months and is under the obligation to give immediate notice of any material deterioration of the economic condition of the Company or of any other material circumstances related to its operations. If the Company is insolvent and the insolvency, due to the Company's financial situation, is not temporary, the Management Board must immediately submit a voluntary bankruptcy petition in respect of the Company.

The Management Board may enter into transactions that lie outside the Company's ordinary scope of business only with the consent of the Supervisory Board. According to the Articles of Association, the consent of the Supervisory Board is required for the following transactions:

(i) approval of annual business plan and budget;

(ii) approval of annual report and amendment of the proposal on the division of profit made by the Management Board;

(iii) acquisition or disposal of shareholdings in other entities;

(iv) resolving establishment or dissolution of a subsidiary of the Company;

(v) acquisition, disposal of an enterprise or termination of the operations thereof;

(vi) transfer or encumbering of real estate or registered property;

(vii) establishment or liquidation of a foreign branch;

(viii) making investments in the amount exceeding the budget for the respective financial year;

(ix) taking loans or assuming debt obligations in the amount exceeding the budget for the respective financial year;

(x) granting loans or securing debt obligations not within the Company's ordinary scope of business;

(xi) appointing and recalling a procurator;

(xii) appointing and recalling the members of the Management Board; appointing the Chairman of the Management Board;

(xiii) determining the duties of the members of the Management Board, exercising supervision over the activities of the Management Board and determining the principles of remunerating the work of the Management Board;

(xiv) resolving the execution of a transaction with a member of the Management Board, determining the terms of such a transaction, resolving the initiation of a legal dispute against a member of the Management Board, and determining the representative of the Company in such a transaction or a legal dispute;

(xv) resolving the execution of a transaction with a shareholder of the Company, determining the terms of such a transaction, resolving the initiation of a legal dispute against a shareholder of the Company, and determining the representative of the Company in such a transaction or a legal dispute;

(xvi) appointing and recalling the members of the management bodies formed by the Supervisory Board, determining the work procedure rules of such bodies, unless the applicable law sets forth different requirements;

(xvii) resolving other matters placed into the competence of the Supervisory Board by the applicable law or the Articles of Association.

The work procedure rules, representation rights, restrictions and limitations on executing transactions in the name and on behalf of the Company, as well as the liability of the members of the Management Board are further specified by the Rules of Procedure of the Management Board approved by the resolution of the Management Board on 21 May 2014.

Members of Management Board. According to the Articles of Association, the Management Board comprises of one to five members who are appointed by the Supervisory Board for a term of five years. The Supervisory Board has decided to appoint one member of the Management Board – Mr Erkki Raasuke. The authorities of Mr Erkki Raasuke as the member of the Management Board commenced on 27 September 2013 and will remain valid until 23 September 2018.

Mr Erkki Raasuke. Mr Raasuke was born in 1971. Mr Raasuke was awarded a degree in economics from the Tallinn Technical University in 1994. In 2005, he participated in the Advanced Management Program in one of the world's leading and largest graduate business schools INSEAD. Between 1994 and 2011 he worked for AS Swedbank (Estonia) and AB Swedbank (Sweden) holding different positions, whereas between 2005 and 2009 he served as the Chairman of the Management Board of AS Swedbank and from 2009 to 2011 as the CFO of AB Swedbank. From 2012 to 2013 Mr Raasuke served as an advisor to the Minister of Economic Affairs and Communications. Within the Group, in addition to holding the position of the Chairman of the Management Board of the Company, Mr Raasuke is the Chairman of the supervisory board of LHV Pank, LHV Varahaldus and Mokilizingas. Mr Raasuke is also a member of the supervisory board of AS TREV-2 Group, Eesti Energia AS and EfTEN Kinnisvarafond AS. Mr Raasuke also acts as the member of the Management Board of non-profit organisations MTÜ Soela Sadama Selts and the Estonian Cyclists Union. Previously he has also held the position of the member of the supervisory board of Swedbank AS and the position of the Chairman of the bupervisory board of AS Estonian Air.

9.3. Supervisory Board

Role. In accordance with the Estonian Commercial Code, the Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The Supervisory Board is accountable to the Shareholders of the Company (acting through the General Meeting).

Duties. In accordance with the Estonian Commercial Code, before the ordinary General Meeting of shareholders is held, the Supervisory Board must review the annual report and provide the General

Meeting of shareholders with a written report on the annual report, indicating whether the Supervisory Board approves the report and also providing information on how the Supervisory Board has organised and supervised the activities of the Company during the year. In practice, the referred report is made available along with the notice on convening the General Meeting of shareholders. The duties of the Supervisory Board members, as well as restrictions on serving as a member of the Supervisory Board and the work procedure of the Supervisory Board are further specified with the Rules of Procedure of the Supervisory Board approved by the Supervisory Board on 21 May 2015. The main purposes of establishing the Rules of Procedure were to ensure effective avoidance of conflicts of interests and to specify the work procedure of the Supervisory Board.

Members of Supervisory Board. According to the Articles of Association of the Company, the Supervisory Board consists of five to seven members who are appointed by the General Meeting of shareholders for a period of three years. The members of the Supervisory Board elect among themselves a Chairman of the Supervisory Board who is responsible for organising the activities of the Supervisory Board. The Articles of Association stipulate, that only persons with sufficient knowledge and experience may be appointed to the Supervisory Board. According to the Articles of Association, meetings of the Supervisory Board are as a general rule held once a month or according to the actual necessity, but in any case at least once every three months. A meeting of the Supervisory Board has quorum if more than one half of the members of the Supervisory Board participate and a resolution of the Supervisory Board is adopted if more than one half of the members of the Supervisory Board who participate at the meeting vote in favour. In case of a tied vote, the Chairman of the Supervisory Board has a casting vote. As at the date of this Prospectus there are seven members in the Supervisory Board of the Company – Mr Rain Lõhmus (the Chairman of the Supervisory Board; since 21 May 2014), Mr Raivo Hein (since 18 January 2010), Mr Heldur Meerits (since 18 December 2008), Mrs Tiina Mõis (since 8 December 2006), Mr Tauno Tats (since 21 May 2014), Mr Andres Viisemann (since 7 September 2004) and Mr Sten Tamkivi (since 29 April 2015). The authorities of all the referred persons as the members of the Supervisory Board will remain valid until 21 May 2017.

Mr Rain Lõhmus. Mr Lõhmus was born in 1966. He graduated from the Tallinn Technical University in 1988 where he obtained a degree in economics. In 1999, he attended the General Manager Program at the Harvard Business School. During his professional career, Mr Lõhmus has worked as an investment banker and served as a member of the Management Board of several companies, including Osaühing Zarenor Invest from 2002 until 2012. He has been engaged with the Group since its establishment in 1999 and was one of the founders thereof. Currently Mr Lõhmus serves as the Chairman of the Supervisory Board of the Company and as a member of the supervisory board of LHV Pank and LHV Finance. Additionally, he holds the position of the member of the Management Board of AS Lõhmus Holdings, OÜ Cuber Technology, OÜ Umblu Records, Osaühing Merona Systems and Zerospotnrg OÜ; and is the member of the supervisory board of Kodumajagrupi AS, Arco Vara AS, AS Audentes, Kodumaja AS, AB Archyvų sistemos (previously AS Arhiivikeskus) and AS LH Capital.

Mr Raivo Hein. Mr Hein was born in 1966. Mr Hein holds a degree in road construction from the Tallinn Technical University awarded to him in 1991. He has worked as a member of the Management Board of AS Starman between 1997 and 1999 and again between 2001 and 2003. He was the head of the entrepreneurship department of the City of Tallinn between 2000 and 2002. Between 2000 and 2008, he served as the member of the Management Board of AS CV Keskus. Within the Group, he also serves as the member of the supervisory board of LHV Pank. In addition to his participation in the management of the Group, he is the member of the Management Board of Zerospotnrg OÜ, E-Finance OÜ, Higgsi Boson OÜ, Desoksüribenukleiinhape DNA OÜ, OÜ Kakssada Kakskümmend Volti, Lame Maakera OÜ, Kuu on Päike OÜ, Kõver Aegruum OÜ and non-profit organisation MTÜ Tallinn Vanalinn Rotary Klubi. He is the member of the supervisory board of AS Puumarket and of AS Fix Ideed Estonia. In the past he has acted as the member of the supervisory board of Moonfish Media OÜ and United Dogs and Cats

OÜ; as the Chairman of the supervisory board of OÜ Tarbegaas and as the member of the management board of Sundog Media OÜ.

Mr Heldur Meerits. Mr Meerits was born in 1959. Mr Meerits was awarded a degree in finance and credit from the University of Tartu in 1982. During his professional career Mr Meerits has worked for the Estonian National Bank (1988 – 1991 and 1995 –1997), whereas between 1991 and 1995 he worked for the predecessor of AS Swedbank (operating under the business names AS Hoiupank and AS Hansapank). From 1999 to 2002, Mr Meerits served as a state official working for the Government Office. Since 2002, he has been engaged in investing via Amalfi AS, an investment vehicle fully-owned by Mr Meerits. Within the Group, he serves, in addition to his position as a member of the Supervisory Board of the Company, as a member of the supervisory board of LHV Pank. Mr Meerits is a member of the management board of AS Altamira, AS Amalfi and SIA Valdemara Group and a member of the supervisory board of AS Audentes, Kodumaja AS, AS Smart City Group and non-profit organisations SA Avatud Eesti Fond, SA Dharma, SA Tähelaps, SA Teater NO99 and SA Põltsamaa Ühisgümnaasiumi Toetusfond. In the past he has held the position of the member of the supervisory board of Green Clay Manufacturing OÜ, Steri AS, Mainor Ülemiste AS, AS Ecosalvager, AS Estonian Air and the position of the member of the management board of MTÜ Eesti Eraüldhariduskoolide Ühendus.

Mrs Tiina Mõis. Mrs Mõis was born in 1957. Mrs Mõis holds the degrees in econometrics and organisation of service and economic engineering from the Tallinn Technical University awarded to her in 1980. During the years 1991 to 1999 she worked as the Chief Accountant and a member of the Management Board of the predecessor of AS Swedbank (operating under the business name AS Hansapank). Since 1999, she serves as a member of the Management Board and the managing director of AS Genteel, investment vehicle fully-owned by Mrs Mõis. Within the Group, she also serves as a member of the supervisory board of LHV Pank. In addition to that, she holds the position of a member of the supervisory board of AS Baltika. She has also held the position of the member of the supervisory board of Green Clay Manufacturing OÜ, Rocca al Mare Kooli SA, SA Tallinna Tehnikaülikooli Arengufond, AS Martinson Trigon, Rocca al Mare Kooli AS, Rocca al Mare Koolimaja AS, HTB Investeeringute OÜ, Nordecon AS and the position of the member of the management board of Tallinna Tehnikaülikooli Vilistlaskogu and Estonian Chamber of Commerce and Industry from.

Mr Tauno Tats. Mr Tats was born in 1972. Mr Tats holds the Masters' degree in economic science from the Tallinn Technical University awarded to him in 2003. He is currently working as a member of the Management Board of Ambient Sound Investments OÜ. Before assuming his current position in Ambient Sound Investments OÜ, he served as the undersecretary of the Ministry of Finance. In addition to Ambient Sound Investments OÜ, he is the member of the Management Board of InkSpinFour OÜ, Kv1 OÜ, Kv3 OÜ, Ammende Hotell OÜ, InkspinSix OÜ, OÜ Perila-Perjatsi Põllud ja Metsad, OÜ Paistevälja-Paistu Põllud ja Metsad, ASI Venture Holdings OÜ and non-profit organisation MTÜ Plate torn. He is also the member of the supervisory board of AS Ecomet Invest and EfTEN KInnisvarafond AS. Previously he has acted as the member of the supervisory board of AS Redgate Capital and the member of the management board of OÜ TrinTau.

Mr Sten Tamkivi. Mr Tamkivi was born in 1978. He holds a Masters' degree in management from the Standford University Graduate School awarded to him in 2013. Between 2005 and 2013 he served as a member of the Management Board of Skype Technologies OÜ. Between 2009 and 2012, he was the member of the Management Board of the Estonian Association of Information Technology and Telecommunications. Between 2009 and 2012, he worked as an advisor to the Office of the President of the Republic of Estonia. Between 2003 and 2008, he served as the member of the Management Board of Mercur ThinkTank OÜ. He holds the position of the member of the Management Board of Seikatsu OÜ, Osaluste Hellalt Hoidmise OÜ, Teleport Technologies OÜ and Teleport, Inc. Mr Tamkivi serves as a member of the supervisory board of ASI Private Equity AS, and non-profit organisations

Kristler-Ritso Eesti SA and SA Poliitikauuringute Keskus Praxis. Previously he has acted as the member of the supervisory board of OÜ Tarkvara Tehnoloogia Arenduskeskus and as the member of the Management Board of Eesti Infotehnoloogia ja Telekommunikatsiooni Liit and Skype Technologies OÜ.

Mr Andres Viisemann. Mr Viisemann was born in 1968. Mr Viisemann obtained a degree in finance from the University of Tartu in 1992. He was awarded a MBA degree from one of the world's leading and largest graduate business schools INSEAD in 1997. During his professional career, Mr Viisemann has worked as an investment manager and served as a member of the Management Board of numerous companies. He has been engaged with the Group since its establishment in 1999 and was one of the founders thereof. Within the Group, he serves, in addition to his position as the member of the supervisory board of the Company, as the member of the Supervisory Board of LHV Pank and LHV Varahaldus. He also holds the position of the member of the management board of OÜ Miura Investeeringud and Viisemann Holdings OÜ and Viisemann Investments AG and the position of the member of the supervisory board of AS Fertilitas, Rocca al Mare Kooli AS and non-profit organisation Rocca al Mare SA. In the past, he has acted as the member of the supervisory board of Rocca al Mare Koolimaja AS, AS Viimsi Haigla, AS LH Capital and as the member of the management board of Pealinna Spordiklubi.

