

Luminor 2018 & the year ahead

May, 2019

Luminor in a Snapshot

2018 Review

Blackstone

Credit markets

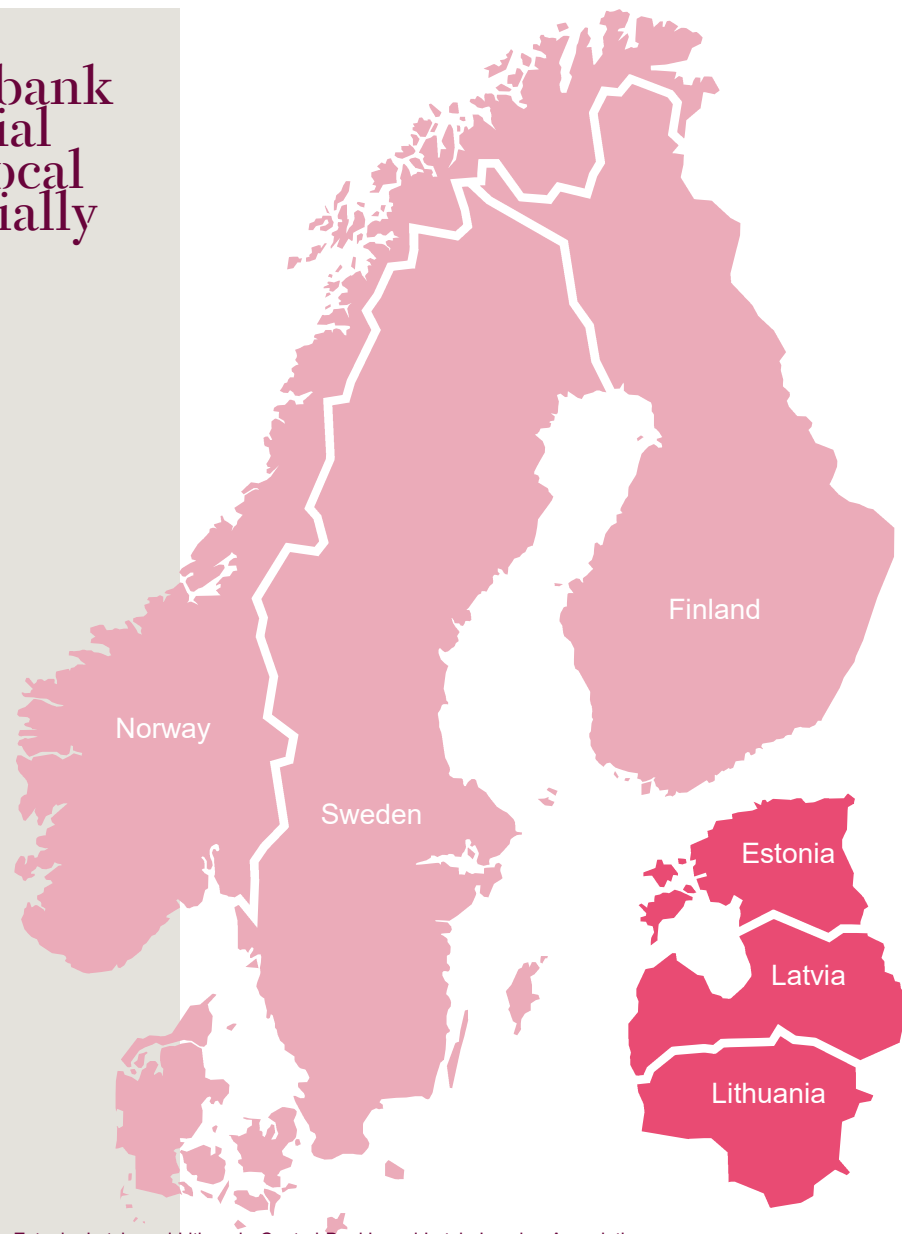
IT transformation



Building a pan-Baltic bank to serve entrepreneurial people, focussing on local companies and financially active people

