

AS LHV Group Dividend Policy

Purpose

This document has been prepared to formulate the dividend payment principles of AS LHV Group (hereinafter: the Group).

The group is a financial holding company that owns subsidiaries related to asset management services, insurance and banking in its consolidation group. The group complies with all regulations applicable to credit institutions. In addition, in the case of crisis resolution, the Regulator applies a scenario according to which the entire consolidation group belongs to the rescue. Due to the latter, higher capital requirements apply to the Group, which must be taken into account when paying dividends.

Subsidiaries belonging to the Group must establish their own set of dividend payment rules, which are independent of the Group's dividend policy.

Performance and Compliance assessment

The Group's dividend policy is based on the Group's capital management policy, risk management policy and the risk appetite established by the Supervisory Board.

The Chairman of the Group's Management Board is responsible for the development of the Group's dividend policy.

The dividend policy and changes to it are approved by the Supervisory Board, which, in case of significant changes, are confirmed at the Annual General Meeting of Shareholders.

Definitions

Regulator – the authority supervising the activities of the Group, which can be the Estonian Financial Supervision and Resolution Authority, the European Central Bank or the European Single Resolution Board

Risk appetite –the recommended level of risk that the Group plans to take in order to implement its plans and goals. Risk appetite reflects the desired risk profile. When defining the risk appetite, both regulatory and internal company constraints must be taken into account. The maximum level of risk appetite is defined as risk tolerance.

Dividend payment principles

The key precondition for dividend payment is sustainable adherence to the external and internal regulatory standards that serve to govern capital.

The Group may decide to waive dividend payment under the corresponding growth and/or investment plans.

If the preconditions are met, the Group shall pay a 25 per cent of the Group shareholders' profit before taxes in dividends, income tax included. Dividend per share is found by rounding up the calculated dividend per share to the nearest cent.

Organizational arrangements for the payment of dividends

In the Group, the Financial Control Officer is responsible for monitoring the fulfilment of the preconditions for the payment of dividends, who forwards the proposal for the payment/non-payment of dividends according to the policy to the Group's Management Board.

The Group's Management Board proposes the payment/non-payment of dividends to the Group's Supervisory Board.

The Management Board of the Group proposes the payment/non-payment of dividends, concorded with the Supervisory Board, to the shareholders, and the payment of the dividend is decided by the General Meeting of Shareholders.

Measurement of dividend payments

The potential amount of dividend payments according to policy is measured monthly and disclosed to investors quarterly. At the same time, this measurement is an input for the application submitted to the Regulator to include the profit in own funds.

Reporting procedure

The Supervisory Board is regularly provided with up-to-date information on the Group's potential dividend payments and the effect of dividends on capitalization.