9.4. Other Key Executive Personnel

Mr Jüri Heero. Mr Heero is a member of the Management Board and the Head of IT of LHV Pank. Mr Heero was born in 1977. Mr Heero holds a degree from the Faculty of Economics and Business Administration of the University of Tartu awarded to him in 1999. During his professional career, Mr Heero has worked as a software developer and consultant in several companies. Additionally, between 2000 and 2004, he held the position of a member of the supervisory board of AS Cognitive Dynamics, and from 2005 to 2009, he served as a member of the management board of OÜ Heero Invest. Mr Heero joined the Group in 2004 as the Head of IT and has been participating in the management of the Group since 2006. From 2006 to 2007, he served as a member of the supervisory board of LHV Pank, and since 2007, has been holding the position of a member of the management board of LHV Pank.

Mr Kalev Karus. Mr Karus is a member of the Management Board of LHV Finance since November 2015. Mr Karus was born in 1974. He holds a Master's degree of business administration from Tallinn Technical University awarded to him in 2003. Before attaining his current position, Mr Karus served at Elion Ettevõtted AS (with current business name AS Telia Eesti) as the Business Manager of Financing since 2005. In the past he has served as the member of Management Board of MTÜ Nõmme Kabeklubi.

Mr Erki Kilu. Mr Kilu is the chairman of the management board of LHV Pank. Mr Kilu was born in 1975. He holds a Bachelor's degree in international business administration majoring in banking and finance from the Estonian Business School awarded to him in 1998 and a Master's degree in business administration from the Faculty of Economics of the University of Tartu awarded to him in 2001. Before assuming the position of the Chairman of the Management Board of LHV Pank in 2008, Mr Kilu was the Chairman of the Management Board of SE Seesam Life Insurance Vienna Insurance Group. Within the Group, in addition to holding the position of the Chairman of the Management Board of LHV Pank, Mr Kilu serves as the Chairman of the Management Board of Mokilizingas, as the Chairman of supervisory board of LHV Finance and as the member of supervisory board of LHV Varahaldus. He is also the member of the management board of the non-profit organisations Estonian Banking Association and KÜ Pajusaare 16.

Mr Andres Kitter. Mr Kitter is a member of the management board and the Head of Retail Banking of LHV Pank. Mr Kitter was born in 1978. He was awarded a Master's degree from the Faculty of Economics and Business Administration of the University of Tartu in 2003. Between 2000 and 2007, Mr Kitter worked for AS SEB Ühisliising, holding several different positions in the company. Before assuming his current position in LHV Pank in 2013, he served as a payment operations manager and partner relations manager in Skype Technologies OÜ. In the past he has served as the member of the Management Board of Kingu OÜ.

Mr Joel Kukemelk. Mr Kukemelk is a member of the management board of LHV Varahaldus and the Fund Manager of the LHV Persian Gulf Fund. Mr Kukemelk was born in 1986. In 2010, he graduated from the University of Tartu with a Master's degree (*cum laude*) in Economics, specialising in finance and accounting. Additionally, Mr Kukemelk has successfully passed the CFA (Chartered Financial Analyst) Level I exam in 2009 and Level II exam in 2011. Mr Kukemelk has been working for the Group since 2006. Before attaining his current position in LHV Varahaldus, he worked as a stock market analyst and as a portfolio manager in LHV Pank. Mr Kukemelk is the member of the supervisory board of Guarantee Fund.

Mrs Relika Mell. Mrs Mell is head of internal audit division of AS LHV Pank since March 2016. Mrs Mell was born in 1975. She was awarded a Master's degree of Edinburgh Business School of Heriot-Watt University in 2011 and a Bachelor's degree in international business administration from the Estonian Business School in 1997. Mrs Mell is an authorised auditor since 1997. In 2002, she acquired a license of the Association of Chartered Certified Accountants and in 2004, the license "Certified Internal Auditor" from the Institute of Internal Auditors. Before joining the team of LHV Pank, between 1996 and 2016, she worked as an authorised auditor in AS PricewaterhouseCoopers.

Mr Indrek Nuume. Mr Nuume is a member of the management board and the Head of Business Banking of LHV Pank. Mr Nuume was born in 1976. Mr Nuume was awarded a Master's degree from the Faculty of Economics and Business Administration of the University of Tartu in 2002. Before joining the team of LHV Pank, between 1998 and 2009, Mr Nuume worked for Danske Bank A/S Estonian Branch as the Head of Corporate Banking. He is also the member of the supervisory board of the non-profit organisation SA Tilsi LK Fond.

Mr Mihkel Oja. Mr Oja is the Chairman of the Management Board of LHV Varahaldus. He was born in 1983. Mr Oja obtained a degree in Economics and Business Administration with specialisation in Finance from the Stockholm School of Economics in Riga in 2004. In 2015, he was awarded a MBA with Distinction form one of the world's leading business and management schools Edinburgh Business School, the Graduate School of Business of Heriot-Watt University. Before attaining his current position in LHV Varahaldus in 2007, he held the position of an associate in AS LHV Financial Advisory Services. In addition to his participation in the management of LHV Varahaldus, he is also a member of the Management Board of the Estonian Fund Managers Association and non-profit organisation KÜ Narva mnt 70. Previously he has served as the member of the Management Board of OÜ Hugo Holdings.

Mr Meelis Paakspuu. Mr Paakspuu is the member of the Management Board of and the Chief Financial Officer of LHV Pank. He was born in 1974. Mr Paakspuu graduated from the University of Tartu in 1996 and obtained a degree in economics. During his professional career, Mr Paakspuu has worked as the chief analyst of the Banking Supervision of Eesti Pank (i.e. the Bank of Estonia) (1996-1998) and in different positions in the treasury department of Swedbank AS (formerly AS Hansapank) including as Head of Treasury (1998-2012). Before joining the team of LHV Pank, Mr Paakspuu served as the Chief Financial Officer of DNB Pank AS from 2012 to 2015. In the past he has acted as the member of the Management Board of MP Advisory OÜ and Estonian Banking Association.

Mr Martti Singi. Mr Singi is a member of the Management Board and the Chief Risk Officer of LHV Pank. Mr Singi was born in 1974. He holds a Master's degree in international business administration from the Estonian Business School awarded to him in 2009. Before assuming his current position in LHV Pank in 2012, Mr Singi served at AS Swedbank as the Head of Group Credit Risk Control from 2007 to 2009 and as the Head of Risk Control from 2009 to 2012. Between the years 2000 and 2007, Mr Singi held different positions in SEB Group. Previously he has served as the member of the Management Board of Päikesepaneel OÜ and MS Partners OÜ.

9.5. Audit Committee

Role and Duties. The Audit Committee is an advisory body to the Supervisory Board in the fields of accounting, audit, risk management, internal control and internal audit, supervision, budgeting and compliance with legal requirements. The Audit Committee is responsible for making proposals to the Supervisory Board and providing recommendations for the appointment or removal of external and internal auditors, prevention or elimination of problems or ineffectiveness in the organisation and for the compliance with legislation and good professional practice. Pursuant to the Estonian Auditors' Activities Act, the duties of the Audit Committee include monitoring and analysing the processing of financial information, the effectiveness of risk management and internal controls, the process for the audit of financial statements and the supervision over the activities of auditors.

Members of Audit Committee. According to the Rules of Procedure of the Audit Committee of the Group, as approved by the Supervisory Board on 27 August 2014, the Audit Committee of the Company consists of at least three members, whereas at least two of the members of the Audit Committee must be experts in accounting, finance or law. The members of the Audit Committee are elected for a term of one year by the Supervisory Board. Currently, the Audit Committee consists of three members – Ms Gerli Kilusk (the Chairman of the Audit Committee), Mrs Marilin Hein and Mr Tauno Tats.

Ms Gerli Kilusk. Ms Kilusk is the Chairman of the Audit Committee of the Company. Ms Kilusk was born in 1982. She has acquired a Master's degree at the Faculty of Law of the University of Tartu in 2004, and is a member of the Estonian Bar Association. Ms Kilusk is a partner and attorney at law at Primus, Attorneys at Law (former name Red, Attorneys at Law). Before becoming a partner at Primus, Attorneys at Law, she worked as an attorney in the law firms LAWIN (with the current business name COBALT) and Raidla & Partners (with the current business name Raidla Ellex). In addition to holding the position of a member of the Management Board of Primus, Attorneys at Law, she is also a member of the Management Board of OÜ Lihtsalt Holding and a member of the supervisory board of Ridge Capital AS and of non-profit organisation SA Leiutajateküla. She has also served as the member of the Management Board of OÜ Mustakivi Kinnisvara and OÜ Venture Holdings.

Mrs Marilin Hein. Mrs Hein was born in 1971. Mrs Hein has obtained a degree in international financial management in the International University Audentes in 2000. Mrs Hein is the co-founder and the Chief Financial Officer of EfTEN Capital AS. Mrs Hein has previously served as the chief accountant in AS Arco Vara and in the law firm Luiga, Mody, Hääl, Borenius (with the current business name Borenius), as well as an accountant of Reval Rent OÜ and the Compensation Fund. She is also a member of the Management Board of EfTEN Kinnisvarateenuste OÜ, OÜ Kakssada Kakskümmend Volti, Astrum OÜ and a member of the Supervisory Board of Balti Kinnisvaraportfell AS, Astlanda Hotelli AS and Magistral Kaubanduskeskuse OÜ. In the past, she has acted as the member of the Supervisory Board of AS Finest Palace and Balotel AS.

Mr Tauno Tats. Mr Tats is the representative of the Supervisory Board in the Audit Committee. Please see Section "Supervisory Board" for his *curriculum vitae* information.

9.6. Remuneration Committee

Role and Duties. The Remuneration Committee is a corporate governance body formed by the Supervisory Board. The Remuneration Committee was formed for the purpose of assessing the principles of remuneration applied within the Group, developing a remuneration strategy for the members of the Management Board as well as for exercising supervision over the compliance with the applicable legal requirements in respect of risk management and capital adequacy.

Members of Remuneration Committee. In accordance with the Rules of Procedure of the Remuneration Committee, as approved by the Supervisory Board on 21 May 2014, the Remuneration Committee comprises of at least three members of the Supervisory Board of LHV Pank as appointed by the Supervisory Board. Currently, the members of the Remuneration Committee are Mr Erkki Raasuke (Chairman of the Remuneration Committee), Mr Rain Lõhmus and Mr Andres Viisemann. Please see Sections “Management Board” and “Supervisory Board” for their *curriculum vitae* information.

9.7. Risk and Capital Committee

Role and Duties. The Risk and Capital Committee is a corporate governance body formed by the Supervisory Board. The Risk and Capital Committee was formed for the purpose of evaluating the risk taken by Group and following the implementation of the risk policy in the companies within the Group.

Members of Risk and Capital Committee. In accordance with the Rules of Procedure of the Risk and Capital Committee as approved by the Supervisory Board on 16 December 2015, the Risk and Capital Committee comprises of at least three members of the Supervisory Board of LHV Group as appointed by the Supervisory Board. Currently, the members of the Risk and Capital Committee are Mr Rain Lõhmus (Chairman of the Risk and Capital Committee), Mrs Tiina Mõis and Mr Andres Viisemann. Please see Sections “Management Board” and “Supervisory Board” for their *curriculum vitae* information.

9.8. Remuneration and Benefits

The total amount of remuneration and benefits paid to the members of the supervisory and management bodies of the Group companies during the financial year ended on 31 December 2015 was TEUR 1,233 (including all applicable taxes). In addition to monetary remuneration and benefits, several members of the management bodies have been issued share options under the management and key employees share option program described in detail in Section “Management and Key Employees Share Option Program”. Upon termination of their professional relationship, the members of the supervisory and management bodies of the Company are not entitled to any benefits, except for the member of the Management Board of the Company Mr Erkki Raasuke. According to the management board member services agreement executed between the Company and Mr Erkki Raasuke, the latter shall be entitled to a termination compensation in the amount corresponding to the 2 months’ remuneration payable for his services as the member of the Management Board of the Company, provided that he has chosen to resign from the Management Board of the Company in connection with the Supervisory Board of the Company altering the remuneration payable to him. The Company has chosen not to disclose the amounts of remuneration and benefits as well as the termination compensations of each single member of the supervisory and management bodies of the Group companies in order to protect the privacy and personal rights of the relevant persons.

9.9. Share Ownership

As at 31 December 2015, 56.2% of all the Shares, i.e. the total number of 13,132,501 Shares were held by the members of the management bodies of the Group companies or the related parties thereof. The Shares and options (please see Section “Management and Key Employees Share Option Program” for further details on options) owned either directly or indirectly by the members of the Management and Supervisory Board and other key executive personnel as at the date of this Prospectus have been indicted in the following table:

Name	Number of Shares	Number of Options
Mr Erkki Raasuke	80,000	87,574
Mr Rain Lõhmus	6,536,287	0
Mr Raivo Hein	526,651	0
Mr Heldur Meerits	931,978	0
Mrs Tiina Mõis	995,000	0
Mr Tauno Tats	1,418,000	0
Mr Sten Tamkivi	1,266	0
Mr Andres Viisemann	2,472,822	73,821
Mr Jüri Heero	40,000	47,516
Mr Kalev Karus	0	0
Mr Erki Kilu	40,000	119,313
Mr Andres Kitter	7,595	26,509
Mr Joel Kukemelk	12,000	14,549
Mrs Relika Mell	0	0
Mr Indrek Nuume	10,000	75,397
Mr Mihkel Oja	10,000	66,512
Mr Meelis Paakspuu	0	3,927
Mr Martti Singi	50,902	45,552

9.10. Conflicts of Interests and Other Declarations

According to the knowledge of the Management, there are no known actual or potential conflicts of interest between the duties of any of the members of the Management and the Supervisory Board to the Company or to any Group company, and their private interests or other duties.

According to the knowledge of the Management, none of the members of the Management and Supervisory Board, nor any of the members of other key executive personnel as described in Section "Other Key Executive Personnel" has ever been convicted in a criminal offence or been a member of a governing body of a legal entity subject to bankruptcy or liquidation proceedings at the time of initiating the relevant proceedings. Furthermore, none of the persons referred to in this Section has ever been disqualified by a competent court from acting as a member of administrative, supervisory or management body or conducting affairs of a legal entity. The Management and Supervisory Board members of LHV Pank are subject to the assessment of suitability (fit and proper testing) conducted by the FSA exercising supervision over the operations of LHV Pank.

