

AS LHV Group Dividend Policy

POLICY

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1 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 and is regulated by ECB on consolidated level. 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.

2 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.

3 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.

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4 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.

5 Roles and responsibilities

The roles and responsibilities within decision-making regarding dividend payments are structured along the three lines of defence model. In first line of defence, the Chief Financial Officer (CFO) is responsible for monitoring the fulfilment of the preconditions for the dividend payments, including base and adverse financial forecast, capitalisation plans, inputs from Regulator and external auditors.

Second line of defence involves roles in ICAAP, stress scenarios and challenger position in base and adverse financial plans.

The third line of defence is external auditors, who provides independent audit financial results and their audit report is integrated part of annual report.

The CFO, makes 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.

6 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.

7 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.

8 Related internal rules

LHV Group Capital Management Policy

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LHV Group Risk Policy

9 Document history

Version number	Valid from	Description of change	Document prepared by
1.0	16.03.2016	Creating the document	Erkki Raasuke
1.1	29.03.2017	Document update	Madis Toomsalu
2.0	05.05.2023	Document technical update to be in line with ECB requirements	Meelis Paakspuu
3.0	12.02.2024	Document technical update	Meelis Paakspuu