

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

LUMINOR ESTONIA

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 Estonia (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 Estonia (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 11315936. The following subsidiaries of Luminor Bank AS are included in the consolidation group in Estonia:

Company name	Share capital, TEUR	Bank's share (%)	Country	Consolidation method
Luminor Liising AS	3 834	100%	Estonia	Full consolidation
Promano Est OÜ*	10 000	100%	Estonia	Full consolidation
Uus-Sadama 11 OÜ*	3 556	100%	Estonia	Full consolidation
Luminor Pensions Estonia AS	3 000	100%	Estonia	Full consolidation
Luminor Kindlustusmaakler OÜ	2 556	100%	Estonia	Neither consolidated nor deducted

*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.

For regulatory purposes in the consolidation scope is not included Luminor Kindlustusmaakler OÜ (Insurance broker).

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
FINREP	
Paid up capital	9 377
Share premium	402 141
Retained earnings and other reserves	63 492
TOTAL EQUITY in FINREP	475 010
Accounting adjustments	
This difference due to charges for provisions	(56)
Profit/loss not eligible	(9 782)
The difference in retained earnings due to Luminor LT merger	1 166
Common Equity Tier 1 (CET1) capital before regulatory adjustments	466 338
Regulatory adjustments	
Additional Valuation Adjustment (AVA)	(14)
Foreseeable tax charge	(423)
Goodwill and intangibles	(2 966)
TOTAL CET1	462 935

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 securitization exposures.

TEUR	31.12.2018
Capital requirements for credit risk, standardized approach	182 563
Central governments or central banks	1
Regional governments or local authorities	828
Institutions	1 795
Corporates	90 709
Retail	35 440
Secured by mortgages on immovable property	30 638
Exposures in default	10 205
Equity	122
Other items	12 825
Capital requirements for market risk, standardized approach	-
Capital requirements for operational risk, basic indicator approach	15 465
Capital requirements for credit valuation adjustment risk	238
Total capital requirements	198 266

CAPITAL ADEQUACY

TEUR	31.12.2018
Total own funds for solvency purposes	462 935
Capital requirements	198 266
Surplus of own funds	264 669
Risk weighted assets	2 478 321
Solvency ratio of Tier 1 capital (%)	18.68%

**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

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)
(A) Amount at Disclosure Date, thousand EUR		
(B) Regulation (EU) No 575/2013 Article Reference		
Common Equity Tier 1 capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	411 518	26 (1), 27, 28, 29, EBA list 26 (3)
Of which: ordinary shares	411 518	EBA list 26 (3)
2 Retained earnings	34 913	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	18 559	26 (2)
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	466 338	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(13)	34, 105
8 Intangible assets (net of related tax liability) (negative amount)	(2 965)	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(5)
25.b Foreseeable tax charges relating to CET1 items (negative amount)	(423)	36 (1) (l), 472 (3)
28 Total regulatory adjustments to Common equity Tier 1 (CET1)	(3 403)	Sum of rows 7 to 20a,21,22 and 25a to 27
29 Common Equity Tier 1 (CET1) capital	462 935	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)	462 935	Sum of row 29 and 44
Tier 2 (T2) capital: instruments and provisions		
51 Tier 2 (T2) capital before regulatory adjustments	-	Sum of rows 52 to 56
Tier 2 (T2) capital: regulatory adjustments		
57 Total regulatory adjustments to Tier 2 (T2) capital	-	Row 51 minus row 57
58 Tier 2 (T2) capital	-	Sum of row 45 and row 58
59 Total capital (TC = T1 + T2)	462 935	
60 Total risk weighted assets	2 478 321	
Capital ratios and buffers		
61 Common Equity Tier 1 (as a percentage of risk exposure amount)	18,68%	92 (2) (a)
62 Tier 1 (as a percentage of risk exposure amount)	18,68%	92 (2) (b), 465
63 Total capital (as a percentage of risk exposure amount)	18,68%	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	5,50%	CRD 128, 129, 130,131,133

	(A)	(B)
the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)		
65 of which: capital conservation buffer requirement	2,50%	
66 of which: countercyclical buffer requirement	0.0031%	-
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	2,00%	CRD 131
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10,68%	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.

OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

EU OV1 – OVERVIEW OF RISK WEIGHTED ASSETS

TEUR	RWAs 31.12.2018.	RWAs 30.06.2018	Minimum capital requirements 31.12.2018
1 Credit risk (excluding CCR)	2 279 491	2 334 422	182 359
2 of which the standardized approach	2 279 491	2 334 422	182 359
6 CCR	5 522	2 414	442
7 of which mark to market	2 552	853	204
12 of which CVA	2 970	1 560	238
13 Settlement risk			
19 Market risk		34	
20 of which mark to market		34	
22 Large exposures			
23 Operational risk	193 307	193 307	15 465
25 of which the standardized approach	193 307	193 307	15 465
29 Total	2 478 321	2 530 177	198 266

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.

TEUR	General credit exposures 010	Sum of long and short position of trading book 030	Own funds requirement : General credit exposures 070	Own funds requirement : Trading book exposures 080	Total 100	Own funds requirement weights 110	Counter cyclical capital buffer rate 120
Breakdown by country (010):							
CC buffer 0%							
Estonia	3 113 874	-	171 019	-	171 019	95.04%	0.00%
Latvia	43 005	-	3 116	-	3 116	1.73%	0.00%
Other EU countries:	46 233	-	2 887	-	2 887	1.60%	0.00%
Other countries:	34 243	-	2 581	-	2 581	1.43%	0.00%
CC buffer >0%							
Lithuania	517	-	32	-	32	0.02%	0,50%
Other EU countries:	5 362	-	252	-	252	0.14%	0.002%
Other countries:	1 708	-	54	-	54	0.03%	0.0006%
Total (020)	3 244 943	-	179 941	-	179 941	100%	

CC buffer – countercyclical buffer rate

The Group recognizes general credit exposure in 59 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	2 478 321
020	Institution specific countercyclical buffer rate	0.0031%
030	Institution specific countercyclical buffer requirement	77

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 31.12.2018	Average net exposures over the period
16 Central governments or central banks	710 474	430 859
17 Regional governments or local authorities	51 714	50 231
18 Public sector entities	-	-
19 Multilateral development banks	-	-
20 International organizations	-	-
21 Institutions	111 147	136 603
22 Corporates	1 435 639	1 378 856
23 <i>of which: SMEs</i>	289 219	210 885
24 Retail	745 129	798 545
25 <i>of which: SMEs</i>	460 975	498 776
26 Secured by mortgages on immovable property	1 098 802	1 084 564
27 <i>of which: SMEs</i>	14 630	15 652
28 Exposures in default	95 035	80 374
29 Items associated with particularly high risk	-	-
30 Covered bonds	-	-
31 Claims on institutions and corporates with a short-term credit assessment	-	-
32 Collective investments undertakings	-	-
33 Equity exposures	1 526	1 533
34 Other exposures	164 036	150 036
35 Total (standardized approach)	4 413 513	4 111 601

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 59 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	Estonia	Latvia	Lithuania	Other EU countries	Other countries outside EU	Total
7	Central governments or central banks	710 474	710 465	-	-	-	9	710 474
8	Regional governments or local authorities	51 724	51 724	-	-	-	-	51 724
12	Institutions	112 349	311	2	43 342	64 210	47 538	112 349
13	Corporates	1 437 951	1 299 022	42 764	-	39 219	56 947	1 437 951
14	Retail	745 129	740 831	131	179	3 336	560	745 129
15	Secured by mortgages on immovable property	1 098 802	1 076 475	34	1 509	17 778	4 438	1 098 802
16	Exposures in default	95 036	94 553	-	-	479	5	95 036
21	Equity exposures	1 526	1 526	-	-	-	-	1 526
22	Other exposures	164 036	163 223	153	17	346	45	164 036
23	Total (standardized approach)	4 417 028	4 138 130	43 083	45 046	125 468	109 542	4 417 028

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	Total
7 Central governments or central banks	-	-	-	-	-	-	-	20	-	2 875	698 264	-	45	-	4 164	4 333	213	227	333	-	710 474
8 Regional governments or local authorities	-	-	-	-	-	-	-	10 753	-	203	-	33	-	-	39 964	143	39	32	555	-	51 724
12 Institutions	-	-	-	-	-	-	-	-	-	-	11 147	-	-	-	-	-	-	-	-	-	111 147
13 Corporates	47 997	7 841	234 782	49 138	323	83 767	358 265	137 710	540	5 702	35 517	317 975	103 823	35 288	-	73	9 183	4 155	3 426	135	1 435 639
14 Retail	63 422	3 670	70 062	1 757	2 917	45 826	57 696	56 250	3 374	6 499	3 317	34 076	25 655	26 160	-	2 560	5 848	4 703	145 207	187 130	745 129
15 Secured by mortgages on immovable property	1 753	-	1 524	-	-	5 406	3 741	640	184	145	1 455	23 256	2 013	598	-	501	951	225	469	1 056 301	1 098 802
16 Exposures in default	4 797	2 062	12 547	19	-	3 797	2 847	4 749	60	231	6	4 787	38 732	1 054	-	33	3	77	3 791	15 443	95 036
21 Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 526	-	1 526
22 Other exposures	7 008	1 804	5 934	189	177	7 449	15 745	8 231	579	1 362	862	1 929	4 564	10 088	1 484	604	653	623	75 132	19 617	164 036
23 Total (standardized approach)	124 977	15 378	324 849	51 102	3 416	146 245	438 294	218 354	4 736	17 019	849 568	382 055	174 832	73 189	45 612	8 248	16 531	10 044	230 439	1 278 626	4 413 513