9.11. Statement of Compliance with Corporate Governance

The Company complies with the corporate governance regime of the Republic of Estonia. Further to the compliance with the applicable laws and regulations, the Company has committed itself to adhere the highest standards of corporate governance within the Group companies for ensuing the transparent management of the Group companies and avoiding conflicts of interests. For these purposes, the Group companies have adopted work procedure rules for all corporate governance bodies to further specify the rules, requirements, limitations and liability of their members arising in general from the applicable law and the Articles of Association. The Company follows the principles of good corporate governance arising from the Good Corporate Governance Code as adopted by the FSA and the relevant reports are published as part of the annual reports of the Company. The Good Corporate Governance Code is binding on the basis of “comply or explain principle”, whereas the requirements, which are currently not fully followed by the Company have been described in the latest Good Corporate Governance Report made available in the audited consolidated financial statements of the Group for the year ended on 31 December 2015.

9.12. External Auditors

According to the Articles of Association, the appointment of external auditors is in the competence of the General Meeting of shareholders, whereas the selection of candidates and making a proposal to the General Meeting of shareholders is done by the Audit Committee. The General Meeting of shareholders held on 29 April 2015 appointed AS PricewaterhouseCoopers (having its registered address at Pärnu mnt 15, 10141 Tallinn, Estonia) to act as the external auditor of the Group for the three subsequent financial years (2015 – 2017). AS PricewaterhouseCoopers is a member of the Estonian Auditing Board.

The Financial Statements (including the consolidated financial statements of the Group for the financial years ended on 31 December 2013 and 31 December 2014) have also been audited by AS PricewaterhouseCoopers.

10. PRINCIPAL ACTIVITIES AND MARKETS

10.1. History and Development of Group

The Group's history dates back to 1999 and by today, the Group has developed into a group of companies engaged in the provision of financial services based on local (Estonian) capital.

The Company was originally established by altogether 9 individuals and 4 legal entities, including Mr Rain Lõhmus and Mr Andres Viisemann who are continuously contributing to the management and further development of the Group. In 2006, the Company was divided in a manner that the assets and shareholdings of the Company were distributed into three different companies – the Company, AS LHV Holdings and AS LHV Professional Services. As a result of the division, the Company was held by the current key shareholders of the Company - Mr Rain Lõhmus and Mr Andres Viisemann. In the course of the division, the other previous shareholders of the Company ceased to be the shareholders of the Company and acquired shareholdings in AS LHV Holdings and AS LHV Professional Services instead. After the division, the main assets of the Company were the shareholdings in the investment firm LHV, which by today has been developed into LHV Pank, and in the asset management firm LHV Varahaldus.

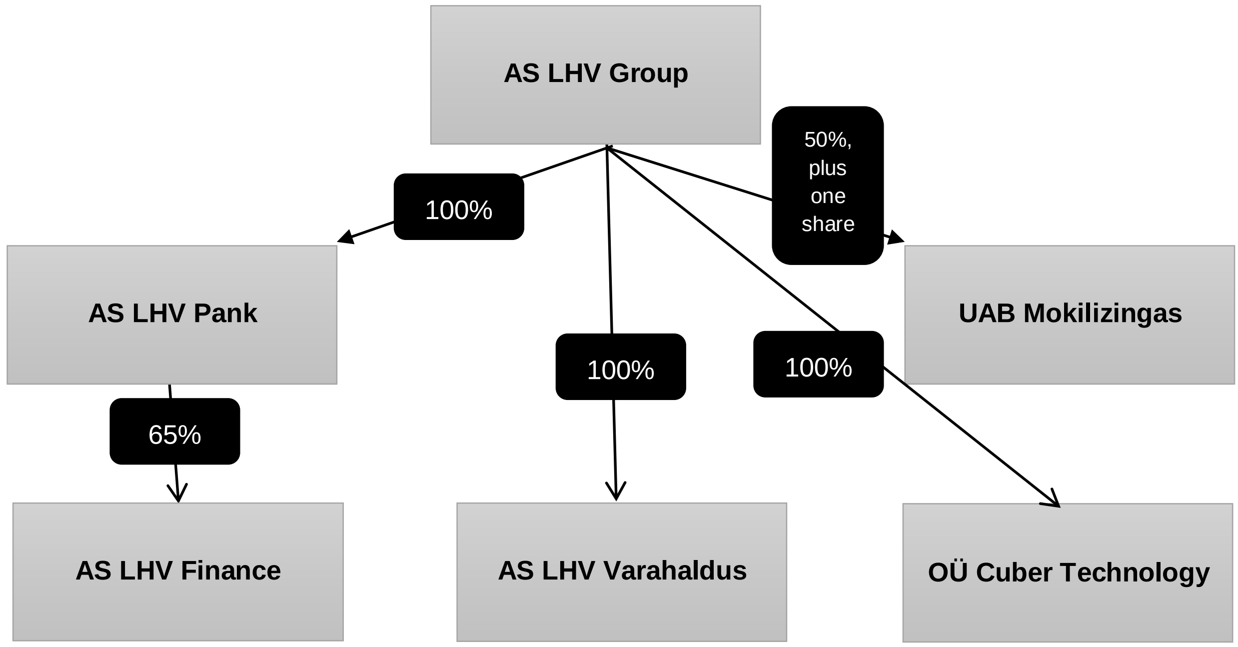
The milestones in the history of the Company and the development of the Group are summarised in the following table:

Year	Development
1999	LHV Pank was established as an investment firm, providing brokerage and portfolio management services; LHV Varahaldus was established
2002	LHV Varahaldus initiated pension funds management operations
2005	The Company was established
2009	LHV Pank obtained credit institution license and initiated depository and lending operations
2010	LHV Pank launched payments services
2011	LHV Pank launched payment cards issuing services
2013	LHV Finance was established and hire-purchase services launched; Mokilizingas was acquired
2014	LHV Pank launched payment cards acquiring services
2015	The Company became public by listing its subordinated bonds on Nasdaq Tallinn Stock Exchange; LHV Pank joined SEPA payments network as direct member and launched ATM network services

10.2. Group Structure and Group Companies

Group Structure

As at the date of this Prospectus, the Group structure is the following[5]:



Group Companies

AS LHV Group. AS LHV Group (the Company) is the holding company of the Group with limited operations of its own. The Company is engaged in investor relations management and ensuring necessary capitalisation for the Group companies.

AS LHV Pank. AS LHV Pank is an Estonian licensed credit institution offering banking services to corporate and retail clients. The bank has client service venues in Tallinn, Tartu and Vilnius (Lithuania), Until 31 March 2016, the bank operated also in Latvia in the form of a local registered branch; however, the activities of the bank in Latvia were limited to investment services only and the operations were small-scale (the branch served around 500 retail customers). The branch of the bank in Latvia terminated its operations on 31 March 2016.

The bank employs more than 200 people. The total number of clients of the bank is over 80,000, from which 80% are private individuals and 20% are corporate clients.

By 31 December 2015, the total loan portfolio of the LHV Pank consolidation group (including LHV Finance) stood at EUR 405 million and the total amount of deposits was EUR 629 million. The greatest proportion of loans is in the real estate sector, an industry that is traditionally receiving the greatest

[5] The Company has 100% shareholding in an Estonian private limited company (in Estonian: *osaühing* or *OÜ*) in OÜ Cuber Technology (register code in the Estonian Commercial Register 12794962, registered address Tartu mnt 2, 10145 Tallinn, Estonia). The company was established only on 4 February 2015 and has no influence on the liabilities and the results of operations of the Company or the Group

share of financing by commercial banks in Estonia. As at 31 December 2015, 26% of the corporate credit portfolio of LHV Pank comprised of credit granted in the real estate sector. The real estate sector is followed by companies pursuing financial and insurance activities (20% of corporate credit portfolio) and the processing industry (9% corporate credit portfolio). Agriculture, which is under special surveillance due to the geopolitical situation, accounts for just 2% of the portfolio.

AS LHV Varahaldus. AS LHV Varahaldus is an Estonian licensed fund manager. LHV Varahaldus is currently acting as the fund manager for seven investment funds – five compulsory pension funds (LHV Pensionifond XS, LHV Pensionifond S, LHV Pensionifond M, LHV Pensionifond L and LHV Pensionifond XL), one voluntary pension fund (LHV Täiendav Pensionifond) and UCITS investing into equity instruments (LHV World Equities Fund). LHV Varahaldus also provides investment consulting services to the SEF-LHV Persian Gulf Fund, which incorporated the LHV Persian Gulf Fund (managed by LHV Varahaldus) in April 2015.

On 29 January 2016, AS LHV Varahaldus entered into a share purchase agreement with Danske Bank A/S and Danske Bank A/S Eesti Estonian branch pursuant to which LHV Varahaldus agreed to purchase 100% of the shares of Danske Capital AS. The finalisation of the transaction is subject to the approval of the FSA and the Estonian Competition Authority. The transaction is expected to be closed and the 100% shareholding in Danske Capital AS acquired during the first half-year of 2016. The purchase price payable for the shares will be fixed upon the closing of the transaction. Currently Danske Capital AS acts as the licensed fund manager of three mandatory pension funds and two voluntary pension funds. The assets under the management of Danske Capital AS amount to approximately EUR 235.8 million and there are over 43 thousand active clients in the Danske mandatory pension funds.

LHV Varahaldus employs 26 people. By 31 December 2015, the volume of assets managed by LHV Varahaldus reached EUR 570 million, which makes LHV Varahaldus having maintained the second largest market share (21.0%) in terms of volume and third largest market share (19.8%) in terms of customer numbers. The number of active clients of the compulsory pension funds is over 130,000, which makes LHV Varahaldus the third largest compulsory pension funds manager in Estonia in terms of clients.

AS LHV Finance. LHV Finance is the subsidiary of the LHV Pank and is an Estonian financial institution offering hire-purchase services in the Estonian market. LHV Finance was established in 2013 as a joint venture in co-operation with Toveko Invest OÜ. By 31 December 2015, the volume of the hire-purchase service portfolio amounted to EUR 25 million and the company had over 40,000 effective hire-purchase agreements.

UAB Mokilizingas. Mokilizingas is a subsidiary of the Company, a Lithuanian financial institution offering hire-purchase and consumer loan services in the Lithuanian market. The Company acquired the controlling shareholding in Mokilizingas in 2013 and the company is currently operated as a joint venture of the Company and KŪB RAZFIN. By 31 December 2015, the volume of the loan portfolio of Mokilizingas amounted to EUR 40 million and the company had over 96,000 clients.

OÜ Cuber Techologies. Cuber Technologies is a start-up company with the purpose to innovate financial services using Blockchain technology. In 2015, the operations of the company have been very limited and therefore it is not a material Subsidiary of the Group.

10.3. Business Segments

Introductory Remarks. The business segments of the Group and the financial results thereof have been described in detail in Note 5 of the Financial Statements.

Banking. The Group's main business segment is the banking services business segment, which in turn is divided into three business segments – retail banking, private banking and corporate banking. The operations of the banking business segment are carried out by LHV Pank. As at the date of this Prospectus, LHV Pank is offering all classical banking services, such as the settlement of payments, issuing and acquiring bank cards and deposit services, financing services (loan, leasing, credit limit, overdraft, guarantee), securities brokerage and investment services.

Asset Management. The Group's second largest business segment is the asset management business segment. The asset management services are provided by LHV Varahaldus. The essence of the asset management services is fund management.

Hire-Purchase and Consumer Finance in Lithuania. The Lithuanian hire-purchase and consumer finance operations are carried out by Mokilizingas.

Hire-Purchase and Consumer Finance in Estonia. The Estonian hire-purchase and consumer finance operations are carried out by LHV Finance.

Treasury Activities. Treasury is the asset-liability management unit of the Group, which also acts as the internal trading unit for all standard treasury products, such as foreign exchanges and foreign exchange related derivatives, and capital market products such as bonds. The treasury operations of the Group are carried out by LHV Pank.

Revenues by Principal Markets. The breakdown of revenues by markets (business segments and geographical markets) where the Group companies operate is described in detail in Note 5 of the Financial Statements.

10.4. Geographical Markets

Introductory Remarks. As at the date of this Prospectus, the Group is operating in two geographical markets – Estonia and Lithuania. In Estonia, the Group is engaged in retail banking, private banking and corporate banking, asset management, hire-purchase, consumer finance and treasury activities. In Lithuania, the Group operates through its joint venture Mokilizingas, which is engaged in offering hire-purchase and consumer financing services. In addition to the above-mentioned geographical markets and business segments, LHV Pank is engaged in offering cross-border retail securities brokerage services.

Estonian Banking Market[6]. There are altogether nine licensed credit institutions in Estonia, and a further seven branches of foreign credit institutions operate in the Estonian banking market. The Estonian banking market is highly consolidated and is dominated by the credit institutions belonging to Nordic banking groups (Swedbank AS, AS SEB Pank, Nordea Bank AS Estonian branch and Danske Bank A/S Estonian branch). The two main metrics for assessing a banking market are the total volume of loan portfolios and the total volume of deposits. In Estonia, the four largest banking groups hold an 89% combined market share in loans and 88% combined market share in deposits. By the end of the first half of 2015, the total volume of the loan portfolios of the credit institutions operating in the Estonian market stood at EUR 15,488 million. The total volume of the loan portfolios of the credit institutions operating in the Estonian market can be broken down as follows - lending to private persons totalled EUR 7,173 million, lending to commercial undertakings EUR 6,630 million, lending to financial institutions EUR 1,225 million and lending to the government and the public sector EUR 460 million. The total volume of the loan portfolios in the Estonian banking market peaked in 2008, reaching

[6] Facts and data from the market statistics by the FSA, available at http://www.fi.ee/public/201506_Estonian_financial_services_marekt_2015_06_inglis.pdf and http://www.fi.ee/index.php?id=593

EUR 16,640 million.[7] Following the global financial crisis and the economic recession of 2008-2009, the lending volumes started to decline, whereas from 2012 and onwards the lending volumes are showing signs of modest growth. By the end of the first half of 2015, the total volume of deposits of the credit institutions operating in the Estonian market stood at EUR 15,635 million, which was divided between the deposits of private persons in the total volume of EUR 6,243 million, the deposits of commercial undertakings in the total volume of EUR 6,833 million, the deposits of financial institutions in the total volume of EUR 1,416 million and the deposits of the government and the public sector in the total volume of EUR 1,143 million. The total volume of deposits has been growing year by year for the past 15 years, forming a very stable funding source for the credit institutions operating in the Estonian banking market.

