

# RISK MANAGEMENT AND CAPITAL ADEQUACY (PILLAR 3) DISCLOSURE REPORT 2018

LUMINOR LATVIA

Luminor Latvia

## INTRODUCTION

Risk Management and Capital Adequacy Disclosure (hereinafter – Pillar 3) report is prepared according to EU Regulation No 575/2013 (hereinafter – CRR) Part Eight, European Commission implementing regulations as well as European Banking Authority's (hereinafter – EBA) guidelines.

Luminor Bank AS in Latvia (hereinafter referred to as the Bank) as significant subsidiary of EU parent financial holding company Luminor Group AB (Sweden) discloses information specified in Articles 437, 438, 442, 450, 451 and 453 on sub-consolidated basis regarding the Luminor Group in Latvia (hereinafter referred to as the Group) as of 31 December 2018. Pillar 3 complements Pillar 1 (minimum capital requirements) and Pillar 2 (internal capital adequacy assessment process and supervisory review evaluation process) with the aim to improve market discipline through disclosure of information regarding risks, risk management and capital.

Pillar 3 report has not been audited, however it includes reconciled information contained in the Group's Annual report for 2018. In addition, all the qualitative and quantitative data used in this report are audited by external or internal audit either as part of Financial accounts or Risk related questions (e.g. Internal Capital Adequacy Assessment Process).

This document includes information based on calculations made according to the law binding at 31 December 2018, provides additional information to the Group Annual Report 2018 and must be read in conjunction with it. Only information considered to be material, not proprietary and not confidential is provided here.

The Risk Management and Capital Adequacy Disclosure report (hereinafter – Pillar 3 Report) is produced in accordance with the Information guidelines in respect of Pillar 3 Report. The Information guidelines and the Pillar 3 Report are approved by the Supervisory Council.

## CONSOLIDATION GROUP

Luminor Bank AS, registration number 40003024725. The following subsidiaries of Luminor Bank AS are included in the consolidation group in Latvia:

Company name	Share capital, TEUR	Bank's share (%)	Country	Consolidation method
SIA Luminor Līzings Latvija	4 838	100	Latvia	Full consolidation
SIA Skanstes 12	1 181	100	Latvia	Full consolidation
SIA SALVUS*	13 567	100	Latvia	Full consolidation
SIA SALVUS 2*	3 031	100	Latvia	Full consolidation
SIA SALVUS 3*	4 007	100	Latvia	Full consolidation
SIA SALVUS 4*	1 935	100	Latvia	Full consolidation
SIA SALVUS 6*	300	100	Latvia	Full consolidation
SIA Luminor Līzings	4 410	100	Latvia	Full consolidation
AS Luminor Latvijas atklātais pensiju fonds	400	100	Latvia	Full consolidation
IPAS Luminor Asset Management	5 000	100	Latvia	Full consolidation
IPAS Luminor Pensions Latvia**				Full consolidation
SIA Promano Lat*	29 999	100	Latvia	Full consolidation
SIA Baltik Īpašums*	3	100	Latvia	Full consolidation
SIA Luminor Finance*	1 088	100	Latvia	Full consolidation
SIA Trioleta*	3 965	100	Latvia	Full consolidation
SIA Realm*	10 002	100	Latvia	Full consolidation

\* Subsidiaries of Luminor Bank AS established with the aim to ensure sales and/or management of real estate foreclosed in the course of compulsory and/or voluntary collection proceedings.

\*\* In 2018 merged with IPAS Luminor Asset Management

The consolidation scope and method used in the balance sheet in the financial statements is the same as the one used for regulatory purposes.

## OWN FUNDS AND CAPITAL REQUIREMENTS

The Group's regulatory capital is equal to Tier 1 capital which consists of the ordinary shares, share premium, reserve capital, accumulated results of the previous financial years, the audited profit of current financial year, transitional part of revaluation reserves and less the intangible assets and goodwill, current year losses, other elements, required by the Regulation (e.g. Prudent Valuation AVAs) or by the Regulator (e.g. requirements, that are stricter than required by the Regulation), if any.

