RISK MANAGEMENT AND CAPITAL ADEQUACY (PILLAR 3) DISCLOSURE REPORT

Interim report for Q2 2018

LUMINOR ESTONIA

INTRODUCTION

Risk Management and Capital Adequacy (Pillar 3) Disclosure report is prepared according to Capital Requirements Regulation (CRR) EU Regulation No 575/2013 (hereinafter referred to as the Regulation) Part Eight, European Commission implementing regulations as well as European Banking Authority's guidelines. Templates recommended by the EBA's guidelines on disclosure requirements under Part Eight of the Regulation have been used as relevant. According to the Regulation, information specified in articles 437, 438, 440, 442, 450, 451 and 453 shall be disclosed for material subsidiaries. Information on full requirements specified in part eight of the Regulation will be disclosed on consolidated situation of Luminor Group AB. Pillar 3 report has not been audited, however it includes information contained in the AS Luminor Estonia (the "Bank") audited semiannual report 2018. Pillar 3 complements Pillar 1 (minimum capital requirements) and Pillar 2 (internal capital adequacy assessment process and supervisory review process) with the aim to improve market discipline through disclosure of information regarding risks, risk management and capital.

Together with Bank's 2018 semiannual report, this report provides information on AS Luminor Estonia material risks as part of the Pillar 3 framework, including details on the Bank's risk profile and business volumes by customer categories and risk classes, which form the basis for the calculation of the capital requirement. The Pillar 3 report complements the Interiml Report with additional information, and is intended to be read in conjunction with the Interim Report, in particular the Notes to the Consolidated Financial Statements, including Risk Policy and Management section within it, where the Bank's risk and capital management policies and practices are described.

AS Luminor Estonia is a subsidiary of the consolidated group of Luminor Group AB (publ) (hereinafter - Luminor Group) that is registered in Sweden. AS Luminor Estonia consists of AS Luminor Liising, AS Luminor Pensions Estonia, OÜ Promano Est, OÜ Uus Sadama 11 and OÜ Luminor Kindlustusmaakler. The report is based on the Bank's consolidated situation as of 30 June 2018.

On 1 October 2017 Nordea Bank AB (Sweden) and DNB Bank ASA (Norway) after all regulatory approvals and competition clearance were received, have combined their Baltic business into a jointly owned bank, Luminor. By business transfer Nordea Bank AB Lithuania branch, Nordea Bank AB Latvia branch and Nordea Bank AB Estonia branch assets and liabilities, including shares of leasing, pension and distressed assets companies in Baltics were transferred to Luminor Bank AB (prev. AB DNB bankas), Luminor Bank AS in Latvia (prev. DNB banka AS) and Luminor Bank AS in Estonia (prev. Aktsiaselts DNB Pank). More information on the merger is available in Luminor Bank AS consolidated annual report for the year ended 31 December 2017.

On 29th of March, 2018 merger agreement for merging Luminor Banks in Lithuania and Latvia to Luminor bank in Estonia was signed. The merger foresees full integration of the banks with headquarters in Estonia and branches in Latvia and Lithuania. On 28th of June, 2018 Luminor Bank AB (Lithuania), Luminor Bank AS (Latvia) and Luminor Bank AS (Estonia) received the European Central Bank's approval for the cross-border merger of Luminor in the Baltics. The cross-border merger and legal change is expected to take place on 2nd of January 2019.

In 2018 Eesti Pank named Luminor bank as systemically important credit institution. For Luminor Bank AS an O-SII buffer of 2% was introduced from 1 July 2018.

OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

In accordance to guideline EBA/GL/2016/11, the template OV1 also discloses RWAs amount reported quarter ago, i.e. 31.03.2018.

EU OV1 – OVERVIEW OF RISK WEIGHTED ASSETS (RWa)

TEUR		RWAs 30.06.2018	RWAs 31.03.2018	Minimum capital requirements 30.06.2018
1	Credit risk (excluding CCR)	2 334 422	2 320 026	186 753
2	of which the standardized approach	2 334 422	2 322 026	186 753
6	CCR	2 414	4 241	193
7	of which mark to market	853	2 641	68
12	of which CVA	1 560	1 599	124
13	Settlement risk	0	0	0
19	Market risk	34	0	3
20	of which mark to market	34	0	3
22	Large exposures	0	0	0
23	Operational risk	193 307	193 307	15 464
25	of which the standardized approach	193 307	193 307	15 464
29	**Total**	**2 530 178**	**2 517 574**	**202 414**

[1] EBA Final Report - Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013, version 2 as of 14 Dec 2016.