Estonian Asset Management Market[8]. The Estonian asset management market is relatively young and is rapidly growing. The growth is driven by the mandatory pension funds, which are also the largest business segment of the Estonian asset management market. In the first half of 2015, the total volume of the assets of the mandatory pension funds increased by altogether 11%. According to Estonian law, fund managers are subject to licensing by the FSA. There are altogether 17 local licensed fund managers in Estonia and in addition to that, there are 58 market participants providing fund management services cross-border. The asset management market is traditionally measured by the total value of assets managed by the funds operating in the respective market. In Estonia, by the end of the first half of 2015, the total value of investment funds stood at EUR 3,184 million, whereas out of that number, EUR 2,451 million was managed by mandatory pension funds, EUR 319 million by equity funds, EUR 191 million by property funds, EUR 128 million by voluntary pension funds, EUR 65 million by debt funds and EUR 30 million by venture capital funds. The largest players in the Estonian asset management market were Swedbank Investeerimisfondid AS with a 40% market share, AS SEB Varahaldus with 19% market share, LHV Varahaldus with a 16% market share and Danske Capital AS with a 7% market share. Mandatory pension funds in Estonia are managed by altogether five licensed fund managers, whereas by the end of the first half of 2015, their respective market shares were the following – Swedbank Investeerimisfondid AS held a 41% market share, AS SEB Varahaldus held a 21% market share, LHV Varahaldus held a 20% market share, Danske Capital AS held a 9% market share and Nordea Pensions Estonia AS held a 9% market share. The small size and low liquidity of the local securities market mean that the investment funds and pension funds have so far invested predominantly into foreign assets, and, as of February 2015, more than three quarters of the total assets of investment funds consisted of securities registered abroad. The share of external assets in the funds has not changed much over the past three years. The majority of the foreign assets are securities registered in other European countries, which provided 62% of the total at the end of August 2015.

Estonian Securities Market[9]. The volumes and trading activity levels in the Estonian securities market are relatively small. The total capitalisation of all bonds and equity instruments listed and admitted to trading on the Estonian regulated market stood, in the end of 2015, at EUR 1,914 million, which forms 9% of the Estonian GDP for that year. As of the end of 2015, the total capitalisation of the local equity

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[7] Facts and data from the market statistics by the FSA, available at http://www.fi.ee/failid/turg_seisuga_2008_12.pdf
[8] Facts and data from the market statistics by the FSA, available at http://www.fi.ee/public/201506_Estonian_financial_services_marekt_2015_06_inglis.pdf and http://www.fi.ee/index.php?id=593; and from the statistics of the Estonian National Bank, available at http://www.eestipank.ee/sites/eestipank.ee/files/publication/ep_fsy_2015_2_eng_a.pdf and http://www.eestipank.ee/sites/eestipank.ee/files/publication/en/FinancialStabilityReview/2015/ep_fsy_2015_1_eng_pdf.pdf
[9] Facts and data from the statistics of the Nasdaq Tallinn Stock Exchange, available at http://www.nasdaqbaltic.com/market/?pg=bulletins&bb_id=280 ; and from the statistics of the Estonian National Bank, available at http://www.eestipank.ee/sites/eestipank.ee/files/publication/ep_fsy_2015_2_eng_a.pdf

instruments market (shares) was EUR 1,882 million, which is a little more than the year earlier. The number of listed shares was 15 and the number of secondary market transactions in shares - 49,107. The total traded volume was EUR 148 million. The fluctuations of share prices of the shares listed and admitted to trading in Nasdaq Tallinn Stock Exchange may, in 2015, be characterised by a considerable increase (altogether by 19.1%). The local bond market has been rather passive for the past years; however, in 2015, after several years, two new bonds were admitted to trading. As of the end of 2015, the total capitalisation of the local bond market was EUR 33 million, the number of listed bonds 2 and the total traded volume EUR 0.1 million.

Estonian Consumer Financing Market[10]. In addition to the licensed credit institutions, consumer financing in the Estonian market is offered by several market participants who are not subject to as extensive financial supervision as the licensed credit institutions. This is also the main reason why it is difficult to determine the exact size and the credit volumes of the Estonian consumer financing market. In the end of 2013, the Estonian Ministry of Economic Affairs and Communications estimated the total size of the Estonian consumer financing market to be around EUR 709 million, of which EUR 591 million was provided by licensed credit institutions and the remaining EUR 118 million by others. While the volume of consumer financing provided by the licensed credit institutions has remained at the same level over the past few years, the volumes provided by other creditors has grown by a significant 20-30% on an annual basis. There are over 100 credit firms and intermediaries operating in the Estonian market, but approximately 50% of the outstanding volume of non-licensed consumer financing is attributed to six largest market participants. The Estonian consumer financing market is undergoing significant reforms, which is expected to lead to a better organised market and to better consumer protection. Namely, in February 2015, the Estonian Creditors and Credit Intermediaries Act was adopted by the Estonian Parliament. The referred piece of legislation established extensive restrictions on the operations of the previously unlicensed credit providers and intermediaries; most notably, credit intermediaries became subject to licensing by the FSA, whereas the referred license was required as of 21 March 2016. The same is applicable in respect of foreign credit intermediaries operating in the Estonian market. The above-described reforms are estimated to decrease the number of credit intermediaries operating in the market, which in turn may lead to the improvement of the market position held by licensed credit institutions. By 17 March 2016, only 24 credit providers and intermediaries had obtained the required license[11].

Latvian Securities Market[12]. The volumes and trading activity levels on the Latvian securities market are relatively small. The total capitalisation of bonds and equity instruments listed and admitted to trading on the Latvian regulated market stood, in the end of 2015, at EUR 3,369 million. During 2015, the OMX Riga index increased remarkably – by 45.7%. The local regulated market is largely dominated by bonds. The total value of the bonds listed and admitted to trading on the Nasdaq Riga Stock Exchange stood, in the end of 2015, at EUR 2,096 million, comprising of a total of 54 listed bonds. Nevertheless, the trading activity with the bonds is relatively low – in 2015, the total trading volume of the bond market was EUR 131 million. The total capitalisation of the local listed equity instruments

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[10] Facts and data from the analysis of and proposal for the Estonian consumer credit market, available at https://www.mkm.ee/sites/default/files/kiirlanuturg_analyys_ja_ettepanekud.pdf

[11] Data from the Estonian Financial Supervision Authority website http://www.fi.ee/index.php?id=18372 and http://www.fi.ee/index.php?id=18382

[12] Facts and data from the Nasdaq Riga Stock Exchange, available at http://www.nasdaqbaltic.com/market/?pg=bulletins&bb_id=280

(shares) was, in the end of 2015, EUR 1,272 million. The number of listed shares was 26. and the total trading volume EUR 22 million.

Lithuanian Securities Market[13]. The total capitalisation of bonds and equity instruments listed and admitted to trading on the Lithuanian regulated market stood, in the end of 2015, at EUR 6,182 million. As the end of 2015, the total capitalisation of the local equity instruments market (shares) was EUR 3,379 million. There were altogether 31 listed shares. The annual turnover of trading with equity instruments was EUR 74 million. During 2015, the OMX Vilnius index increased by 7.4%. The combined Baltic equity instruments list (share list) is led by a Lithuanian company, if compared by market capitalisation, whereas four out of ten largest companies listed and admitted to trading on the combined Baltic equity instruments list (share list) are from Lithuania. In the end of 2015, the total market capitalisation of the Lithuanian listed bond market was EUR 2,803 million and there were altogether 23 bonds listed and admitted to trading on the Nasdaq Vilnius Stock Exchange. Nevertheless, the annual trading turnover was modest, being EUR 74 million.

Lithuanian Consumer Financing Market[14]. As of 31 December 2014, the public list of consumer credit providers in Lithuania included 60 companies (other than credit institutions) authorised to provide consumer credit by the Bank of Lithuania. The volume of consumer loans provided by those companies totalled 784 thousand at the end of 2014, an constituting an increase of 9% compared to 2013. The volume of credit extended to consumers totalled EUR 339 million as of 31 December 2014. Year-on-year, the credit portfolio increased by approximately 17%. As of late 2014, the largest share of loans granted to natural persons by consumer credit lenders was in consumer credits, exceeding LTL 1,000 (approximately EUR 290), which totalled approximately EUR 162 million. The second largest category was credits provided under linked consumer credit agreements, which totalled approximately EUR 144 million, resulting in an increase of 11% compared to 2013. The balance of small consumer credits amounted to approximately EUR 31 million at the end of 2014 and was virtually unchanged in annual terms. Substantial growth in the consumer credit market was fuelled by the increasing issuance of larger credits. Although the total number of credits issued in 2014 by consumer credit lenders decreased by approximately 2%, year-on-year, to EUR 1.14 million, the total amount of credits disbursed in that period increased by approximately 8% to approximately EUR 358 million, mostly due to an increase in consumer credits over LTL 1,000 (approximately EUR 290). Meanwhile, the market of small consumer credits is shrinking. In 2014, lenders granted approximately 706 thousand in small consumer credits (approximately 9% less, if compared to 2013) to borrowers and disbursed approximately EUR 78 million, i.e. 10% less than in 2013. As compared to late 2013, the number of delinquencies (with payments overdue by more than 60 consecutive days) increased by 8% to reach approximately EUR 180,000 at the end of the year, while the total amount of arrears (including interest charged for late payment, penalties and other amounts payable under agreements) increased by approximately 9%, to approximately EUR 91 million as of 31 December 2014.

10.5. Competitive Position and Competitive Strengths

Assessment of Competitive Position. The Group companies monitor and analyse their competitive position and the developments in the competitive situation on the markets where the Group companies operate on the basis of publicly available data and statistics, such as market analyses and statistics

[13] Facts and data from the Nasdaq Vilnius Stock Exchange, available at http://www.nasdaqbaltic.com/market/?pg=bulletins&bb_id=280
[14] Facts and data from the Lithuanian National Bank, available at https://www.lb.lt/annual_report_2014

prepared by the FSA and the local national banks of the geographical markets where the Group companies operate. All statements made in this Prospectus in respect of the competitive position of the Group companies are based on the above-referred publicly available information.

Competitive Strengths. The Management believes the Group companies to have the following competitive strengths:

(i) simple and transparent products and services – the Group is focused on active and independent clients with an entrepreneurial mind-set. Therefore the Group companies make continuous efforts to make the products and services of the Group companies simple, transparent and easily accessible to its target clients to meet the exact needs of the clients;

(ii) modern communication – the Group has made significant investments to develop the modern communication facilities, the most notable example being the multifunctional internet and mobile banking system. In addition to the internet and mobile banking system, the Group companies are using modern communication means to interact with their clients and strive for smooth, fast and efficient trading and transacting activities. Despite the heavily regulated environment where the Group companies operate, continuous efforts are made to decrease the bureaucracy in their everyday business operations. A great example of such efforts is the extensive usage of electronic documentation and digital signing;

(iii) strong and innovative business partnerships – the Group companies are actively looking for new and innovative business opportunities and the preferred model of the respective business pursuit is to co-operate with strong partners with either local market knowledge and experience (such as KŪB RAZFIN, the joint venture partner of the Company in Lithuania; please see Section “Material Agreements” for further details) or with opportunities for creating new innovative products and business synergies (such as Transferwise payments, payment acceptance services developed in co-operation with EveryPay; Tallinna Kaubamaja AS and Toveko Invest OÜ; please see Section “Material Agreements” for further details);

(iv) local investor base and management – the Group is a very local player, owned and governed by local investors, which gives it a significant competitive edge compared to the market leaders, the Nordic banking groups. Namely, all decision-making is done locally, considering the local context and dynamics. The Group can interact with its core customers on the principal-to-principal basis, which means that all of the decisions are taken quickly and close to the customer. The Group is getting positive and encouraging feedback for its service practices and engagement. In the operations in the asset management business sector and most notably in the management of pension funds, the Group is taking a knowledgeable positive regional bias. In the fairly simple savings markets two products are growing fast and dominating: bank deposits and assets of the II pillar of the Estonian pension system. The Group is on the frontline to develop solutions which would allow to invest into local promising business initiatives and which would channel locally collected savings back into the local economy. As at today, the Group is co-operating closely with the largest private equity funds and other investment vehicles to achieve that goal;

(v) well-experienced and strong management team – considering its history, the Group companies believe to have access to stronger investment and enterprise experience than their competitors. The Group is one of the biggest brokers on the Nasdaq Baltic Stock Exchange and the biggest broker for Baltic retail investors on international markets. Since the acquiring of the credit institution license in 2009, the Group has focused on the building and development of credit knowledge and experience. LHV Pank has had a strong credit team from its very early days and is proud to employ one of the most senior and experienced credit teams in the market. Most of the team members have over 10 years of experience from the areas of credit origination, work-out and credit risk management. In addition to the initial thorough credit risk assessment, a lot of emphasis is put on active management of the credit portfolio and constant risk monitoring. In order to achieve its long-term goals and grow quicker than the rest of the market, the Group needs to attract the best people available. So far, its track record is strong. Over the past years, LHV Pank has been repeatedly nominated by different survey companies as one of the top 10 most attractive employers in Estonia;

(vi) strong shareholder base – the Company became a public company by listing its subordinated bonds on the Baltic Bond List of Nasdaq Tallinn Stock Exchange. With conducting the Offering and applying for the listing and admission to trading of the Shares on the Baltic Main List of Nasdaq Tallinn Stock Exchange, the Company wishes to provide everyone with an opportunity to become a shareholder of the Company and thus to widen the support of the current strong shareholder base;

(vii) fully deposit funded – the Group has decided to fund its lending operations as well as other relevant banking portfolios with customer deposits. Granual retail and SME deposits have proven to be the most stable, reliable and cost effective source for long term funding. Although the Group might from time to time decide to use special purpose funding for selected businesses, it intends to keep overall loans to deposit ratio always below 100%;

(viii) public recognition – in 2011, 2012, 2013 and 2016, LHV Pank was awarded as member of the year of the Nasdaq Baltic Stock Exchange. In 2014, LHV Pank was awarded the title of "Dream Employer".