## BALANCE SHEET RECONCILIATION

TEUR	31.12.2018
<b>FINREP</b>	
<b>Capital</b>	<b>191 178</b>
Paid up capital	191 178
<b>Share premium</b>	<b>69 713</b>
<b>Accumulated other comprehensive income</b>	<b>1 634</b>
<b>Retained earnings</b>	<b>(219 500)</b>
<b>Other reserves</b>	<b>464 690</b>
<b>Other equity</b>	<b>1 629</b>
<b>Profit or loss attributable to owners of the parent</b>	<b>45 014</b>
<b>TOTAL EQUITY in FINREP</b>	<b>554 358</b>
<b>Accounting adjustments</b>	
Profit/loss not eligible	(45 014)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	509 344
<b>Regulatory adjustments</b>	
Additional Valuation Adjustment (AVA)	(694)
Goodwill and intangibles	(1 558)
Additional deductions of CET1 due to article 3 CRR	(2 304)
<b>TOTAL CET1</b>	<b>504 788</b>

## MINIMUM CAPITAL REQUIREMENTS

Minimum capital requirements are calculated according to requirements set out in the Regulation. Minimum capital requirements are calculated for credit risk (including counterparty credit risk and credit valuation adjustment), market risk and operational risk. This Regulation determines not only approaches to be used in calculations but also defines elements of own funds and limitations regarding their inclusion in total own funds.

Pursuant to the CRR, the Group calculates own funds requirement for the following types of risk:

- 1) Credit risk – using the standardized approach pursuant to part III, title II, chapter 2 of the CRR;
- 2) Counterparty credit risk – using mark to market method pursuant to part III, title II, chapter 6 of the CRR;
- 3) Operational risk – using basic indicator approach pursuant to part III, title III, chapter 3;
- 4) Credit valuation adjustment risk – using standardized approach pursuant to part III, title VI of the CRR

The Group has no trading book. The Group has no securitisation exposures.

TEUR	31.12.2018
<b>Capital requirements for credit risk, standardised approach</b>	<b>205 500</b>
Central governments or central banks	0
Regional governments or local authorities	154
Institutions	3 785
Corporates	103 914
Retail	35 982
Secured by mortgages on immovable property	37 737
Exposures in default	17 864
Equity	534
Other items	5 530
<b>Capital requirements for market risk, standardised approach</b>	<b>0</b>
<b>Capital requirements for operational risk, basic indicator approach</b>	<b>17 752</b>
<b>Capital requirements for credit valuation adjustment risk</b>	<b>791</b>
<b>Total capital requirements</b>	<b>224 043</b>

## CAPITAL ADEQUACY

TEUR	31.12.2018
Total own funds for solvency purposes	504 788
Capital requirements	224 043
Surplus of own funds	280 745
Risk weighted assets	2 800 532
Solvency ratio of Tier 1 capital (%)	18.02%

**CAPITAL INSTRUMENTS' MAIN FEATURES TEMPLATE ACCORDING TO  
COMMISSION IMPLEMENTING REGULATION (EU) NO 1423/2013**

1	Issuer	Luminor Bank AS
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Commercial law
<b>Regulatory treatment</b>		
4	Transitional CRR rules	Common Equity Tier1
5	Post-transitional CRR rules	Common Equity Tier1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital	EUR 261 million
9	Nominal amount of instrument	EUR 191 million
9.a	Issue price	share nominal value EUR 1, a premium was applied for some emissions
9.b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	06.09.1991. (date of foundation)
12	Perpetual or dated	Perpetual
13	Original maturity date	Perpetual
14	Issuer call subject to prior supervisory approval	NO
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<b>Coupons / dividends</b>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	NO
20.a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20.b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	NO
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	N/A

*N/A – not applicable*

Full terms and conditions of the Group's ordinary shares available in the Articles of Association published in the Group's website near by the Pillar 3 Report.

OWN FUNDS DISCLOSURE ACCORDING TO COMMISSION IMPLEMENTATION  
REGULATION (EU) NO 1423/2013

	(A)	(B)
<b>(A) Amount at Disclosure Date, thousand EUR</b>		
<b>(B) Regulation (EU) No 575/2013 Article Reference</b>		
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Capital instruments and the related share premium accounts	260 891 26 (1), 27, 28, 29, EBA list 26 (3)
	Of which: ordinary shares	260 891 EBA list 26 (3)
2	Retained earnings	(219 500) 26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	467 954 26 (1)
3.a	Funds for general banking risk	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	84, 479, 480
5.a	Independently reviewed interim profits net of any foreseeable charge or dividend	26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	509 345 Sum of rows 1 to 5a
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7	Additional value adjustments (negative amount)	(694) 34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(1 558) 36 (1) (b), 37, 472 (4)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	36 (1) (c), 38, 472 (5)
25.a	Losses for the current financial year (negative amount)	36 (1) (a), 472 (3)
25.b	Foreseeable tax charges relating to CET1 items (negative amount)	36 (1) (j)
26.b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	481
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	36 (1) (j)
27.a	Additional deductions of CET1 Capital due to Article 3 CRR	(2 305) 481
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	(4 557) Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	Common Equity Tier 1 (CET1) capital	504 788 Row 6 minus 28
<b>Additional Tier 1 (AT1) capital: instruments</b>		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	Sum of rows 30, 33 and 34
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	Sum of rows 37 to 42
44	Additional Tier 1 (AT1) capital	Row 36 minus row 43
45	Tier 1 capital (T1 = CET1 + AT1)	504 788 Sum of row 29 and 44
<b>Tier 2 (T2) capital: instruments and provisions</b>		
51	Tier 2 (T2) capital before regulatory adjustments	
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
57	Total regulatory adjustments to Tier 2 (T2) capital	Sum of rows 52 to 56
58	Tier 2 (T2) capital	Row 51 minus row 57
59	Total capital (TC = T1 + T2)	504 788 Sum of row 45 and row 58
60	Total risk weighted assets	2 800 532
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.02% 92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	18.02% 92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	18.02% 92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	4.54% CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	0%
67	of which: systemic risk buffer requirement	0.04%