Luminor in brief

- ◆ Third largest bank in the Baltics with 16% and 22% market share in deposits and lending, respectively
- ◆ ~2,500 employees offering products and services for all key banking needs of ~1.1m private and corporate customers
- ◆ Main target customer focus is local companies, local entrepreneurs and large savers



Estonia

| | |
|----------------------|----------|
| Deposits (EURbn) | 1.7 |
| Loans (EURbn) | 3.2 |
| Deposit market share | 10% |
| Loan market share | 16% |
| Customers | ~138 000 |
| Branches | 11 |

Latvia

| | |
|----------------------|----------|
| Deposits (EURbn) | 2.8 |
| Loans (EURbn) | 3.4 |
| Deposit market share | 17% |
| Loan market share | 26% |
| Customers | ~266 000 |
| Branches | 19 |

Lithuania

| | |
|----------------------|----------|
| Deposits (EURbn) | 4.5 |
| Loans (EURbn) | 5.1 |
| Deposit market share | 21% |
| Loan market share | 23% |
| Customers | ~600 000 |
| Branches | 29 |

Source; Luminor Group Q4 2018 consolidated financial reports, Estonia, Latvia and Lithuania Central Bank's and Latvia Leasing Association

Luminor key financial highlights

(Moody's Baa2 ¹)

EUR **15.3** bn

Total assets

EUR **11.5** bn

Loans to the public

EUR **9.1** bn

Customer deposits

EUR **1.8** bn

Shareholders' equity

18.0%

CET1 ratio

189%

Liquidity Coverage ratio

126%

Lending/deposit ratio

10.4%

Leverage ratio

Source: Luminor Group AB consolidated financial statements 2018

¹ Provisional local currency long-term (P)Baa2 senior MTN rating

2018 Review

Key milestones of 2018/19

| | |
|----------------|--|
| September 2018 | Blackstone announces acquisition of Luminor |
| October 2018 | Luminor's first Eurobond issue place in the in amount of EUR 350 million |
| January 2019 | Luminor becomes one cross border (Lithuania, Latvia, Estonia) legal entity |
| H2 2019 | Completion of Blackstone-led acquisition |
| Q3 2019 | Inaugural mortgage backed bond issue |
| Q4 2019 | Client migration from exNordea to exDNB systems |

Main events for Baltic banking market past 12 months

Danske: anatomy of a money laundering scandal

How the Danish bank found itself at the centre of a €200bn money laundering scandal



© FT montage / Getty / Bloomberg

Richard Milne and Daniel Winter DECEMBER 19, 2018



It is a terrific fall from grace. Danske Bank, Denmark's largest lender, has gone

Whitewashing a \$10 Billion Money Laundering Scandal

Swedbank's 24-page, heavily redacted report into how it handled dirty Russian funds will do little to reassure investors and regulators.