10.6. Investments

Introductory Remarks. The Group companies are continuously seeking for opportunities for the expansion of their business operations by investing into the organic growth but also by considering mergers and acquisitions of other market players. As a general rule, the investments made by the Group companies are financed by own funds or by additional capital engaged from the shareholders or bondholders of the subordinated bonds of the Company

Significant Investments. During the three financial years covered by the Financial Statements, the Group companies have made no significant investments, except for the acquisition of the 50%, plus one share, stake in Mokilizingas in May 2013 for the total equity investment in the amount of EUR 1.1 million (for further details on the relevant acquisition, please see Section "Material Agreements"). On 29 January 2016, AS LHV Varahaldus entered into a share purchase agreement with Danske Bank A/S and Danske Bank A/S Eesti Estonian branch pursuant to which LHV Varahaldus agreed to purchase 100% of the shares of Danske Capital AS. The finalisation of the transaction is subject to the approval of the FSA and the Estonian Competition Authority. The transaction is expected to be closed and the 100% shareholding in Danske Capital AS acquired during the first half-year of 2016. The purchase price payable for the shares will be fixed upon closing of the transaction. Currently Danske Capital AS acts as the licensed fund manager of three mandatory pension funds and two voluntary pension funds. The assets under the management of Danske Capital AS amount to approximately EUR 235.8 million and there are over 43 thousand active clients in the Danske mandatory pension funds.

10.7. Trend Information

There has been no material adverse change in the prospects of the Group since 31 December 2015. The Management is not aware of any trends having material adverse effect on the operations of the Group. The recent trends affecting the industry where the Group companies operate is described in Section "Factors and Public Policies Affecting Operations".

10.8. Employees and Labour Relations

Introductory Remarks. In 2015, the average number of employees working for the Group was 303. In 2014, the same number was 272 and, in 2013, 212.

Employees by Business Segments. As at 31 December 2015, the Group's employees by business segments are described in the following table:

Business Segment	Number of Employees
Banking	199
Asset Management	26
Hire-Purchase and Consumer Finance in Lithuania	56
Hire-Purchase and Consumer Finance in Estonia	18
Treasury Activities	2

Employees by Geographical Markets. As at 31 December 2015, the Group's employees by target markets are described in the following table:

Geographical Market	Number of Employees
Estonia	243
Latvia	2
Lithuania	56

10.9. Intellectual Property

The Group's operations are generally not dependent on patents, utility models, industrial designs or other such intellectual property. The Group holds number of registered domain names such as lhv.ee, lhv.lv, lhv.lt and lhv.eu, cuber.ee, persiangulffund.com and mokilizingas.lt, etc. The Group is also the owner of two trademarks "LHV". The Group's operations are highly dependent on several types of software and information technology systems. In order to decrease the dependency on third party services providers, the Group has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. All such information technology systems and web-based solutions are owned by the Group companies. In addition to custom-made software and information technology systems, the Group companies use several software licenses, which are; however, easily replaceable and are not of a crucial importance for the Group's operations. Due to the nature of its operations, there are no research and development policies in place by any of the Group companies, neither are any of the Group companies sponsoring any research and development activities of third parties.

10.10. Material Agreements

Introductory Remarks. The Group companies are not parties to any material agreements outside of their ordinary course of business, which may result in the Group companies obtaining rights or incurring obligations which may materially affect the Group companies' ability to perform their obligations or have a material adverse effect on the financial position or operations of the Group companies. Despite the foregoing, this Section "Material Agreements" provides a general description of several partnership agreements forming the grounds for the Group's material partnership models. The level of detail of the information provided herein is limited due to the confidentiality provisions included in such agreements; however, the Management believes that the information provided is sufficient for comprehending the overall nature and essence of the agreements.

Joint Venture Agreement with KŪB RAZFIN. In conjunction with the joint acquisition of Mokilizingas (where the Company acquired controlling shareholding, i.e. 50% of all issued and outstanding shares, plus one share), the Company and KŪB RAZFIN entered into a joint venture agreement on 16 May 2013. The purpose of the agreement was to establish the principles of strategic co-operation between the Company and KŪB RAZFIN in managing their joint venture Mokilizingas. The joint venture agreement includes the parties' agreements on the conduct of business affairs, corporate governance, financing of operations, dividend policy, non-competition and restrictions on the transfer of shares of the company. In the opinion of the Management, the parties' agreements contained in the joint venture agreement are in compliance with the market practice for similar agreements and form solid grounds for the parties' co-operation. The agreement is well-balanced between the parties, considering the shareholdings of the parties in Mokilizingas. In accordance with the relevant agreement between the Company and KŪB RAZFIN, the operations of Mokilizingas are fully funded by LHV Pank.

Shareholders' Agreement regarding LHV Finance. On 23 January 2013, LHV Pank and Toveko Invest OÜ executed a shareholders' agreement, under which the parties thereto agreed upon the incorporation of LHV Finance and the principles of their co-operation as the shareholders of LHV Finance. Among other terms, the parties to the shareholders' agreement agreed upon the nature and essence of the business operations of LHV Finance and strategic objectives thereof, corporate governance principles, sources of financing and restrictions on the transfer of shares, customary to similar types of transactions. In the opinion of the Management, the parties' agreements contained in the shareholders' agreement are in compliance with market practise for similar agreements and form solid grounds for the parties' co-operation.

10.11. Property

Due to the nature of its operations, the Group companies have no material tangible fixed assets. The tangible assets of the Group companies comprise of computer technology, office equipment, furniture and capitalised costs of office renovation. There are no environmental factors affecting the utilisation of tangible fixed assets by the Group companies.

10.12. Legal Proceedings

In the course of its everyday business operations, the Group companies are parties to several legal and administrative proceedings. In the legal proceedings, the Group companies act, as a general rule, as plaintiffs seeking to recover debts by defaulting borrowers and other customers of the Group companies. Considering the nature of the operations of the Group companies, legal proceedings initiated for debt recovery are part of everyday business operations of the Group companies. As at the date of this Prospectus, in all on-going legal proceedings, Group companies involved are acting as plaintiffs and all such proceedings concern debt recovery. Furthermore, since LHV Pank and LHV Varahaldus operate in the fields subject to extensive legal regulation, they are subject to numerous administrative proceedings initiated primarily by the FSA in the course of ordinary financial supervision. As of the date of this Prospectus, none of the legal or administrative proceedings to which a Group company is a party to (including any such proceedings which are pending or threatened of which the Management is aware) are considered likely to have any significant effects on the Group's financial position and there are no legal or administrative proceedings to which a Group company has been party to (including any such proceedings which are pending or threatened of which the Management is aware) during the 12 months preceding the date of this Prospectus which may have, or have had, significant effects on the Group's financial position or profitability.

10.13. Related Party Transactions

The Group companies have entered into several agreements with related parties. All transactions with related parties executed by the Group companies are by their nature products and services offered by the Group companies to third parties on similar terms and conditions. The terms and conditions of the transactions with related parties do not deviate materially from the terms and conditions of similar transactions executed with third parties. Please see Note 25 of the Financial Statements for the details on the volumes of the related party transactions.

11. SELECTED FINANCIAL INFORMATION

11.1. Introduction

The following summary of the selected consolidated financial information of the Group should be read in conjunction with the Financial Statements. The below tables present only certain selected audited consolidated financial data as of and for the years ended on 31 December 2013, on 31 December 2014 and 31 December 2015.

11.2. Selected Historical Financial Information

Consolidated Statement of Comprehensive Income

(in TEUR)	**2015**	**2014**	**2013**
Continuing operations			
Interest income	27,368	19,499	11,507
Interest expense	-4,135	-3,025	-2,401
Net interest income	**23,233**	**16,474**	**9,106**
Fee and commission income	16,801	13,691	10,099
Fee and commission expense	-2,136	-1,143	-865
Net fee and commission income	**14,665**	**12,548**	**9,234**
Net gains from financial assets measured at fair value	366	528	2 416
Foreign exchange rate gains/losses	64	-15	-23
Other financial income	1	0	312
Net gains from financial assets	**431**	**513**	**2,705**
Other income and expense	57	-16	64
Staff costs	-10,977	-8,554	-6,158
Other operating expenses	-13,130	-11,375	-8,952
Profit before impairment losses on loans and advances	**14,279**	**9,590**	**5,999**
Share of the other comprehensive income/loss of associates accounted for using the equity method	-36	-14	10
Impairment losses on loans and advances	-1,367	-1,680	-1,375
Profit before taxes	**12,876**	**7,896**	**4,634**
Income tax expense	-269	-151	-84
Net profit for the year from continuing operations	**12,607**	**7,745**	**4,550**
Profit from discontinued operations	**2,181**	**1,922**	**-205**
Net profit for the year	**14,788**	**9,667**	**4,345**
Profit attributable to:			
Items that may be reclassified subsequently to profit or loss:			

Available-for-sale investments: Revaluation of available-for-sale financial assets	-17	21	-27
Total comprehensive income for the year	**14,771**	**9,688**	**4,318**
Total comprehensive income/loss attributable to:			
Owners of the parent	13,706	9,203	4,237
Non-controlling interest	1,082	464	108
Total profit for the year	**14,788**	**9,667**	**4,345**
Total comprehensive income/loss attributable to:			
Owners of the parent	13,689	9,224	4,210
Incl. continuing operations	*11,508*	*7,302*	*4,415*
Incl. discontinued operations	*2,181*	*1,922*	*-205*
Non-controlling interest	1,082	464	108
Total comprehensive income/loss for the year	**14,771**	**9,688**	**4,318**

Consolidated Statement of Financial Position

(in TEUR)	**31.12.2015**	**31.12.2014**	**31.12.2013**
Assets			
Balances with central banks	199,844	45,427	133,839
Due from credit institutions	14,735	24,218	17,004
Due from investment companies	15,922	14,484	1,466
Available-for-sale financial assets	3,508	4,273	11,903
Financial assets at fair value through profit or loss	106,608	145,252	36,702
Assets of discontinued operations, classified as held for sale	0	15,473	0
Loans and advances to customers	409,997	301,032	206,768
Receivables from customers	2,026	1,566	1,507
Other financial assets	940	783	650
Other assets	1,128	1,265	3,242
Goodwill	1,044	1,044	1,044
Tangible assets	685	308	491
Intangible assets	689	530	621
Investment in associates	0	36	131
Total assets	**757,126**	**555,691**	**415,368**

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Liabilities			
Deposits from customers and loans received	632,760	475,013	356,381
Financial liabilities at fair value through profit or loss	89	302	433
Accounts payable and other liabilities	20,137	5,473	6,972
Liabilities of discontinued operations, classified as held for sale	0	220	0
Subordinated loans	30,900	16,650	19,635
Total liabilities	**683,886**	**497,658**	**383,421**
Equity			
Share capital	23,356	23,356	19,202
Share premium	33,992	33,992	21,871
Statutory reserve capital	895	435	223
Other reserves	551	132	-12
Accumulated deficit	11,205	-2,041	-11,032
Total equity attributable to owners of the parent	**69,999**	**55,874**	**30,252**
Non-controlling interest	3,241	2,159	1,695
Total equity	**73,240**	**58,033**	**31,947**
Total liabilities and equity	**757,126**	**555,691**	**415,368**

Consolidated Statement of Cash Flows

(in TEUR)	**2015**	**2014**	**2013**
Cash flows from operating activities			
Interest received	27,936	19,109	11,163
Interest paid	-4,075	-2,777	-3,619
Fees and commissions received	16,803	13,248	10,211
Fees and commissions paid	-2,138	-1,144	-865
Other income received	71	0	64
Staff costs paid	-10,880	-8,415	-6,026

Administrative and other operating expenses paid	-12,607	-10,746	-8,447
Cash flows from operating activities before change in operating assets and liabilities	**-15,110**	**9,275**	**2,481**
Net increase/decrease in operating assets:			
Net acquisition/disposal of trading portfolio	-16	-6	-634
Loans and advances to customers	-96,787	-110,526	-80,517
Mandatory reserve at central bank	-1,640	-1,101	-846
Security deposits	-157	-133	64
Other assets	386	1,815	-942
Net increase/decrease in operating liabilities:			
Demand deposits of customers	160,153	111,970	85,911
Term deposits of customers	-999	-6,920	-12,128
Loans received	5,645	14,666	107
Repayments of loans received	-7,221	-1,110	-19,927
Financial liabilities held for trading at fair value through profit or loss	-213	-131	-223
Other liabilities	14,883	-1,376	1,862
Net cash generated from / used in operating activities from continuing operations	**89,144**	**16,423**	**-24,792**
Cash generated from / used in operating activities from discontinued operations	2,781	1,865	-1,504
Net cash generated from / used in operating activities	**91,925**	**18,288**	**-26,296**
Cash flows from investing activities			
Purchase of non-current assets	-1,327	-530	-486
Acquisition of subsidiaries	0	0	304
Acquisition and disposal of associates	0	78	-52
Acquisition of investment securities held to maturity	0	0	-2 790
Proceeds from disposal and redemption of investment securities available for sale	784	7,730	61,130

Net changes of investment securities at fair value through profit or loss	38,974	-108,107	13,076
Cash from investment activities of discounted operations	61	0	0
Net cash used in / from investing activities	**38,492**	**-100,829**	**71,182**
Cash flows from financing activities			
Paid in share capital	0	13,825	564
Non-controlling interest contribution to subsidiary´s share capital	0	0	175
Sale of treasury shares	0	0	1
Subordinated loans received	15,000	15,900	15,450
Repayment of subordinated debt	-750	-16,450	0
Net cash from financing activities	**14,250**	**13,275**	**16,190**
Effect of exchange rate changes on cash and cash equivalents	**65**	**-15**	**-23**
Net decrease/increase in cash and cash equivalents	**144,732**	**-69,281**	**61,053**
Cash and cash equivalents at the beginning of the year	79,631	148,912	87,859
Cash and cash equivalents at the end of the year	**244,363**	**79,631**	**148,912**