	(A)	(B)
<b>(A) Amount at Disclosure Date, thousand EUR</b>		
<b>(B) Regulation (EU) No 575/2013 Article Reference</b>		
67.a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2%	CRD 131
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.02%	CRD 128

## INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

Due to the Luminor Group's cross-border merger completed in January 2, 2019 ICAAP, ILAAP and Recovery planning processes are done for all Luminor Group. Details are provided in the Luminor Group's Risk Management and Capital Adequacy Disclosure 2018 (Luminor Group consolidated Pillar 3 Report).

## OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

### EU OV1 – OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

TEUR	RWAs		Minimum capital requirements
	31.12.2018	30.06.2018	31.12.2018
1 Credit risk (excluding CCR)	2 541 804	2 569 638	203 344
2 of which the standardised approach	2 541 804	2 569 638	203 344
6 CCR	36 833	36 263	2 946
7 of which mark to market	26 950	22 037	2 156
12 of which CVA	9 883	14 226	791
13 Settlement risk			
14 Securitisation exposures in the banking book (after the cap)			
19 Market risk			
22 Large exposures			
23 Operational risk	221 895	221 895	17 752
24 of which basic indicator approach	221 895	221 895	17 752
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
28 Floor adjustment			
<b>29 Total</b>	<b>2 800 532</b>	<b>2 827 796</b>	<b>224 043</b>

COUNTERCYCLICAL CAPITAL BUFFER – DISCLOSURE ACCORDING TO COMMISSION DELEGATED REGULATION (EU) NO 2015/1555

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer. Disclosure follows Commission Delegated Regulation (EU) No 2015/1555.

	General credit exposures	Sum of long and short position of trading book	Own funds requirement : General credit exposures	Own funds requirement : Trading book exposures	Total	Own funds requirement weights	Counter cyclical capital buffer rate
TEUR	010	030	070	080	100	110	120

**Breakdown by country (010):**

**CC buffer 0%**

Latvia	3 374 807	-	181 035	-	181 035	89.82%	0.00%
Estonia	86 860	-	6 884	-	6 884	3.42%	0.00%
Other EU countries	150 208	-	11 470	-	11 470	5.67%	0.00%
Other countries:	15 447	-	759	-	759	0.00%	0.00%

**CC buffer >0%**

Lithuania	14 463	-	1 130	-	1 130	0.56%	0.50%
Other EU countries:	6 479	-	234	-	234	0.11%	0.001%
Other countries:	1 504	-	51	-	51	0.03%	0.0005%
<b>Total (020)</b>	<b>3 649 770</b>	<b>-</b>	<b>201 561</b>	<b>-</b>	<b>201 561</b>	<b>100%</b>	

CC buffer – countercyclical buffer rate

The Group recognizes general credit exposure in 58 countries. The countercyclical capital buffer is calculated for each of the countries since the Subsidiaries do not use derogation for countercyclical capital buffer calculation neither on country nor Group level.

Countercyclical capital buffer template presents Lithuania, Latvia and Estonia as countries relevant from business perspective. The rest of the countries were grouped into EU and non-EU states (many small exposures) and into non-zero or zero countercyclical buffer. For groups with non-zero countercyclical buffer rates, the column 120 in the table shows weighted average of the buffer rates in the cohort.

Amount of institution-specific countercyclical capital buffer.

TEUR		
010	Total risk exposure amount	2 800 532
020	Institution specific countercyclical buffer rate	0.00%
030	Institution specific countercyclical buffer requirement	-

## CREDIT RISK

Credit risk measurement and management, including information about risk limit control, mitigation and impairment policies, is covered in the Annual report of the Group.