CAPITAL INSTRUMENTS' MAIN FEATURES

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)	ISIN EE3100086117
3	Governing law(s) of the instrument	Commercial law
	Regulatory treatment	
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 411 million
9	Nominal amount of instrument	EUR 9 million
9.a	Issue price	share nominal value EUR 10
9.b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16.11.2006 perpetual
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
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
	Coupons / dividends	
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	N/A
22	Noncumulative or cumulative	Non-cumulative
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)	Tier1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
N/A – not applicable		

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

	(A) Amount at Disclosure Date, thousand EUR (B) Regulation (EU) No 575/2013 Article Reference	**(A)**	**(B)**
	Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	411 518	26 (1), 27, 28, 29
	Of which: ordinary shares	411 518	EBA list 26 (3)
2	Retained earnings	32 384	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	1 348	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
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	445 250	Sum of rows 1 to 5a
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(33)	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(3 891)	36 (1) (b), 37
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
25.a	Losses for the current financial year (negative amount)	-	36 (1) (a)
25.b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	(3 925)	Sum of rows 7 to 20a.21,22 and 25a to 27
29	Common Equity Tier 1 (CET1) capital	441 325	Row 6 minus 28
	Additional Tier 1 (AT1) capital: instruments		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	Sum of rows 30,33 and 34
	Additional Tier 1 (AT1) capital: regulatory adjustments		
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)	441 325	Sum of row 29 and 44
	Tier 2 (T2) capital: instruments and provisions		
51	Tier 2 (T2) capital before regulatory adjustments		
	Tier 2 (T2) capital: regulatory adjustments		
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)	441 325	Sum of row 45 and row 58
60	Total risk weighted assets	2 530 178	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17,44%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	17,44%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	17,44%	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)	3,50%	CRD 128, 129, 130,131,133
65	of which: capital conservation buffer requirement	2,50%	
67	of which: systemic risk buffer requirement	1,00%	
67.a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9,44%	CRD 128

CREDIT RISK

The Group uses the following definitions for accounting purposes:

- Neither past due nor impaired – exposures which are not due and for which no individual allowances for impairment are made;
- Past due but not impaired – past due exposures (including those delayed at least 1 day) without individual impairment indications (i.e. no individual allowances for impairment made);
- Impaired – exposures with individual allowances for impairment (i.e., not overdue and overdue exposures with individual allowances for impairment).

The amount of those more than 90 days past due exposures which are not classified as impaired as at 30 June 2018 was EUR 30,3 million due to sufficient collateral values why there is no reason to establish individual allowances for impairment or due to collective assessment of impairment for exposures which were not delayed more than 90 days at the moment of impairment assessment

The institution has implemented the definition of forborne exposures defined in Annex V of the Commission Implementing Regulation (EU) No 680/2014.

Information regarding impairment policy is disclosed in “Loans and receivables and allowances for loan impairment” in Luminor Bank AS Consolidated financial statements for the year ended 31 December 2017. Considerable changes, that are made in 2018 with implementation of the approach and methodology in compliance with International Financial Reporting Standard 9, are disclosed in “IFRS 9: Financial instruments” in the aforementioned report.

CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

Table EU CR1-A 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 (referred further to as “gross COREP original exposure”). Table below contains also net COREP original exposure calculated as sum of gross COREP original exposure and specific credit risk adjustment (in negative values).

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

		Gross carrying values of		Specific credit risk adjustment	Net values
	TEUR	Defaulted exposures	Non-defaulted exposures		
16	Central governments or central banks		505 607	2	505 605
17	Regional governments or local authorities		56 520	1	56 519
21	Institutions		90 328	193	102
22	Corporates		1 458 391	4 054	1 454 337
23	*Of which: SMEs*		97 378	531	96 847
24	Retail		760 690	10 086	750 604
25	*Of which: SMEs*		469 573	8 033	461 540
26	Secured by mortgages on immovable property		1 110 460	3 458	1 107 002
27	*Of which: SMEs*		20 790	265	20 526
28	Exposures in default	119 928	0	22 457	97 471
33	Equity exposures		1 584	0	1 584
34	Other exposures		155 168	84	155 084
35	**Total (standardised approach)**	**119 928**	**4 093 511**	**40 334**	**4 173 104**
37	Of which: Loans	92 477	2 935 808	34 203	2 994 083
38	Of which: Debt securities	0	31 095	0	0
39	Of which: Off-balance-sheet exposures	4 586	480 610	1 308	483 887

CREDIT QUALITY OF EXPOSURES BY INDUSTRY

Table EU CR1- B covers exposures to non-financial corporations and non-physical persons which are subject to credit risk. The basis for division by industry is the NACE classification codes. Reported values are gross and net COREP original exposure. Net COREP original exposure is calculated as gross COREP original exposure less specific credit risk adjustment.