By Elisa Martinuzzi

March 22, 2019, 1:52 PM GMT+2 Corrected March 22, 2019, 4:26 PM GMT+2



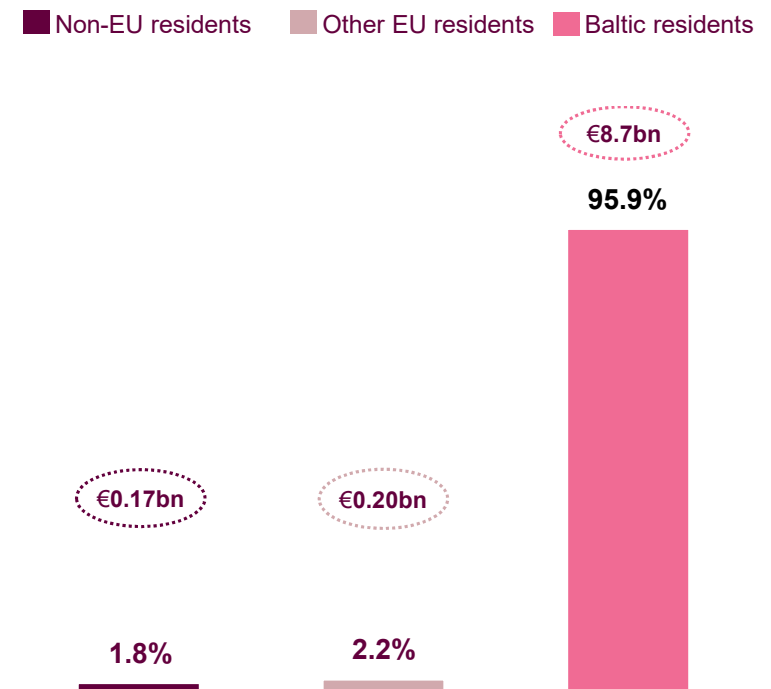
Swedbank's headquarters in Sweden. Photographer: Mikael Sjöberg/Bloomberg



Zero tolerance on money laundering and financial crime risk

- ◆ **Low risk appetite** in compliance with zero tolerance on money laundering and financial crime risk
- ◆ **Review of customer portfolio** both in DNB's and Nordea's Baltic businesses **prior to the creation of Luminor**
- ◆ **IT solutions** replacing legacy tools and improving quality and efficiency of processing and IT-based controls
- ◆ **Very low share of non-resident deposits**

Deposits split by residence



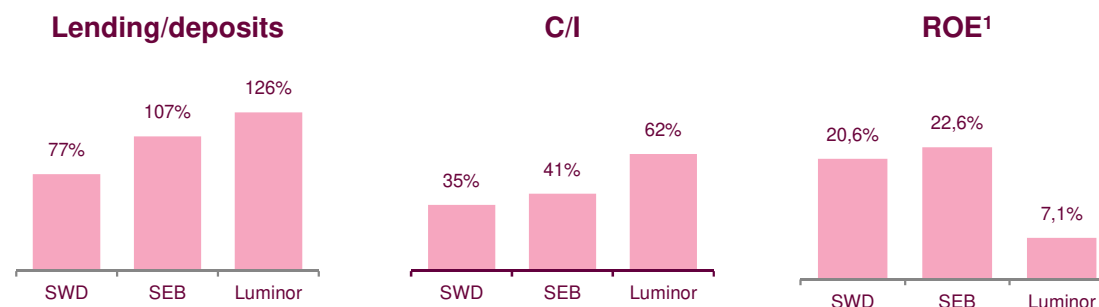
Luminor Group AB consolidated customer deposits split by residency as at Dec 18

Financial performance and profile of the Group

Key figures, Luminor Group AB

| EUR million | 2018 | |
|--|------------|--------|
| Profit and Loss Items | | |
| Net Interest Income (NII) | 260 | |
| Net Commission Income (NCI) | 84 | |
| Total Operating Income | 361 | |
| Total Expenses Before Credit Losses | (225) | |
| Profit Before Credit Losses | 133 | |
| Credit (losses)/reversals, net | 6 | |
| Operating Profit | 139 | |
| Tax On Profit | (14) | |
| Profit (loss) | 125 | |
| Balance Sheet Items | | |
| Total Loans to the Public | 11,472 | -1.8% |
| Deposits and Borrowing from the Public | 9,070 | +7.6% |
| Due to Credit Institutions | 3,939 | -17.3% |
| ow Parent Funding | 3,708 | |
| Total Equity | 1,800 | +5.0% |

Luminor Group AB vs peers, 2018



Market shares 2018 EOP and changes YoY, Luminor Group AB

| | Baltics | Estonia | Latvia | Lithuania |
|----------|---------|---------|--------|-----------|
| Deposits | 16% | 10% | 17% | 21% |
| Lending | 22% | 16% | 26% | 23% |

Market share of Luminor deposits in Baltics increased by 1%, in lending decreased by 1%, YoY

Source: Luminor Group AB Annual Report 2018, Swedbank and SEB Group Reports. Market shares - internal Luminor calculations based on Central Bank statistics, Banking and Leasing Associations data.