### EU CRB-B — TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

Table covers exposures subject to credit risk. Reported values do not account for credit risk mitigation techniques or credit conversion factors but adjust for provisions and allowances. Such definition corresponds to the COREP (common reporting framework) original exposure value less credit risk adjustments in accordance to Annex II of Commission Implementing Regulation (EU) No 680/2014 (referred to as “net COREP original exposure”).

In accordance to Guideline EBA/GL/2016/11, the template CRB-B shall disclose net values of exposures as of December 31, 2018 as well as average of net exposures during 2018.

TEUR	Net value of exposures end of period (2018.12.31)	Average net exposures over the period
16 Central governments or central banks	1 065 536	930 226
17 Regional governments or local authorities	15 073	18 512
18 Public sector entities	0	0
19 Multilateral development banks	0	0
20 International organisations	0	0
21 Institutions	85 891	122 231
22 Corporates	1 718 049	1 558 192
23 <i>of which: SMEs</i>	880 417	881 964
24 Retail	773 738	889 172
25 <i>of which: SMEs</i>	401 172	463 154
26 Secured by mortgages on immovable property	1 349 994	1 368 235
27 <i>of which: SMEs</i>	0	0
28 Exposures in default	184 954	194 585
29 Items associated with particularly high risk	0	0
30 Covered bonds	0	0
31 Claims on institutions and corporates with a short-term credit assessment	0	0
32 Collective investments undertakings	0	0
33 Equity exposures	6 674	5 219 584
33 Other exposures	6 674	132 543
<b>35 Total (standardised approach)</b>	<b>5 325 911</b>	<b>5 219 584</b>



EU CRB-C — GEOGRAPHICAL BREAKDOWN OF EXPOSURES

The exposure measure in template CRB-C is net COREP original exposure. The Group recognizes exposures subject to credit risk or counterparty credit risk in 61 countries. Hence, for the sake of report clarity, the Group assumed that it is relevant to disclose separately exposure in all three Baltic countries; Lithuania, Estonia and Latvia. The remaining countries were summed up and disclosed as aggregate values in categories “Other EU countries” and “Other countries outside EU” due to their immateriality.

TEUR		Baltic countries total	Latvia	Lithuania	Estonia	Other EU countries	Other countries outside EU	Total
7	Central governments or central banks	1 077 899	1 077 899	0	0	0	0	1 077 899
8	Regional governments or local authorities	15 073	15 073	0	0	0	0	15 074
9	Public sector entities	0	0	0	0	0	0	0
10	Multilateral development banks	0	0	0	0	0	0	0
11	International organisations	0	0	0	0	0	0	0
12	Institutions	11 456	0	58	11 398	58 271	61 499	131 226
13	Corporates	1 548 499	1 454 227	11180	83092	174 167	1 771	1 724 438
14	Retail	769 755	769 293	124	338	2 748	1 581	774 083
15	Secured by mortgages on immovable property	1 325 053	1 323 446	483	1 123	15 005	9 936	1 349 994
16	Exposures in default	183 925	178 899	2684	2 342	623	407	184 955
17	Items associated with particularly high risk	0	0	0	0	0	0	0
18	Covered bonds	0	0	0	0	0	0	0
19	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
20	Collective investments undertakings	0	0	0	0	0	0	0
21	Equity exposures	3 113	3012	0	0	79	3 581	6 673
22	Other exposures	124 923	124 897	26	0	1 078	0	126 001
<b>23</b>	<b>Total (standardised approach)</b>	<b>5 059 596</b>	<b>4 946 750</b>	<b>14 555</b>	<b>98 292</b>	<b>251 971</b>	<b>78 776</b>	<b>5 390 344</b>

EU CRB-D — CONCENTRATION OF EXPOSURES BY INDUSTRY AND COUNTERPARTY TYPES

Table covers exposures to credit risk framework. The reported values are net COREP original exposures. The basis for division by industry are the NACE codes.