Consolidated Statement of Changes in Equity

(in TEUR)	Share capital	Share premium	Statutory reserve capital	Other reserves	Accumulated deficit	Treasury shares	**Total equity attribu-table to owners of the parent**	Non-controlling interest	**Total equity**
Balance as at 01.01.2013	**17,382**	**18,827**	**223**	**232**	**-15,581**	**-1**	**21,082**	**0**	**21,082**
Conversion of subordinated bonds issued in 2010 to share capital	1,200	1,800	0	-210	0	0	2,790	0	**2,790**
Conversion of subordinated bonds issued in 2012 to share capital	433	867	0	-7	0	0	1,293	0	**1,293**
Paid in share capital	187	377	0	0	0	0	564	0	**564**
Sale of treasury shares	0	0	0	0	0	1	1	0	**1**
Non-controlling interest contribution to subsidiary´s share capital	0	0	0	0	0	0	0	175	**175**
Non-controlling interest arising on business combination	0	0	0	0	312	0	312	1,412	**1,724**
Profit for the year	*0*	*0*	*0*	*0*	*4,237*	*0*	*4,237*	*108*	*4,345*

Other comprehensive income	*0*	*0*	*0*	*-27*	*0*	*0*	*-27*	*0*	*-27*
Total comprehensive income for 2013	0	0	0	-27	4,237	0	4,210	108	**4,318**
Balance as at 31.12.2013	**19,202**	**21,871**	**223**	**-12**	**-11,032**	**0**	**30,252**	**1,695**	**31,947**
Balance as at 01.01.2014	**19,202**	**21,871**	**223**	**-12**	**-11,032**	**0**	**30,252**	**1,695**	**31,947**
Conversion of subordinated bonds issued in 2012 to share capital	654	1,796	0	-15	0	0	2,435	0	**2,435**
Paid in share capital	3,500	10,325	0	0	0	0	13,825	0	**13,825**
Share options	0	0	0	138	0	0	138	0	**138**
Paid in statutory reserve capital	0	0	212	0	-212	0	0	0	**0**
Profit for the year	*0*	*0*	*0*	*0*	*9,203*	*0*	*9,203*	*464*	***9,667***
Other comprehensive income	*0*	*0*	*0*	*21*	*0*	*0*	*21*	*0*	***21***
Total comprehensive income for 2014	0	0	0	21	9,203	0	9,224	464	**9,688**
Balance as at 31.12.2014	**23,356**	**33,992**	**435**	**132**	**-2,041**	**0**	**55,874**	**2,159**	**58,033**
Balance as at 01.01.2015	**23,356**	**33,992**	**435**	**132**	**-2,041**	**0**	**55,874**	**2,159**	**58,033**
Transfer to statutory reserve capital	0	0	460	0	-460	0	0	0	**0**
Paid in share capital	0	0	0	0	0	0	0	0	**0**
Share options	0	0	0	436	0	0	436	0	**436**
Profit for the year	*0*	*0*	*0*	*0*	*13,706*	*0*	*13,706*	*1,082*	***14,788***
Other comprehensive income/loss	*0*	*0*	*0*	*-17*	*0*	*0*	*-17*	*0*	***-17***
Total profit and other comprehensive income for 2015	*0*	*0*	*0*	*-17*	*13,706*	*0*	*13,689*	*1,082*	***14,771***
Balance as at 31.12.2015	23,356	33,992	895	551	11,205	0	69,999	3,241	**73,240**

Key Ratios and Indicators

In the opinion of the Management, those key ratios and indicators are the most appropriate ratios and indicators, considering the markets where the Group companies operate. These ratios and indicators enable adequate evaluation of the profitability of the operations of the Group, considering the business volumes of the Group companies.

(in MEUR)	2015	2014	2013
Net profit	14.8	9.7	4.3
Net profit attributable to owners of the parent	13.7	9.2	4.2
Net profit attributable to owners of the parent from continuing operations	11.5	7.3	4.4
Basic earnings per share (EUR)	0.59	0.43	0.23
Basic earnings per share from continued operations	0.49	0.34	0.24
Basic earnings per share from discontinued operations	0.09	0.09	-0.01
Diluted earnings per share (EUR)	0.57	0.42	0.22
Diluted earnings per share (EUR) from continuing operations	0.48	0.33	0.23
Diluted earnings per share (EUR) from discontinued operations	0.09	0.09	-0.01
Average equity	63	44	27
Return on equity (ROE) % *	21.6	21.0	15.6
Average assets	648	463	351
Return on assets (ROA) %	2.3	1.7	1.3
Net interest income	23.2	16.5	9.1
Average interest earning assets	637	455	346
Net interest margin (NIM) %	3.65	3.62	2.63
Spread %	3.57	3.55	2.57
Cost / income ratio %	62.8	67.5	71.6

Explanations

Ratio	Definition / formula
Average equity (attributable to owners of the parent)	(equity of previous year end + equity of each quarter end of current year) / 5 Amount presents amount of equity available in average during relevant period.
Return on equity (ROE)	net profit (attributable to owners of the parent) / average equity (attributable to owners of the parent) * 100 *Ratio presents how much profit is an entity able to generate compared to equity on annual bases.*
Average assets	(assets of previous year end + assets of each quarter end of current year) / 5 Amount presents the amount of total assets available in average during relevant period.

Return on assets (ROA)	net profit / average assets * 100 *Ratio presents how much profit an entity is able to generate compared to total assets.*
Average interest earning assets	(interest earning assets of previous year end + interest earning assets of each quarter end of current year) / 5 *Amount presents amount of the interest earning assets available in average during relevant period*.
Average interest bearing liabilities	(interest bearing liabilities of previous year end + interest bearing liabilities of each quarter end of current year) / 5 *Amount presents amount of the interest bearing liabilities available in average during relevant period*.
Net interest margin (NIM)	net interest income / average interest earning assets * 100 *Ratio presents the margin an entity is in average using between funding and lending.*
Spread	yield on interest earning assets – cost of interest bearing liabilities Ratio presents the difference between average earned yield and paid yield, whereas the underlying volumes are not taken into account.
Yield on interest earning assets	interest income / average interest earning assets * 100 Ratio presents the absolute average interest rate an entity earns from interest earning assets.
Cost of interest bearing liabilities	interest expenses / average interest bearing liabilities * 100 Ratio presents the absolute average interest rate an entity pays for interest earning liabilities.
Cost / income ratio	total operating expenses / total income * 100 (total income equals net interest income + net fee income + net profit from financial assets + other income) *Ratio presents effectiveness, i.e. how much an entity is spending for earning one euro.*

12. CAPITALISATION AND INDEBTEDNESS

Capitalisation. The following table sets forth the consolidated total capitalisation of the Group (i) on an actual basis as of 31 December 2015, (ii) on an actual basis as of 29 February 2016 and (iii) on an adjusted basis to reflect the issuance and sale of 2,000,000 Offer Shares at an assumed Offer Price of EUR 6.95 after deduction of the commissions and expenses incurred by the Group in an approximate amount of EUR 200,000 compared to 31 December 2015.

The information dated 31 December 2015 has been derived from the audited Financial Statements of the Group, which have been prepared in accordance with IFRS. The information dated 29 February 2016 is unaudited and has been derived from internal monthly reporting, which has been prepared in accordance with IFRS. The table should be interpreted in conjunction with the Financial Statements presented elsewhere in this Prospectus and incorporated into the Prospectus by reference.

Capital base *(in TEUR)*	**31.12.2015**	**29.02.2016**	**As adjusted for this Offering**
Paid-in share capital	23,356	23,356	25,356
Share premium	33,992	33,992	45,692
Statutory reserves transferred from net profit	895	895	895
Other reserves	551	551	551
Retained earnings / accumulated deficit	11,205	13,481	11,205
Non-controlling interests	3,241	3,542	3,241
Total equity	**73,240**	**75,817**	**86,940**
Subordinated debt	30,900	30,900	30,900
Customer deposits	632,760	659,324	632,760
Other liabilities	20,226	11,593	20,226
Total liabilities	**683,886**	**701,873**	**683,886**
Regulatory own funds and core capital ratios			
Total Tier 1 capital	69,633	69,037	83,333
Net own funds for capital adequacy calculation	100,533	99,937	114,233
Capital adequacy (%)	24.03	23.24	27.30
Tier 1 Capital Ratio (%)	16.65	16.05	19.92

Capitalisation (in TEUR)	**31.12.2015**
Total current debt (maturity up to one year)	**629,997**
Of which: secured	0
Of which: unsecured	629,997
Of which: subordinated debt	0
Total non-current debt (excluding current portion of long-term debt)	**53,889**
Of which secured (TLTRO funding from ECB)	13,000
Of which: unsecured	9,989
Of which. subordinated	30,900
Equity:	
Share capital	23,356
Share premium	33,992
Other reserves (incl. retained earnings/profit for the period)	12,651
Non-controlling interest	3,241

Shareholders' equity	**73,240**
Total capitalization	**757,126**

Indebtedness. The following table indicates the indebtedness of the Group as at 31 December 2015.

Current assets *(in TEUR)*	**31.12.2015**
Liquidity:	
Cash	0
Cash equivalents	230,501
Trading securities	84,892
Total liquidity	**315,393**
Current financial receivables	**130,982**
Total current assets	**446,375**
Current financial debt (maturity up to one year):	
Current debt	609,771
Current portion of non-current debt	0
Other current financial debt	20,226
Total current financial debt	**629,997**
Net current financial indebtedness	**183,622**
Non-current financial indebtedness:	
Non-current bank loans	22,989
Bonds issued	30,900
Other non-current loans	0
Non-current financial indebtedness	**53,889**
Net financial indebtedness	**237,511**
Indirect and contingent indebtedness:	
Performance guarantees	7,853
Financial guarantees	5,369
Unused loan commitments	118,696
Total indirect and contingent indebtedness	**131,918**

Working Capital Statement. As at 31 December 2015, the net current total consolidated working capital of the Group was TEUR -183,622. The working capital of a company represents the difference between the company's current assets and current liabilities. The largest subsidiary of the Group, LHV Pank, is mainly funded from the deposits, from which 432,810 TEUR are on current accounts included 100% into current liabilities, and then net current working has to be negative. Based on the Liquidity Coverage ratio Calculations, LHV Bank should keep in average 22% of liquid assets against the current accounts equalling 95,218 TEUR. Remaining current accounts in amount of 337,592 TEUR can be included into non-current liabilities.

In the opinion of the Management working capital is sufficient to cover the Group's foreseeable obligations for a period of at least 12 months following the date of this Prospectus.

No Material Adverse Change. There has been no material adverse change in the Group's financial position since 31 December 2015.

13. FINANCIAL CONDITION, RESULTS OF OPERATIONS AND OUTLOOK

13.1. Financial Condition and Results of Operations

Detailed information on the financial condition and results of operations of the Group has been provided in the Financial Statements annexed to this Prospectus.

13.2. Factors and Public Policies Affecting Operations

Introductory Remarks. The operations and financial condition of the Group are affected by numerous factors. The factors of particular importance, in the opinion of the Management, are outlined below. However, the impact of these and other factors may vary significantly in the future.

Macroeconomic Environment. The operations of the Group are materially affected by the macroeconomic environment in the main geographical markets where the Group companies operate, i.e. Estonia and Lithuania.[15] Macroeconomic factors such as GDP growth, inflation rates, interest rates and currency exchange rates, as well as unemployment rates, average income levels and the general financial situation of consumers and businesses, together with various other factors, have a material impact on the operations of the Group.

Although the current economic environment may be described as stable, 2015 was marked by the emergence of geopolitical risks to the fore, the growth slowdown in the world economy, commodity prices continued to fall and low inflation rate. According to Statistics Estonia, in 2015, the GDP of Estonia increased 1.1% compared to an increase of 2.5% in 2014 and 2.6% in 2013. The high employment rate and structural labour shortage are fuelling a wage growth beyond the growth in productivity; the fragility of the external environment and labour market restrictions have kept investments in noncurrent assets at a 20-year low. Although the current environment has suited well for the Group, further developments in economic situation may result in fluctuations in the results of operations of the Group. Please see Section "Political, Economic and Legal Risks" for further discussion on the potential impact of the overall macroeconomic environment to the results of operations of the Group.

Under the pressure from slow economic growth and low interest rates, the profitability of the European banks in general remains weak, being also negatively influenced by low quality of the loan portfolios in several jurisdictions and the need to write loans down. According to the European Banking Authority, the average percent of the restructured loans and loans overdue for more than 90 days of the big banking groups in the European Union was 12.3 in the third quarter of 2015.[16] The wide scope of identified misconduct practices and high misconduct costs at several banks also remain concerns. Developments in international financial markets undoubtedly affect Estonian and Lithuanian financial markets and may have adverse effect to the operations of the Group.

Changes in Regulatory Environment. The operations of the Group are subject to extensive legal regulation on both levels – on the level of the European Union and on the level of jurisdictions where the Group companies operate. Material changes in such regulations may have significant impact on the

[15] The operations of the Group in the Latvian market are very limited. Please see Section "Group Structure and Group Companies" for further details.
[16] EBA, Risk Dashboard Q4 2015, page 9, available at: http://www.eba.europa.eu/documents/10180/1380504/EBA+Dashboard+-+Q3+2015+data.pdf/ed7b658c-c12d-4c27-b2a7-c3fd798ae23f

results of operations of the Group companies. LHV Pank is subject to strict capital adequacy requirements discussed in further detail in Section "Political, Economic and Legal Risks"; however, the operations of the Group companies may be influenced by changes in other fields of law applicable in respect of either the Group companies or the clients and co-operation partners of the Group companies. Changes in tax regime in Estonia as the main geographical market may have significant impact of the results of operations of the Group companies. There are on-going political discussions on potential changes to the Estonian tax regime, which primarily concerns the corporate income tax regime. In Estonia corporate income tax is charged only on the distributed profit with the reinvested profits remaining untaxed until distribution. Traditional point of corporate taxation is the moment of accrual and not distribution of profit. The referred changes have not reached further than political discussions; however, should such changes be implemented, the results of operations of the Group companies may be adversely affected.