¹ SEB figure represents return on business equity, Swedbank – return on allocated equity, source Group Annual Reports

Blackstone

Summary of transaction with Blackstone-led consortium

Transaction overview

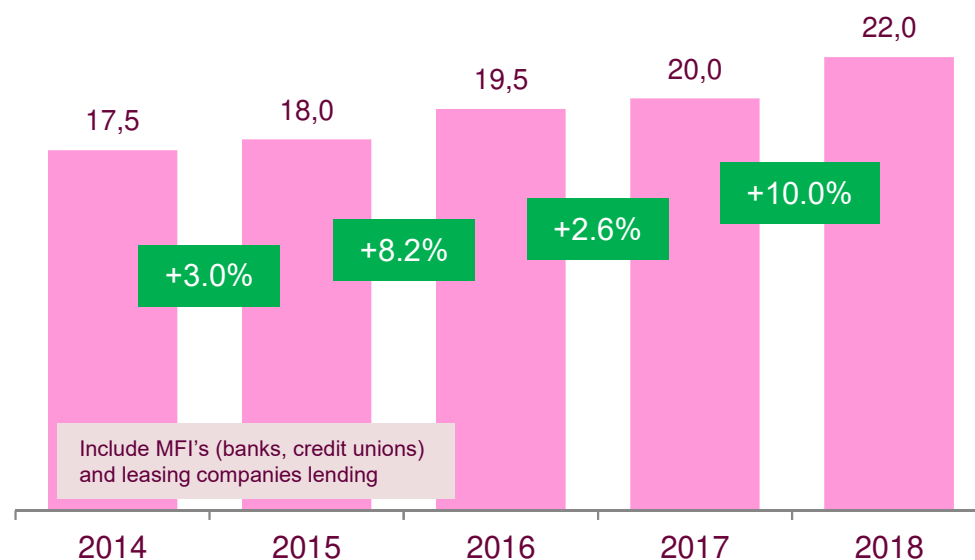
- ◆ **Selling shareholders:** Nordea (56%) and DNB (44%)
- ◆ **Stake acquired:** 60%
- ◆ **Stake of Nordea and DNB following closing:** 20% each
- ◆ **Consideration:** EUR 1 billion in cash
- ◆ **Valuation:** c. EUR 1.7 billion (for 100%) – implies 1.0x P/BV Q1 2018
- ◆ **Funding by Nordea and DNB:** continued support with long term funding
- ◆ **Blackstone/Nordea agreement:** Blackstone entered into agreement with Nordea to purchase remaining 20% stake over coming years at fixed valuation of 0.9x P/BV
- ◆ **Closing:** expected in **H2 2019** – subject to European Central Bank's' approval

- ◆ On-going support for IT transformation
- ◆ Access to global capital markets (e.g. USD settlements)
- ◆ Full support for our strategy

Credit market

Credit market is changing

Lithuania credit market development, bEUR



Source: internal Luminor calculations based on Lithuania Central Bank statistics and Banking Associations data

Increasing demand

- ◆ **Record growth** in market demand
- ◆ Some banks may have used up limits for certain industries: **Real estate, transport.**

Banks are selective

- ◆ **Smaller amount of banks** lead to higher ratio of rejected applications
- ◆ Growth in excess of 10% per annum might be not acceptable for risk
- ◆ CIS linked businesses not attractive to banks due to AML risks

Alternative funding markets underdeveloped

- ◆ **Senior bonds** accessible only to rated companies
- ◆ **HY bonds and P2B platforms** liquidity very small
- ◆ Improving liquidity in **supply chain management** (SME Finance, Vilnius Factoring, Factris)

IT transformation



IT transformation milestones (Lithuania)

70 thousand private clients
6.5 thousand companies
10 core IT systems
100+ IT applications