TEUR	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply; sewerage; waste management and remediation activities	Construction	Wholesale and retail trade; repair of motor vehicles and motorcycles	Transporting and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence; compulsory social security	Education	Human health and social work activities	Arts, entertainment and recreation	Other services	Activities of households as employers	Private individuals	Total
7 Central governments or central banks	0	0	0	0	0	0	0	0	0	14	1 032 360	0	0	0	33 134	13	0	15	0	0	0	1 065 536
8 Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15 074	0	0	0	0	0	0	15 074
12 Institutions	0	0	0	0	0	0	0	0	0	0	85 891	0	0	0	0	0	0	0	0	0	0	85 891
13 Corporates	99 903	16 601	199 680	127 539	30 232	223 652	295 459	144 281	24 271	14 656	125 030	348 454	15 704	30 813	6 913	92	3 786	49	567	0	10 366	1 718 049
14 Retail	72 894	3 175	51 900	3 247	2 489	51 922	75 720	49 361	2 219	6 440	487	25 502	26 912	12 448	221	1 209	4 061	2 449	4 115	29	376 938	773 738
15 Secured by mortgages on immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1 349 994	1 349 994
16 Exposures in default	14 845	0	25 979	5 106	0	225	3 480	5 662	651	3	1 081	60 510	475	206	0	0	63	0	202	0	66 464	184 954
21 Equity exposures	0	0	0	0	0	0	0	0	0	90	0	0	0	0	0	0	0	0	6 584	0	0	6 674
22 Other exposures	0	0	0	0	0	0	980	0	0	0	25	0	0	0	0	0	0	0	124 959	0	37	126 001
<b>23 Total (standardised approach)</b>	<b>187 642</b>	<b>19 776</b>	<b>277 559</b>	<b>135 893</b>	<b>32 720</b>	<b>275 800</b>	<b>375 639</b>	<b>199 304</b>	<b>27 141</b>	<b>21 204</b>	<b>1 244 875</b>	<b>434 466</b>	<b>43 091</b>	<b>43 467</b>	<b>55 342</b>	<b>1 315</b>	<b>7 910</b>	<b>2 513</b>	<b>136 427</b>	<b>29</b>	<b>1 803 798</b>	<b>5 325 911</b>

Luminor Latvia

## EU CRB-E — MATURITY OF EXPOSURES

Template EU CRB-E covers exposures subject to credit risk. Reported values are net COREP original exposure.

TEUR	Net exposure value					Total
	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	
7 Central governments or central banks	1 032 360	15 932	17 224			1 065 536
8 Regional governments or local authorities	2	19		15 053		15 074
12 Institutions	39 076	20 277	26 537			85 891
13 Corporates	7 577	627 456	962 470	120 547		1 718 049
14 Retail	15 243	138 512	445 768	174 215		773 738
15 Secured by mortgages on immovable property	322	5 517	58 454	1 286 061		1 349 994
16 Exposures in default	23 718	71 399	33 184	56 653		184 954
17 Items associated with particularly high risk						
21 Equity exposures					6 674	6 674
22 Other exposures					126 001	126 001
<b>23 Total (standardised approach)</b>	<b>1 118 298</b>	<b>878 751</b>	<b>1 543 657</b>	<b>1 652 528</b>	<b>132 675</b>	<b>5 325 911</b>

## EU CR1-A — CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

Table covers exposures subject to credit risk. Reported values are gross exposures as defined in Annex II of Commission Implementing Regulation (EU) No 680/2014 that is an exposure value without taking into account value adjustments and provisions, conversion factors and the effect of credit risk mitigation techniques (hereinafter “gross COREP original exposure”). The template contains also net COREP original exposure calculated as a sum of gross COREP original exposure less specific credit risk adjustment.

TEUR	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures			
16 Central governments or central banks		1 065 536	0	-	1 065 536
17 Regional governments or local authorities		15 074	0	-	15 074
21 Institutions		85 906	15	-	85 891
22 Corporates	160 371	1 720 348	2 300	-	1 878 420
23 <i>Of which: SMEs</i>	139 116	881 907	38 257	-	1 059 280
24 Retail	44 624	782 209	8 471	-	818 363
25 <i>Of which: SMEs</i>	10 098	402 328	5 240	-	417 666
26 Secured by mortgages on immovable property	68 342	1 357 093	7 099	-	1 418 336
27 <i>Of which: SMEs</i>		0	0	-	0
28 Exposures in default	273 337		88 383	-	184 934
33 Equity exposures		7 184	510	-	6 674
34 Other exposures		12 568	567	-	126 001
<b>35 Total (standardised approach)</b>	<b>273 337</b>	<b>5 159 919</b>	<b>107 345</b>	<b>-</b>	<b>5 325 911</b>
37 <i>Of which: Loans</i>	273 337	3 216 229	105 334	-	3 594 900
38 <i>Of which: Debt securities</i>	0	54 210	0	-	56 210
39 <i>Of which: Off-balance-sheet exposures</i>	3 237	677 811	868	-	680 180

EU CR1-B — CREDIT QUALITY OF EXPOSURES BY INDUSTRY

Table covers exposures to credit risk framework. The reported values are net COREP original exposures. The basis for division by industry are the NACE codes.