EU CR1-B — CREDIT QUALITY OF EXPOSURES BY INDUSTRY

TEUR		Gross carrying values of		Specific credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Agriculture, forestry and fishing	6 881	125 479	2 175	130 185
2	Mining and quarrying	2 602	13 715	346	15 970
3	Manufacturing	28 097	298 978	6 476	320 599
4	Electricity, gas, steam and air conditioning supply	0	73 622	107	73 515
5	Water supply; sewerage; waste management and remediation activities	0	3 689	22	3 667
6	Construction	9 075	149 905	3 929	155 051
7	Wholesale and retail trade; repair of motor vehicles and motorcycles	2 347	422 240	(2 200)	422 388
8	Transporting and storage	5 130	227 814	(4 489)	229 456
9	Accommodation and food service activities	85	5 064	(47)	5 102
10	Information and communication	365	17 894	(292)	17 967
11	Real estate activities	6 332	390 303	(1 229)	395 406
12	Professional, scientific and technical activities	48 949	112 978	(10 204)	151 723
13	Administrative and support service activities	198	82 619	(852)	81 965
14	Public administration and defence; compulsory social security	0	47 596	(1)	47 596
15	Education	56	18 329	(118)	18 267
16	Human health and social work activities	4	3 315	(10)	3 309
17	Arts, entertainment and recreation	72	8 640	(98)	8 615
18	Other services	9 734	2 181 568	(8 741)	2 182 562
19	**Total**	**119 928**	**4 183 748**	**40 312**	**4 263 364**

CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

In accordance to guideline EBA/GL/2016/11, the rows of template CR1-C shall disclose separately significant geographical areas in which the Bank has exposures. The Bank shall break down exposures within each significant geographical area in significant countries of exposures. Exposures that are not deemed material are aggregated and reported in the *Other countries* row.

The Bank considers Latvia and Lithuania as significant geographical area. Other countries are deemed material when the Bank's total net exposure value of specific country exceed or is equal to the 2% threshold of the Bank's total net exposure value in all countries in which the Bank has exposures .

EU CR1-C — CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

	TEUR	Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Specific credit risk adjustment	Net values
1	Baltic countries:				
2	Estonia	119 713	3 944 207	39 896	4 024 023
3	Latvia	0	50 082	16	50 066
4	Lithuania	0	579	1	578
5	Other countries	82	128 142	32	128 192
6	**Total**	**215**	**188 880**	**0**	**188 674**

AGEING OF PAST-DUE EXPOSURES

In the table EU CR1-D are presented gross original exposure amounts, which are at least one day past-due.

EU CR1-D — AGEING OF PAST-DUE EXPOSURES

	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	83 464	1 195	45	5 773	9 076	15 789
2	Debt securities	-	-	-	-	-	-
3	**Total exposures**	**83 464**	**1 195**	**45**	**5 773**	**9 076**	**15 789**

NON-PERFORMING AND FORBORNE EXPOSURES

Table EU CR1-E reports gross COREP original exposures divided in accordance to performing/non-performing status, forbearance status and default definition. Source of abovementioned status/definition is FINREP (financial reporting framework) therefore the total of defaulted exposure might differ with COREP defaulted class.

EU CR1-E — NON-PERFORMING AND FORBORNE EXPOSURES

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 non-performing			on performing exposures		on non-performing exposures			
			of which performing but past due > 30 days and <= 90 days	of which performing forborne		of which: defaulted	of which: impaired	of which: forborne		of which: forborne		of which: forborne	on non-performing exposures	of which: forborne
010	Debt securities	31 095	-	-	-	-	-	-	-	-	-	-	-	-
020	Loans and advances	3 328 837	14 885	4434	144 987	144 987	144 987	2 101	(10 510)	(6)	(30 383)	(42)	2 059	-
030	Off-balance sheet exposures	4 586	-	-	-	4 586	-	-	(1 312)	-	-	-	-	-

CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

The table EU CR2-A reports the changes in credit risk adjustments and has been reconciled with FINREP numbers.