Competitive Markets. The level of competition has material impact on the Group's results of operations. Estonian banking market as the main market of the Group may be characterised by intense competition. There are altogether nine licensed credit institutions in Estonia, and a further seven branches of foreign credit institutions operate in the Estonian banking market. What is more, over 300 other financial institutions from the European Union can provide cross border banking services in Estonia. As at the end of June 2015, the banks had assets of 22.2 billion euro, or 112% of GDP, which is among the smallest shares in the European Union.[17] The banking sector in Estonia is highly concentrated. As at the end of June 2015, four large banks, which are subsidiaries or branches of foreign banks, hold a 89% combined market share in loans and 88% combined market share in deposits. Respective market shares of the Group companies were 2% and 3%. Regardless of the tense competition situation, the volume of the Group's loan portfolio increased by 36% and the volume of deposits by 35% in the year 2015. However, in the current, record-low, negative interest rates, it is a challenge to maintain or grow its market position for any market participant and the level of competition may have material adverse impact on the Group's results of operations.

The Estonian asset management market is relatively young and is rapidly growing. The total value of pension and investment funds at the end of June 2015 was 3.3 billion euro (around 17% of GDP). The growth of the sector is driven by the mandatory pension funds, which are also the largest business segment of the Estonian asset management market. As of the end on June 2015, the Group belongs among the three largest players of the sector, holding a 20% share of the market of mandatory pension funds.[18] Mandatory pension funds in Estonia are managed by altogether five licensed fund managers. As of the same date, the Group's market share of the total Estonian asset management market was 16%.[19] There are altogether 17 local licensed fund managers in Estonia and 58 market participants providing fund management services cross-border. The level of competition of the Estonian asset management market is high and may lead to worsening of the Group's financial position and results of operations.

Quality of Credit Portfolio and Impairment Charges. The results of operations may be materially affected by the quality of the credit portfolio and impairment charges. The amount of impairment provisions

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[17] Statistics of the Estonian National Bank, available at http://www.eestipank.ee/sites/eestipank.ee/files/publication/ep_fsy_2015_2_eng_a.pdf
[18] Statistics of the Estonian National Bank, available at http://www.eestipank.ee/sites/eestipank.ee/files/publication/ep_fsy_2015_2_eng_a.pdf
[19] Statistics of the Estonian National Bank, available at http://www.eestipank.ee/sites/eestipank.ee/files/publication/ep_fsy_2015_2_eng_a.pdf

allocated for impairment losses depends on the expected recovery ratios and the value of available collateral. There are several criteria for a loan to be considered individually impaired. The Group's internal default definition is in line with the generally accepted definition of the default criteria, such as payment delay more than 90 days on any material credit obligation, distressed restructuring of the credit obligation, and specific credit adjustment due to significant perceived decline in the credit quality since inception, significant financial difficulties of the obligor or likely bankruptcy process, etc. As a part of the risk analysis, the Group is regularly performing stress tests and sensitivity analysis regarding the credit risk and its components (such as PD, LGD). The collective impairment credit assessment of the Group is based on the historical loss rate and credit rating. As at 31 December 2015, the Group assesses the specific loan impairment to be TEUR 918 and the collective loan impairment TEUR 3,762. The credit quality of the Group has a more detailed coverage in Note 3 (Section 3.2.2) of the Financial Statements.

13.3. Changes in Revenue

Introductory Remarks. All three financial years covered by the Financial Statements indicate increase of revenues of the Group. Such increase has mainly been the result of the organic growth of the Group in its target markets, except for the acquisition of Mokilizingas in August 2013 for MEUR 1.1, which has not affected the Group's revenues significantly.

Discussion by Business Segments. The banking operations of the Group started in 2009 and, for the first years, the revenues were very low due to small number of products and customers. In 2013, the banking activities reached the first mile-stones by being able to offer the most critical banking services and, in 2015, by bringing ATM's to the market, the bank's product list was large enough to provide home-banking services. The revenues are clearly following the bank's product developments – the growth has always been a 2-digit number, but a significant absolute growth in client activities arrived in 2014 and especially in 2015. The revenue base from the banking operations has grown from MEUR 12.9 in 2013 to MEUR 13.7 in 2015.

The revenues of asset management have grown due to the organic growth, which has been supported by the highest yielding pension funds over a 10-year period. LHV Varahaldus maintained the second largest market share (21%) in terms of volume and third largest market share (19.8%) in terms of customer numbers. The company's operating income grew by 9% during the year 2015. During 2015, the volume of assets under management grew by 13%, totalling EUR 570 million. The management fees of mandatory pension funds were reduced by regulation in August 2015, with the management fees lowered by 10%, compared to July 2015. The revenues have grown from MEUR 6 in 2013 to MEUR 9.5 in 2015.

The hire-purchase and consumer finance operations in Lithuania were initiated in 2013 by the acquisition of Mokilizingas and since then the portfolio has grown significantly. The overall loan portfolio increased by 25% to EUR 40 million as at the end of 2015. Net interest income (before impairments) during the year 2015 was EUR 5.1 million (+29% year on year). Despite the increase in operating expenses due to preparation for new products, net profit almost doubled to EUR 1.1 million.

The Estonian unit of hire-purchase and consumer finance was established in 2013 and the portfolio has grown to 25 million within 2 years. The revenues from the hire-purchase and consumer financing operations reached MEUR 3.2 by the end of 2015. The treasury unit of LHV Pank is engaged in supporting banking operations, managing asset-liability mismatches, acting as centralised funding unit and in-house trading unit for the money-market and capital market instruments. The unit's revenues are directly correlating with the growth of the banking business segment of the Group.

14. CAPITAL RESOURCES

Introductory Remarks. The Group is well-capitalised as at the end of the reporting period, i.e. 31 December 2015, with a capital adequacy level of 24.0% and Tier 1 capital ratio of 16.7%. The Group uses the standard method for the calculation of credit risk and market risk capital requirements and the basic indicator approach for the calculation of operational risk capital requirements. The Group has complied with all capital requirements. Each year, an internal capital adequacy assessment process (ICAAP) is performed, the goal of which is to identify potential capital needs in addition to regulatory capital requirements. Leverage ratio, calculated according to Basel Committee on Banking Supervision requirements, as at 31 December 2015 was 7.5%.

The Group’s loan to deposit ratio as at 31 December 2015 was 66% and liquidity buffer accounted for 44% of balance sheet. The Group’s liquidity management and strategy is based on risk policies, resulting in various liquidity risk measures, limits and internal procedures. As per policy statements, the Group’s liquidity management reflects a conservative approach towards liquidity risk. The liquidity risk management includes stress testing and business continuity plan for liquidity management. The stress testing framework includes survival period metrics, which represents a combined liquidity risk scenario, including both idiosyncratic and market-wide stress. Internal metrics are complemented by the Basel III metrics - the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), which the Group is fully compliant with as at 31 December 2015. The aim of the LCR standard is to ensure that the Group has an adequate amount of unencumbered assets of high quality and liquidity that could be monetised without incurring material losses to meet a liquidity requirement in a 30-day stress scenario. The output of the standard is the ratio of liquid assets to stress scenario liquidity requirement, which has a limit of 100%. The Group's liquidity coverage ratio level as at 31 December 2015 was 271%. The objective of the NSFR is to ensure that the Group has adequate stable funding sources to finance longer-term assets. According to the proposals published in the banking regulation and the banking committee of Basel in October 2014, the Group's NSFR level as at 31 December 2015 was 157%. The net stable funding ratio will be imposed as minimum requirement from the year 2018.

In order to hedge liquidity risk, the probable net position of receivables and liabilities by maturities is regularly monitored and adequate amounts of liquid assets are kept in each time period, also the concentration of the Group’s liabilities by maturities and currencies is monitored. The Group grants loans only in one currency - euro. All other currencies in balance sheet come from client deposits and are mostly covered directly with liquidity held in that currency. To enable covering unexpected monetary outflows, the Group holds a liquidity buffer. The liquidity buffer consists of cash and deposits with the central bank and liquid securities held by LHV Pank, which can be readily sold or used as a collateral in funding operations with the central bank. The Group has a sufficient supply of liquid resources to enable issuing standby loans. As at 31 December 2015, the Group does not have any debts past due. Short-term loans can be obtained from the central bank, secured by the majority of instruments from the debt securities portfolio.

Deposit Funding and Loans Received. The main funding base of the loans issued by the Group entities consists of deposits and loans received. During 2015, MEUR 158 worth of new deposits and loans received were collected with the total volume of deposits and loans received amounting 633 MEUR by the end of the year 2015. As a result of the overall low interest rate environment, a change has occurred in the deposit structure. As the deployment of money in term deposits is no longer attractive, in the end of 2013 LHV Pank introduced a liquidity account concept to the market whereby if certain conditions are met, higher interest is paid on demand deposits. All in all, the proportion of demand deposits has increased, accounting for 71% of all deposits as at the end of December (60% one year ago).

Subordinated Capital. As at 31 December 2015, the Group had outstanding subordinated capital in an aggregated principal amount of TEUR 30,900. The full amount was recognized as Tier 2 capital. The

Group issued EUR 15,000 thousand of new subordinated bonds in October 2015 with the fixed interest rate of 6.5%. The public offering of the subordinated bonds carried out by the Group in October 2015 was over-subscribed, which lead the Management to believe that in case of a need to rise Tier 2 capital there is sufficient demand in the market.

Share Capital. The share capital of the Company has been increased several times in order to cover future growth. The latest increase of the share capital of the Company was in 2014 when 4 million new Shares were issued. As at 31 December 2015, the total amount of the equity of the Company was TEUR 73,240, including share premium and other capital instruments. In order to support the future growth of the Company as described in Section “Reasons for Offering and Use of Proceeds”, the Company is conducting the Offering as described in this Prospectus.

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15. LISTING AND ADMISSION TO TRADING

The Company intends to apply for the listing and admission to trading of all the Shares (including Offer Shares subscribed for and issued by the Company and allocated to investors as a result of the Offering) on the Main List of Nasdaq Tallinn Stock Exchange as soon as possible after the registration of the Offer Shares in the in the ECRS and the Estonian Commercial Register. The Company will to take all necessary measures in order to comply with the Nasdaq Tallinn Stock Exchange rules so that its application would be approved. The expected date of listing and admission to trading of the Shares on the Main List of the Nasdaq Tallinn Stock Exchange is on or about 23 May 2016. For the general information on the Nasdaq Tallinn Stock Exchange, please see the Section "Estonian Securities Market".

If the Offering is cancelled in accordance with the terms and conditions described in Section "Cancellation of Offering", the Company may choose to apply for the listing and admission to trading of all the Shares issued and outstanding as at the date of this Prospectus.

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16. ESTONIAN SECURITIES MARKET

16.1. Nasdaq Tallinn Stock Exchange

Nasdaq Tallinn Stock Exchange is the only regulated securities market in Estonia. The ultimate owner of the Nasdaq Tallinn Stock Exchange is Nasdaq, Inc. Nasdaq is the world's largest exchange company, providing trading, exchange technology and public company services across six continents, with over 3,500 listed companies. Nasdaq group offers multiple capital raising solutions to companies around the globe, including its U.S. listings market, Nasdaq Nordic and Nasdaq Baltic including Nasdaq First North, and the U.S. 144A sector and Nasdaq Private Market. The company offers trading across multiple asset classes including equities, derivatives, debt, commodities, structured products and ETFs.

Nasdaq technology supports the operations of over 70 exchanges, clearing organisations and central securities depositories in more than 50 countries. Nasdaq Nordic and Nasdaq Baltic are not legal entities but describe the common offering from Nasdaq group exchanges in Helsinki, Copenhagen, Stockholm, Reykjavik, Tallinn, Riga, and Vilnius.

Nasdaq stock exchanges in Tallinn, Riga and Vilnius form the Baltic Market, the core idea of which is to minimise to the extent possible the differences between the three Baltic markets in order to facilitate cross-border trading and attract more investments to the region. This includes sharing the same trading system and harmonising rules and market practices, all with the aim of reducing the costs of cross-border trading in the Baltic region.

Nasdaq Tallinn is a self-regulated organisation, issuing and enforcing its own rules and regulations consistent with standard exchange operating procedures. It is licensed and supervised by the Financial Supervisory Authority of Estonia.

Nasdaq Tallinn uses the Nasdaq trading platforms INET Nordic and Genium INET, which are also used by exchanges in Sweden, Finland, Denmark, Iceland, Latvia and Lithuania.

16.2. ECRS and Registration of Shares

The shareholders' registers of all public limited companies (and some private limited companies who opted to register their shares) including those that are traded on the Nasdaq Tallinn Stock Exchange are held in the Estonian Central Register of Securities (the ECRS). The ECRS also contains book entry records of all securities, pension accounts, registered bonds and all other electronic securities and transactions. This register is maintained by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus that is owned by Nasdaq Tallinn AS and belongs to the Nasdaq group.

Every person, whether natural or legal person, has the right to open an account with the ECRS, where all securities are registered in book entry form on the securities accounts of their owners. All the transactions are recorded and can be performed only through account administrators. Account administrators may be either investment companies or credit institutions operating in Estonia, or other certified entities. For the shares registered in the ECRS, no physical share certificates are issued.

In addition to the regular securities accounts, professional participants of the securities market (account holders) can open a nominee account. This account type gives the account holder the right to hold securities in its own name but on behalf of another person (a client). The client retains the right to dispose of the securities and use rights arising therefrom.

16.3. Listing Shares on Nasdaq Tallinn Stock Exchange

The Baltic stock exchanges have a common presentation of all listed Baltic companies on a common list, the companies of which are grouped in the lists described below. In legal terms, the companies are listed on their home market, i.e. the exchange in Tallinn, Riga or Vilnius and supervised by the local financial supervisory authority.