TEUR		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures			
1	Agriculture, forestry and fishing	21 015	173 167	6 539	-	187 642
2	Mining and quarrying	0	19 785	9	-	19 776
3	Manufacturing	36 564	251 826	10 832	-	277 559
4	Electricity, gas, steam and air conditioning supply	6 133	131 109	1 348	-	135 893
5	Water supply; sewerage; waste management and remediation activities	0	32 747	26	-	32 720
6	Construction	397	275 963	560	-	275 800
7	Wholesale and retail trade; repair of motor vehicles and motorcycles	6 190	372 596	3 147	-	375 639
8	Transporting and storage	10 460	193 968	5 124	-	199 304
9	Accommodation and food service activities	736	26 650	245	-	27 141
10	Information and communication	5.36	21 733	535	-	21 204
11	Financial and insurance activities	2241	1 243 828	1 194	-	1 244 879
12	Real estate activities	79 090	374 666	19 290	-	434 466
13	Professional, scientific and technical activities	673	42 719	301	-	43 092
14	Administrative and support service activities	322	43 420	274	-	43 467
15	Public administration and defence; compulsory social security	0	55 347	5	-	55 342
16	Education	0	1 318	4	-	1 315
17	Human health and social work activities	116	7 870	76	-	7 910
18	Arts, entertainment and recreation	0	2 529	15	-	2 513
19	Other services	329	136 804	706	-	136 426
20	Activities of households as employers	0	29	0	-	26
21	Private individuals	109 067	1 751 845	57 114	-	1 803 797
<b>22</b>	<b>Total</b>	<b>273 337</b>	<b>5 159 919</b>	<b>107 345</b>	<b>-</b>	<b>5 325 911</b>

## EU CR1-C — CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

In table, the Bank assumed that it is relevant to disclose separately exposure in home country and two other Baltic states. A reporting institution is mandated to set up materiality threshold with respect to geographical breakdown disclosure based on EBA's guidelines EBA/GL/2016/11 and EBA/GL/2014/14. The remaining countries were summed up and disclosed as aggregate values in categories "Other EU countries" and "Other countries outside EU" due to their immateriality.

TEUR	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures			
1 Baltic countries total	271 409	4 894 150	107 345	-	5 390 344
2 Latvia	260 900	4 786 279	100 429	-	4 946 750
3 Lithuania	5 611	11 877	2 933	-	14 554
4 Estonia	4 897	95 994	2 599	-	98 292
5 Other EU countries	1 007	251 677	712	-	251 971
6 Other countries outside EU	922	78 524	670	-	78 776
<b>7 Total</b>	<b>273 338</b>	<b>5 224 350</b>	<b>107 345</b>	<b>-</b>	<b>5 390 344</b>

## EU CR1-D — AGEING OF PAST-DUE EXPOSURES

Template EU CR1-D presents gross COREP original exposures, which are at least 1 day past-due.

TEUR	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 Loans	169 861	10 010	5 022	20 541	11 790	52 875
2 Debt securities						
<b>3 Total exposures</b>	<b>169 861</b>	<b>10 010</b>	<b>5 022</b>	<b>20 541</b>	<b>11 790</b>	<b>52 875</b>

## EU CR1-E — NON-PERFORMING AND FORBORNE EXPOSURES

Template EU CR1-E reports gross COREP original exposures divided in accordance to performing/non-performing status, forbearance status and default status. The definitions of abovementioned statuses are aligned with those used in FINREP, therefore the total of defaulted exposure might differ from total COREP defaulted class exposure (as reported e.g. in the table CR1-A).

TEUR	Gross carrying values of performing and non-performing exposures						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received		
	of which performing but past due > 30 days and ≤ 90 days	of which performing forborne	of which non-performing			on performing exposures		on non-performing exposures		on non-performing exposures	of which: forborne		
			of which: defaulted	of which: impaired	of which: forborne	of which: forborne	of which: forborne						
010 Debt securities	56 210												
020 Loans and advances	3 490 062	22 799	26 043	270 100	270 100	270 100	90 596	(17 172)	(1 525)	(88 658)	(33 452)	3 837	73 510
030 Off-balance sheet exposures	681 048			3 237	3 237								

## EU CR2-A — CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

Template EU CR2-A shall disclose appropriate flows within default class of exposures over the year in accordance with EBA/GL/2016/11.