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

TEUR		Accumulated specific credit risk adjustment
1	**Opening balance**	**(50 692)**
2	Increases due to amounts set aside for estimated loan losses during the period	(6 873)
3	Decreases due to amounts reversed for estimated loan losses during the period	2 028
4	Decreases due to amounts taken against accumulated credit risk adjustments	(12 298)
5	Transfers between credit risk adjustments	-
6	Impact of exchange rate difference	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-
8	Other adjustments	(26 943)
9	**Closing balance 30-06-2018**	**(40 893)**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-

CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS

Table EU CR2-B contains year flows within exposures classified as defaulted. The closing balance of 30.06.2018 has been reconciled with the COREP number of exposures in default (CR1-A). In the table below are presented gross original exposures.

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

TEUR		Gross carrying value defaulted exposures
1	**Opening balance 31-12-2017**	**87 027**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	33 127
3	Returned to non-defaulted status	(12 839)
4	Amounts written off	(11 700)
5	Other changes	24 313
6	**Closing balance 30-06-2018**	**119 928**

CREDIT RISK MITIGATION

Credit risk mitigation is an integral part of the credit risk management in the Group. The main actions for the credit risk mitigation are strictly defined requirements for new customers, prudent assessment of the debt servicing capacity and collateral pledged. Also other risk mitigation tools and procedures are used in everyday activities including but not only different models for risk classification, calculation of creditworthiness, clear loan approval authorisations and strict decision making rules, ongoing monitoring of credit risk.

There are three main types of collateral:

- real estate (housing property, commercial property, land);
- movable property;
- other collateral (including surety and guarantees).

For capital adequacy purposes regarding credit risk mitigation, the Group:

- takes into consideration the pledged real estate to assess the correspondence of the exposure or its part to the exposure class “secured by mortgage”. The Group applies this to risk exposures which are secured by housing mortgages;
- in certain cases state guarantees are applied.

The Group regularly reviews collateral values. The review of real estate collateral values for private individuals is made both individually and using statistical methods. The review of real estate collateral values for private individuals is performed at least annually.

The Group uses unfunded credit protection, i.e. guarantees from countries with high credit ratings for mitigation of credit risk.
The Group has no credit derivative transactions.

CRM TECHNIQUES – OVERVIEW

EU CR3 — CRM TECHNIQUES – OVERVIEW

	TEUR	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
1	Total loans	1 891 317	1 102 766	1 102 766	-
2	Total debt securities	31 096	-	-	-
3	**Total exposures**	**1 922 412**	**1 102 766**	**1 102 766**	**-**
4	Of which defaulted	83 951	8 093	8 093	-

STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

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

	TEUR	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	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	550 599	6	550 599	3	-	0,0%
2	Regional government or local authorities	56 520	-	56 529	-	11 304	20,0%
6	Institutions	78 513	11 623	78 513	3 597	24 277	29,6%
7	Corporates	1 077 120	377 217	1 077 120	129 176	1 184 362	98,2%
8	Retail	661 106	89 499	661 106	33 362	44 883	64,1%
9	Secured by mortgages on immovable property	1 105 797	1 205	1 105 797	241	385 450	34,8%
10	Exposures in default	93 132	4 339	93 132	1 714	133 519	140,8%
15	Equity	1 584	-	1 584	-	1 584	100,0%
16	Other items	155 084	-	155 084	-	149 043	96,1%
17	**Total**	**3 779 454**	**483 887**	**3 779 454**	**168 094**	**2 334 422**	**100,0%**

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 30 June 2018, the leverage ratio of the Group was 11.22%. 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 LRQUA: QUALITATIVE ITEMS.

Row		
1.	Description of the processes used to manage the risk of excessive leverage	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. In Q1 2018, the Supervisory Council approved the reviewed Risk Appetite framework where also the minimum level of leverage ratio is set. Neither the Bank, nor the Group are exposed to the risk of excessive leverage. As at 30 June 2018, the leverage ratio for the Bank was 11.15% and for the Group 11.22%.
2.	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	In the first half of 2018 both own funds and the total risk position increased slightly. As a result, the leverage ratio slightly increased compared to the end of 2017.

CRR LEVERAGE RATIO – DISCLOSURE ACCORDING TO COMMISSION DELEGATED REGULATION (EU) NO 2016/200

In the below LRSUM table FINREP total assets and leverage ratio exposures are disclosed and reconciled. The disclosure of LR is done in accordance with Commission Delegated Regulation (EU) No 2016/200. Starting with FINREP total assets makes adjustment for prudential consolidation scope obsolete.

