

Information guidelines in respect of
RISK MANAGEMENT AND CAPITAL
ADEQUACY DISCLOSURE (PILLAR 3)
REPORT 2017

LUMINOR GROUP AB



1. OBJECTIVE

- 1.1 The Information guidelines in respect of RISK MANAGEMENT AND CAPITAL ADEQUACY DISCLOSURE (PILLAR 3) REPORT, hereinafter the "Information guidelines", is a document which determines the scope, frequency, place and form of disclosing information on capital adequacy in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, hereinafter the "CRR" as well as the requirements of delegated acts and local regulators guidelines and good market practices, is obliged to publish Information guidelines in Luminor Group AB, hereinafter the "Group".
- 1.2 The Information guidelines shall be disclosed publicly in the same location as the financial annual report.

2. LIST OF APPENDICES

Appendix 1 – Definitions

3. ROLES AND RESPONSIBILITIES

- 3.1. Coordination task owner – Risk Analysis Department.
- 3.2. Finance and Risk Divisions are the main stakeholders in preparing Risk Management and Capital Adequacy (Pillar 3) Disclosure Report. Human Resources Division is responsible for Remuneration policy related disclosures.

4. The scope of information disclosed

- 4.1 The Group as an EU parent financial holding company discloses the information, referred to in Part Eight, Title II and Part Eight, Title III of the CRR, hereinafter referred to as "Information".
- 4.2 The Information covers in particular:
 - a. risk management objectives and policies for each separate category of risk, as laid down in Article 435 of the CRR,
 - b. the scope of application of prudential norms, as laid down in Article 436 of the CRR,
 - c. own funds, as laid down in Article 437 of the CRR,
 - d. capital requirements, as laid down in Article 438 of the CRR,
 - e. exposures to counterparty credit risk, as laid down in Article 439 of the CRR,
 - f. countercyclical capital buffer requirements, as laid down in Article 440 of the CRR,
 - g. indicators of global systemic importance, as laid down in Article 441 of the CRR,
 - h. total and average net amount of exposures, geographical breakdown of exposures, concentration of exposures by industry or counterparty types and maturity of exposures as laid down in Article 442 of the CRR,
 - i. additional disclosures on credit risk and dilution risk, as laid down in Article 442 of the CRR,
 - j. unencumbered assets, as laid down in Article 443 of the CRR,
 - k. the use of credit assessments issued by the External Credit Assessment Institutions, as laid down in Article 444 of the CRR,
 - l. exposures to market risk, as laid down in Article 445 of the CRR,
 - m. operational risk, as laid down in Article 446 of the CRR,
 - n. exposures in equities not included in the trading book, as laid down in Article 447 of the CRR,
 - o. exposures to interest rate risk on positions not included in the trading book, as laid down in Article 448 of the CRR,
 - p. remuneration policy, as laid down in Article 450 of the CRR,
 - q. leverage ratio and leverage risk management, as laid down in Article 451 of the CRR,
 - r. credit risk mitigation techniques used by the Bank, as laid down in Article 453 of the CRR.
- 4.3. The Group shall not disclose the information:
 - a. regarded as immaterial, proprietary or confidential in accordance with Article 432 of the CRR,
 - b. protected under the law,
 - c. about operational events that could threaten the security of the Group's operational processes,
 - d. which could undermine the market position of the Group or result in an increase of reputational risk.
- 4.4. For the cases referred to in point 4.3 items b-d of this paragraph the Group states the reasons for non-disclosure and publishes more general information about the subject matter of the disclosure requirement.

5. The frequency of disclosed information

- 5.1 In accordance with Article 433 of the CRR the Group shall publish:
 - a. the Information referred to in 4.2 on annual basis, at the reporting date of 31 December,
 - b. the Information referred to in 4.2 items c, d, e, i, k, l, p, q and r on the semi-annual basis, at the reporting date of 30 June,
 - c. the Information on the overview of risk-weighted assets quarterly.

- 5.2 The Information shall be published in conjunction with the date of publication of the financial statements.
- 5.3 If any event influencing substantially the Information to be disclosed happens, the Group shall inform on the occurrence of the event publishing a current report.
- 5.4 Events referred to in point 5.3 refers especially to substantial changes in own funds and capital requirements.

6. Means of disclosures

- 6.1 The annual Information referred to in 5.1 item shall be disclosed by the Group in a separate report on capital adequacy.
- 6.2 The semi-annual Information referred to in 5. 1 item b shall be disclosed by the Group in a semi-annual financial statement or a separate report on capital adequacy.
- 6.3 The quarterly Information referred to in 5. 1 item c shall be disclosed by the Group in a quarterly financial statement.
- 6.4 The Group discloses the statement and the report referred to in points 6.1-6.3 on the Group's website.
- 6.5 Luminor Estonia, Luminor Latvia and Luminor Lithuania disclose less information in accordance to CRR on the national level, however, the frequency and means of disclosures are identical to those of the Group's level.

7. Rules of verification and confirmation of information disclosed

- 7.1 The Information is subject to verification within the internal control mechanisms established in the Group. Information is subject to verification by organisational units of the Luminor subsidiaries responsible for a specific area as part of internal control mechanisms. Organisational units responsible for designing, implementation and reviewing the disclosure are Risk, Finance and Human Resources Divisions.
- 7.2 Risk, Finance and Human Resources Divisions ensure that all the relevant units and functions, covering all risks and compliance with regulatory requirements are taken into account within their area of expertise.
- 7.3 The qualitative and quantitative data used in this report is audited by external or internal audit either as part of Financial accounts or Risk related questions (for e.g. Internal Capital Adequacy Assessment Process).
- 7.4 The Information is approved by the respective management bodies prior to publication.

8. Rules of verification of the Information guidelines

- 8.1 The Information guidelines with the amendments is developed / updated by the Group's Risk Analysis unit and approved by relevant Luminor Management Bodies.
- 8.2 The Information guidelines is verified at least once a year.

APPENDIX 1 – DEFINITIONS

- The Information guidelines - the Information guidelines in respect of RISK MANAGEMENT AND CAPITAL ADEQUACY DISCLOSURE (PILLAR 3) REPORT
- The Group – Luminor Group AB
- Luminor subsidiaries:
 - o Luminor Estonia - Luminor Bank AS with its subsidiaries in Estonia
 - o Luminor Latvia - Luminor Bank AS with its subsidiaries in Latvia
 - o Luminor Lithuania - Luminor Bank AB with its subsidiaries in Lithuania
- CRR – Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012
- Information - the Group as an EU parent financial holding company discloses the information, referred to in Part Eight, Title II and Part Eight, Title III of the CRR. Information disclosure name for publication "Risk Management and Capital Adequacy (Pillar 3) Disclosure Report.

Company's annual report is prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and with application of the Swedish Financial Reporting Boards RFR 2 Accounting for legal entities. This means that IFRS valuation and information rules are applied with the exceptions and supplements specified in the section concerning the Parent Company's accounting principles.