TEUR	Accumulated specific credit risk adjustment
<b>1 Opening balance*</b>	<b>156 145</b>
2 Increases due to amounts set aside for estimated loan losses during the period	1 435
3 Decreases due to amounts reversed for estimated loan losses during the period	(1 952)
4 Decreases due to amounts taken against accumulated credit risk adjustments	(62 892)
5 Transfers between credit risk adjustments	(918)
6 Impact of exchange rate difference	195
7 Business combinations, including acquisitions and disposals of subsidiaries	
8 Other adjustments	(65)
<b>9 Closing balance</b>	<b>91 946</b>
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(2 188)
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	172

## EU CR2-B — CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

Table contains year flows within default class exposures. The closing balance of 31-12-2018 has been reconciled with the COREP value of default class reported e.g. in the table CR1-A. The definition of exposure value in Table is gross COREP original exposure.

TEUR	Gross carrying value defaulted exposures
<b>1 Opening balance</b>	<b>324 764</b>
2 Loans and debt securities that have defaulted or impaired since the last reporting period	150 443
3 Returned to non-defaulted status	(20 773)
4 Amounts written off	(55 431)
5 Other changes	(125 666)
<b>6 Closing balance</b>	<b>273 337</b>

## CREDIT RISK MITIGATION

### EU CR3 — CRM TECHNIQUES – OVERVIEW

TEUR	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	1 956 459	1 427 773	1 402 773	25 000	0
2 Total debt securities	33 134	23 076	0	23 076	0
<b>3 Total exposures</b>	<b>1 989 593</b>	<b>1 450 849</b>	<b>1 402 773</b>	<b>48 076</b>	<b>0</b>
4 Of which defaulted	126 254	55 760	55 760	0	0

## EU CR4 — STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

Template EU CR4 presents exposure subject to credit risk framework at values in accordance to net original COREP exposure definition.

TEUR	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	1 065 536	0	1 088 612	0	0	0%
2	Regional government or local authorities	4 175	10 899	4 175	5 449	1 925	20%
6	Institutions	74 760	11 131	76 684	9 176	26 998	31%
7	Corporates	1 206 215	511 834	1 181 215	121 372	1 292 538	99%
8	Retail	633 342	140 396	633 342	44 579	449 527	66%
9	Secured by mortgages on immovable property	1 347 013	2 981	1 347 013	735	441 712	35%
10	Exposures in default	182 014	2 939	182 014	89	223 298	123%
15	Equity	6 674	0	6 674	0	6 674	100%
16	Other items	126 001	0	126 001	0	69 132	55%
<b>17</b>	<b>Total</b>	<b>4 645 731</b>	<b>680 180</b>	<b>4 645 731</b>	<b>181 400</b>	<b>2 541 804</b>	<b>53%</b>

## LEVERAGE

The leverage ratio is determined as Tier 1 capital divided by the total exposure measure. This ratio ensures additional level of protection against model risks and assessment errors.

As of 31 December 2018, the leverage ratio of the Group was 10.27%. The capital measure is Tier 1 capital, the total exposure measure is the aggregate amount of assets and off-balance sheet items. The leverage ratio is calculated using end of reporting period data. The Group is not exposed to the risk of excessive leverage.

### TABLE LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES.

Table begins with FINREP total assets and then discloses reconciliation between that amount and leverage ratio total exposure measure. Starting with FINREP total assets makes adjustment for prudential consolidation scope obsolete. Disclosure of the leverage ratio follows Commission Delegated Regulation (EU) No 2016/200.

TEUR		Applicable amount
1	Total assets as per published financial statements	4 681 002
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	30 720
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	204 625
{ES-6a}	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
{ES-6b}	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	(1 558)
<b>8</b>	<b>Leverage ratio total exposure measure</b>	<b>4 914 789</b>

TABLE LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

TEUR		CRR leverage ratio exposures
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4 647 289
2	(Asset amounts deducted in determining Tier 1 capital)	(1 558)
3	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>4 645 731</b>
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	33 713
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	30 720
{ES-5a}	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
11	<b>Total derivatives exposures (sum of lines 4 to 10)</b>	<b>64 432</b>
<b>SFT exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
{ES-14a}	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
{ES-15a}	(Exempted CCP leg of client-cleared SFT exposure)	-
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposures at gross notional amount	680 180
18	(Adjustments for conversion to credit equivalent amounts)	(475 555)
19	<b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>204 625</b>
<b>Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)</b>		
{ES-19a}	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
{ES-19b}	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
<b>Capital and total exposure measure</b>		
20	<b>Tier 1 capital</b>	<b>504 788</b>
21	<b>Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>4 914 789</b>
<b>Leverage ratio</b>		
22	<b>Leverage ratio</b>	<b>10.27%</b>
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>		
ES-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
ES-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-