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

TEUR		Applicable amount
1	Total assets as per published financial statements	3 921 007
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	1 756
4	Adjustments for derivative financial instruments	3 972
6	Adjustment for off-balance sheet items (ie conversion to credit equivalents amounts of off-balance sheet exposures)	187 430
7	Other adjustments	(147 314)
8	**Leverage ratio total exposure measure**	**3 953 708**

TABLE LRCOM: LEVERAGE RATIO COMMON DISCLOSURE.

TEUR		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3 783 345
2	(Asset amounts deducted in determining Tier 1 capital)	(3 925)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	3 779 421
	Derivative exposures	
{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	**Total derivatives exposures (sum of lines 4 to 10)**	**-**

TEUR		CRR leverage ratio exposures
	SFT exposures	
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	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	483 887
18	(Adjustments for conversion to credit equivalent amounts)	(309 560)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	174 288
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
{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))	-
	Capital and total exposure measure	
20	**Tier 1 capital**	**441 325**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**3 953 708**
	Leverage ratio	
22	**Leverage ratio**	**11.16%**
	Choice on transitional arrangements and amount of derecognized fiduciary items	
ES-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
ES-24	Amount of derecognized 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:	3 783 346
ES-3	Banking book exposures, of which:	3 783 346
ES-5	Exposures treated as sovereigns	550 599
ES-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	78 513
ES-7	Institutions	1 105 797
ES-8	Secured by mortgages of immovable properties	661 106
ES-9	Retail exposures	1 077 120
ES-10	Corporate	93 132
ES-11	Exposures in default	93 132
ES-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	160 559

REMUNERATION POLICY

Partial remuneration policy disclosure covering Article 450 of the Regulation is disclosed in the consolidated annual financial report part HUMAN RESOURCES AND REMUNERATION PRINCIPLES. More detailed information in accordance with the requirements of Article 450 is being presented below.

REM 1

TEUR	LEM (Luminor Executive Management) members	Local Management Boards (excl. LEM members)	Front office	Back office	Internal control and legal functions	Total
Total remuneration	866,9	84,9	316,6	491,4	195,6	1 955,4

Some of the local management board members are also LEM members, to avoid duplication their remuneration is reported under LEM members. Front office's number includes employees from the following business functions - household, corporate, business, markets, private banking, pensions, leasing. Column Internal control and legal functions includes employees from the following support functions - finance, products, people&culture, IT.

REM 2

TEUR	Remuneration amount	Senior management	Identified staff
Fixed remuneration	Number of employees	10	26
	Total fixed remuneration	783,1	966,5
Variable remuneration	Number of employees	10	24
	Total variable remuneration (5+7+9)	**168,8**	**37,1**
	Of which: cash-based	168,8	37,1
	Of which: deferred	170,8	43,5
	Of which: shares or other share-linked instruments	-	-
	Of which: deferred	-	-
	Of which: other forms	-	-
	Of which: deferred	-	-
Total remuneration (2+4)		**951,9**	**1 003,6**

These data is for Luminor only. The obligations taken over from ex-organizations regarding deferred amounts are not included.

REM 3

Outstanding deferred remuneration, TEUR	Vested	Unvested
Senior management	-	170,7
Identified staff	-	43,5

These data is for Luminor only; the obligations taken over from ex-organizations regarding deferred amounts are not included.

REM 4

TEUR	Deferred remuneration		
	Awarded during period	Paid-out during period	Reduced through performance adjustment during period
Senior management	170,7	0	0
Identified staff	43,5	0	0

These data is for Luminor only; the obligations taken over from ex-organizations regarding deferred amounts are not included.

REM 5

	Senior management		Identified staff	
	Number of incumbents	Amount of payments	Number of incumbents	Amount of payments
New sign-on	8	0	0	0
Severance payments	0	0	1	**

Senior managers will receive their sign-on bonuses after one year employment, therefore there were no payments during the first half of 2018.
**As there is one person only, the amount is not disclosed.

REM 6

	Senior management			Identified staff		
	Number of incumbents	Amount of payments	Highest individual payout	Number of incumbents	Amount of payments	Highest individual payout
Payments related to the severance	0	0	0	1	**	**

Severance payments that were awarded during the first half of 2018, were also paid during this period, therefore data in REM 5 and REM 6 on severance payments is the same.
** As there is one person only, the amount is not disclosed.

REM7

Salary band (MEUR)	No. of persons
1.0 - 1.5	-
1.5 - 2.0	-
…	-
N - N+1	-
Total	-