The structure of the lists of securities traded on the Nasdaq Tallinn, Riga and Vilnius exchanges is as follows:

(i) Baltic Main List;

(ii) Baltic Secondary List;

(iii) Baltic Bond List;

(iv) Baltic Fund List;

(v) First North (alternative marketplace, multilateral trading facility, not a regulated market).

Baltic Main List. The Baltic Main List is a line-up of all blue-chip companies listed on the Tallinn, Riga and Vilnius stock exchanges. To be eligible for inclusion, a company must have 3 years of operating history, an established financial position, market capitalisation of not less than EUR 4 million, with reporting according to the IFRS, and a free float of 25% or worth at least EUR 10 million.

Baltic Secondary List. The Baltic Secondary List comprises companies that do not meet quantitative admission requirements (free float, capitalisation) for the Baltic Main List.

Baltic Funds List. The Baltic Funds List contains the investment fund units or shares of collective investment subjects that are listed and traded on the Baltic exchanges in a similar manner to equities.

Baltic Bond List. The Baltic fixed-income instruments are presented in a joint Baltic Bond List. The fixed-income instruments include Latvian and Lithuanian government bonds, and corporate and mortgage bonds of different maturities. In 2015, two Estonian corporate bonds were also listed and admitted to trading. Listing of and trading in fixed-income instruments is possible in EUR and in certain other currencies.

First North. Nasdaq First North is a multilateral trading facility (MTF), also known as an alternative market, operated by the different exchanges within Nasdaq. It does not have the legal status of a regulated market. Companies on First North are subject to the rules of First North and not the legal requirements for the admission to trading on a regulated market. The Baltic First North is divided into two separate lists – First North Baltic Share List and First North Baltic Bond List, whereas the first list is for trading in shares and the second one for trading in bonds.

16.4. Trading on Nasdaq Tallinn Stock Exchange

Nasdaq Baltic Stock Exchanges employ two trading systems:

(i) INET Nordic – the electronic trading system used for trading in equity-market instruments traded on the regulated market and the alternative market place First North;

(ii) Genium INET – the electronic trading system used for trading in fixed-income instruments on the regulated market, as well as for the execution of auctions and special procedures, such as tender offers, public share sales, IPOs.

Commonly recognised as the most sophisticated trading platform in the world, INET is the proprietary core technology utilised across Nasdaq's global markets.

Transactions can be effected in two ways – automatic matching, which means that buy and sell orders are matched by the trading system automatically according to price, displayed volume and time priorities; and manual trades – trades negotiated between stock exchange members outside of the trading system, with brokers entering the deal in the trading system within three minutes after its conclusion.

16.5. Financial Supervision

The operations of the Nasdaq Tallinn Stock Exchange are supervised by the FSA with the purpose of ensuring the compliance with the rules and requirements applicable in respect of the operations of regulated markets.

16.6. Abuse of Securities Market

According to the Securities Market Act, the abuse of a securities market is defined as either the misuse of inside information or as market manipulation. The provisions of the Securities Market Act relating to the abuse of securities market also apply to such securities that are not traded on the Estonian securities market or in any of the Member States of the European Economic Area but the value of which depends on the financial instruments traded on those markets.

According to the Estonian Securities Market Act, "inside information" is defined as specific information that directly or indirectly relates to an issuer or to its securities and that, if disclosed, may likely materially influence the security or derivate security of the issuer. Among numerous other things, this includes information on operations and future prospects of the issuer, insofar as not yet officially disclosed. When such information is made public, there is an increased risk of fluctuations in the price of the relevant security and of related derivative instruments. Inside information can only be possessed by "insiders". As defined in the Securities Market Act, an insider is a member of the management of the issuer, a person who obtains access to inside information in discharge of his/her professional duties or due to a shareholding in the issuer, as well as third persons who obtain inside information and are aware or should be aware that the information obtained is inside information by its nature. Inside information is usually regarded to be misused when used as basis for transactions (or as basis for advise to third parties) or disclosed to the public. In order to reduce the risk of the abuse of inside information, each issuer whose securities are listed on a regulated market is required to establish internal information rules, extending also to individuals who are related to the issuer.

As to market manipulation, the Securities Market Act sets forth a non-exhaustive list of actions that qualify as market manipulation, such as transactions that are misleading in respect of bid or ask price of a security, actions and transactions distorting the price of a security, disclosing misleading information, etc.

The Estonian Securities Market Act establishes a number of administrative offences related to misuse of inside information and market abuse that are punishable with fines of variable gravity. Dependant on the circumstances of the offence, misuse of inside information and market manipulation may be qualified as criminal offences under the Estonian Penal Code.

17. TAXATION

Introductory Remarks. This Section is meant to give an overview of the tax regime applicable to the shareholders and the Company. The below summary is in no way exhaustive and is not meant to constitute professional advice to any person. In order to establish particular tax consequences of the Offering or the ownership of the Shares, each individual investor is strongly encouraged to seek specialist assistance.

Corporate Income Tax. The system of taxation of corporate income currently in force in Estonia differs from the traditional model of corporate income taxation in that it shifts the point of corporate taxation from the moment of accrual to the moment of distribution. Therefore, in Estonia corporate income tax is charged only on the distributed profit with the reinvested profits remaining untaxed until distribution. Corporate income tax is charged on profit distributions such as dividends, payments in the course of the reduction of share capital and redemption of own shares, as well as on implicit distributions such as fringe benefits, gifts and donations, expenditures and payments not related to the business activities of a company. All of the above profit distributions are taxed at the rate of 20/80 (25%) of the net amount of the distribution, i.e. 20% of the gross amount of the distribution. The corporate income tax charged on above profit distributions is payable only at the company level with the company being responsible for calculating, declaring and paying of the respective corporate income tax. Corporate income tax imposed on distributed profit is not a withholding tax and thus is not influenced by the applicable international tax treaties. Payments made in the course of the reduction of share capital and redemption of shares are taxable at the company level only to the extent such payments exceed the monetary and non-monetary contributions previously made by the shareholders into the company.

Dividend tax. In Estonia dividends paid by an Estonian resident legal person are exempt from taxation at the level of the recipient, regardless of whether the recipient is a natural or a legal person, an Estonian resident or a non-resident person (no classical dividend tax). Taxation takes place only at the level of the Estonian legal person making the distribution. Upon the repeated distribution of dividends by an Estonian resident legal person on the account of the dividends derived from a resident company of the European Economic Area contracting state (including Estonia) or Switzerland, the repeated distribution of dividends shall be exempt from income tax, provided the distributing company held at least 10% of the shares or votes in the company from which the underlying dividends were derived at the time of deriving the dividends. The latter restriction should be taken into account by an Estonian resident investor when deciding on whether to acquire the Shares as a natural or a legal person. If the recipient is a non-resident person, then the dividends received from the Estonian legal person may be taxed with dividend tax in the person's respective country of residence. In order to establish particular tax consequences arising in the non-resident person's country of residence, investors are advised to seek specialist assistance.

Capital Gains from Sale or Exchange of Shares. Gains realised by an Estonian resident individual upon the sale or exchange of securities (including the Shares) are subject to income tax at the rate of 20%. Payments received by an Estonian resident individual in the course of the reduction of share capital or redemption of shares are also taxable as capital gains, if the amount of the received payment exceeds the acquisition cost of the relevant shareholding, except to the extent such payment has been already taxed at the company level. Since all earnings of resident legal persons, including capital gains, are taxed only upon distribution, capital gains accruing to resident legal persons are not subject to immediate taxation. As a rule, capital gains received by non-residents from the sale or exchange of securities are not taxed in Estonia (except for certain securities related to the Estonian real estate). Non-resident shareholders receiving capital gains from the sale or exchange of the Shares may be subject to declaring and paying income tax in their respective countries of residence. For the purposes of capital gains taxation, the gain derived from the sale of securities (including the Shares) is the difference between the acquisition cost and the sales price of such securities. The gain derived from the exchange of securities is the difference between the acquisition cost of securities subject to exchange and the market price of the property received as a result of the exchange. The expenses directly related to the sale or exchange of shares may be deducted from the gains.

Investment Account. Estonian resident individuals may postpone the taxation of their investment income by using an investment account for the purposes of making transactions with certain financial assets (including the Shares). An investment account is a monetary account opened with a European Economic Area or the Organisation for Economic Co-operation and Development (OECD) member state credit institution, through which the transactions with the financial assets, taxation of income from which (e.g. capital gains, etc.) a person wants to postpone, shall be made. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e. the amount withdrawn from the account exceeds the amount which had been previously paid in to the account). Therefore, financial income held at the investment account may be reinvested tax-free until it is withdrawn from the account.

18. GLOSSARY

Term	Definition
Articles of Association	shall mean the Articles of Association of the Company effective as at the date of this Prospectus.
BRRD	shall mean the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.
Company	shall mean AS LHV Group, an Estonian public limited company, registered in the Estonian Commercial Register under register code 11098261, having its registered address at Tartu mnt 2, 10145 Tallinn, Estonia.
CRD IV	shall mean an EU legislative package covering prudential rules for banks, building societies and investment firms. CRD IV includes the following legislative acts - the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD) and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR).
CRR	shall mean the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.
EBA	shall mean the European Banking Authority, an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector established by the Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.
ECRS	shall mean the Estonian Central Register of Securities, operated by AS Eesti Väärtpaberikeskus, registered in the Estonian Commercial Register under register code 10111982, having its registered address at Tartu mnt 2, 10145 Tallinn, Estonia.

EUR	shall mean the official currency of Eurozone countries, including Estonia, Latvia and Lithuania, the euro.
Eurozone	shall mean the economic and monetary union (EMU) of the European Union member states, which have adopted euro as their single official currency.
Financial Statements	shall mean the audited consolidated financial statements of the Group for the three financial years ended on 31 December 2013, 31 December 2014 and 31 December 2015 (prepared for the purposes of this Prospectus and each year separately covered by the report by independent auditor) as included in this Prospectus as Annex 1.
FSA	shall mean the Estonian Financial Supervision Authority, a financial supervision institution with autonomous competence and a separate budget which conducts supervision over credit institutions, insurance companies, insurance intermediaries, investment firms, management companies, investment and pension funds as well as the payment service providers, e-money institutions and the securities markets that have been authorised by the Financial Supervision Authority in the name of the state and which is independent in its activities and decisions.
GDP	shall mean gross domestic product, the market value of all officially recognised final goods and services produced within a country in a year, or another given period of time.
General Meeting	shall mean the General Meeting of shareholders of the Company, the highest governing body of the Company.
Group	shall mean the Company and all its subsidiaries.
IFRS	shall mean the International Financial Reporting Standards as adopted by the European Union.
Institutional Offering	shall mean the offering of the Offer Shares to institutional investors worldwide in reliance on certain exemptions found in the national securities legislation of each relevant country, which does not constitute a public offering of the Offer Shares in any jurisdiction.
LHV Finance	shall mean AS LHV Finance, an Estonian public limited company, registered in the Estonian Commercial Register under register code 12417231, having its registered address at Tartu mnt 2, 10145 Tallinn, Estonia.
LHV Pank	shall mean AS LHV Pank, an Estonian public limited company and licensed credit institution, registered in the Estonian Commercial Register under register code 10539549, having its registered address at Tartu mnt 2, 10145 Tallinn, Estonia.

LHV Varahaldus	shall mean AS LHV Varahaldus, an Estonian public limited company and licensed fund manager, registered in the Estonian Commercial Register under register code 10572453, having its registered address at Tartu mnt 2, 10145 Tallinn, Estonia.
LTL	shall mean the official currency of Lithuania until 1 January 2015, the lita.
Management	shall mean the Management Board and the Supervisory Board of the Company.
Management Board	shall mean the Management Board of the Company.
MEUR	shall mean millions of euro.
Mokilizingas	shall mean UAB “Mokilizingas”, a Lithuanian private limited company, registered in the Lithuanian Commercial Register under register code 124926897, having its registered address at Lvovo g. 25, Vilnius, Lithuania.
Nasdaq Tallinn Stock Exchange	shall mean the only regulated market operated by Nasdaq Tallinn AS (register code 10359206).
Offer Price	shall mean the final price per each Offer Share, which shall be a fixed price of EUR 6.95.
Offer Shares	shall mean up to 2,000,000 Shares that are being offered to investors in the course of the Offering.
Offering	shall mean the Retail Offering and the Institutional Offering together.
Offering Period	shall mean the period within which investors will have the opportunity to submit Subscription Undertakings starting from 2 May 2016 (included) and ending on 16 May 2016 (included).
Prospectus	shall mean this document, including the registration document of the Company and the securities notes of the Shares.
Retail Offering	shall mean the offering of the Offer Shares to institutional and retail investors in Estonia, which is a public offering of securities within the meaning of the Estonian Securities Market Act.
Section	shall mean a section of this Prospectus.
Share	shall mean the ordinary shares of the Company with the nominal value of EUR 1, registered in the ECRS under ISIN code EE3100073644.
Shareholder	shall mean natural or legal person(s), holding the Share(s) of the Company at any relevant point of time.

Subscription Undertaking	shall mean the order submitted by an investor for the purchase of the Offer Shares in accordance with the terms and conditions of the Offering.
Subsidiaries	shall mean LHV Pank, LHV Varahaldus, LHV Finance and Mokilizingas.
Supervisory Board	shall mean the Supervisory Board of the Company.
Summary	shall mean the summary of this Prospectus.
TEUR	shall mean thousands of euro.
Tier 1	shall mean Tier 1 capital, core capital of a bank that includes equity capital and disclosed reserves , as further specified in the CRR.
Tier 2	shall mean Tier 2 capital, supplementary capital of a bank that includes items such as revaluation reserves, undisclosed reserves, general provisions, hybrid instruments and subordinated term debt, as further specified in the CRR.
UCITS	shall mean undertakings for the collective investment in transferable securities, i.e. are investment funds regulated at EU level mainly by the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

19. LIST OF ANNEXES

Annex 1 - Financial Statements

COMPANY

AS LHV Group

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LEGAL COUNSEL TO COMPANY

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