TABLE LRSPL: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

TEUR		CRR leverage ratio exposures
ES-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	4 647 289
ES-2	Trading book exposures	0
ES-3	Banking book exposures, of which:	4 647 289
ES-4	Covered bonds	0
ES-5	Exposures treated as sovereigns	1 088 612
ES-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	4 175
ES-7	Institutions	76 684
ES-8	Secured by mortgages of immovable properties	1 347 013
ES-9	Retail exposures	633 342
ES-10	Corporate	1 181 215
ES-11	Exposures in default	182 014
ES-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	134 233

TABLE LRQUA: QUALITATIVE ITEMS

Row	
1.	<p>Description of the processes used to manage the risk of excessive leverage</p> <p>The Bank and the Group regularly evaluates the leverage risk. Every quarter the information on leverage ratio is included in the Risk report and presented to the Bank's Management Board and Supervisory Council Risk Committee that in case of necessity make decisions on appropriate actions in order to decrease the risk of excessive leverage. Such actions may include increase of own capital, sales of assets or lending limitation.</p> <p>In 2019, the Supervisory Council approved the reviewed Risk Appetite Framework where also the minimum level of leverage ratio is set.</p> <p>Neither the Bank, nor the Group are exposed to the risk of excessive leverage. As at December 31, 2018 the leverage ratio for the Group is 10,27%.</p>
2.	<p>Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers</p> <p>As of December 31, 2018 the leverage ratio of the Group has almost not changed (1 bp) compared to December 31, 2017.</p>

## REMUNERATION POLICY

Principles of variable remuneration are disclosed in the Luminor Group consolidated Pillar 3 Report.

### REM1: AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY BUSINESS AREA

TEUR	LEM (Luminor Executive Management) members	Local Management Boards (excl. LEM members)	Front office	Back office	Internal control and legal functions	Total
Total remuneration	1 234	646	1 819	1 096	409	5 203

\* some of the local management board members are also LEM members, to avoid duplication their remuneration is reported under LEM members

\*\* includes employees from the following business functions - household, corporate, business, markets, private banking, pensions, leasing

\*\*\* includes employees from the following support functions - finance, products, people & culture, IT

Total Remuneration = 2018 fixed pay + awarded 2018 variable remuneration + awarded severance 2018 + paid out sign-on bonus

### REM2: THE AMOUNTS OF REMUNERATION FOR DURING THE REPORTING PERIOD, SPLIT INTO FIXED AND VARIABLE REMUNERATION, AND THE NUMBER OF BENEFICIARIES

TEUR	Remuneration amount	Senior management	Identified staff
Fixed remuneration	Number of employees	9	56
	Total fixed remuneration	1 615	2 826
Variable remuneration	Number of employees	8	54
	Total variable remuneration (5+7+9)	<b>265</b>	<b>498</b>
	Of which: cash-based	133	249
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	133	249
	Of which: deferred	133	249
	Of which: other forms	-	-
<b>Total remuneration (2+4)</b>		<b>1 880</b>	<b>3 324</b>

Luminor data only; the obligations taken over from ex-organizations prior the merger transaction regarding deferred amounts are not included

### REM3: THE AMOUNTS OF OUTSTANDING DEFERRED REMUNERATION, SPLIT INTO VESTED AND UNVESTED PORTIONS

Outstanding deferred remuneration, TEUR	Vested	Unvested
Senior management	-	7,5
Identified staff	-	4,3

Luminor data only; the obligations taken over from ex-organizations prior the merger transaction regarding deferred amounts are not included

REM4: THE AMOUNTS OF DEFERRED REMUNERATION AWARDED DURING THE REPORTING PERIOD, PAID OUT AND REDUCED THROUGH PERFORMANCE ADJUSTMENTS

TEUR	Deferred remuneration		
	Awarded during period	Paid-out during period	Reduced through performance adjustment during period
Senior management	133	0	0
Identified staff	249	0	0

Luminor data only; the obligations taken over from ex-organizations prior the merger transaction regarding deferred amounts are not included

REM5: NEW SIGN-ON AND SEVERANCE PAYMENTS MADE DURING THE REPORTING PERIOD, THE NUMBER OF BENEFICIARIES OF SUCH PAYMENTS

TEUR	Senior management		Identified staff	
	Number of incumbents	Amount of payments	Number of incumbents	Amount of payments
New sign-on and severance payments	4	411	2	43

Information on severance payments is disclosed in the Luminor Group consolidated Pillar 3 Report taking into account that on country level the number of incumbents is so low that persons could be identifiable.

In 2018 there were no individuals being remunerated 1 million euro or more.