EU CRB-E — MATURITY OF EXPOSURES

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

TEUR		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
7	Central governments or central banks	698 264	390	5 133	6 687	-	710 474
8	Regional governments or local authorities	-	185	21 493	30 046	-	51 724
12	Institutions	68 586	42 349	212	-	-	11 147
13	Corporates	98 558	569 645	647 946	119 490	-	1 435 638
14	Retail	22 155	98 946	548 017	76 012	-	745 129
15	Secured by mortgages on immovable property	2 466	8 075	59 372	1 028 888	-	1 098 802
16	Exposures in default	12 888	34 067	30 867	17 214	-	95 036
21	Equity exposures	-	-	1 526	-	-	1 526
22	Other exposures	-	39 656	123 917	463	-	164 036
23	Total (standardized approach)	902 917	793 313	1 438 483	1 278 799	-	4 413 513

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	Net values
	Defaulted exposures	Non-defaulted exposures		
16		710 475	1	710 474
17		51 731	7	51 724
21	2	111 151	4	111 149
22	72 691	1 442 373	6 734	1 508 330
23	<i>Of which: SMEs</i>	290 358	1 139	289 219
24	27 249	749 402	4 273	772 378
25	<i>Of which: SMEs</i>	463 793	2 818	482 593
26	15 740	1 102 444	3 643	1 114 542
27	52	14 682	52	14 682
28	118 510	-	23 474	95 036
33		1 526	0	1 526
34	2 828	164 036		166 864
35	Total (standardized approach)	4 333 138	38 135	4 413 513
37	Of which: Loans	2 515 981	38 135	2 596 356
38	Of which: Debt securities	25 957		25 957
39	Of which: Off-balance-sheet exposures	1 623	1 985	481 152

EU CR1-B — CREDIT QUALITY OF EXPOSURES BY INDUSTRY

Template EU CR1-B covers exposures subject to credit risk framework. The reported values are net COREP original exposures. The basis for division by industry are NACE codes.

TEUR		Gross carrying values of		Specific credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Agriculture, forestry and fishing	5 391	120 843	1 257	124 977
2	Mining and quarrying	2 652	13 339	613	15 378
3	Manufacturing	15 847	313 733	4 732	324 849
4	Electricity, gas, steam and air conditioning supply	21	51 179	98	51 102
5	Water supply; sewerage; waste management and remediation activities	0	3 436	20	3416
6	Construction	6 746	143 534	4 036	146 245
7	Wholesale and retail trade; repair of motor vehicles and motorcycles	3 758	438 055	3 519	438 294
8	Transporting and storage	6 193	214 440	2 280	218 354
9	Accommodation and food service activities	77	4 705	46	4 736
10	Information and communication	575	16 856	412	17 019
11	Financial and insurance activities	12	849 704	148	849 568
12	Real estate activities	5 049	378 324	1 317	382 055
13	Professional, scientific and technical activities	48 707	136 535	10 410	17 832
14	Administrative and support service activities	1 184	72 524	519	73 189
15	Public administration and defense; compulsory social security	0	45 619	7	45 612
16	Education	96	8 232	80	8 248
17	Human health and social work activities	6	16 738	213	16 531
18	Arts, entertainment and recreation	124	9 996	77	10 044
19	Other services	4 656	227 661	1 878	230 439
20	Activities of households as employers and Private individuals	17 417	1 267 684	6 474	1 278 626
21	Total	118 510	4 333 138	38 135	4 413 513

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.

Gross carrying values of					
TEUR		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Net values
1	Baltic countries:				
2	Estonia	117 945	4 057 165	36 980	4 138 130
3	Latvia	0	43 112	29	43 083
4	Lithuania	0	806	1	804
5	Other EU countries	523	127 337	336	127 525
5	Other countries	39	108 233	788	107 485
7	Total	118 510	4 336 653	38 135	4 417 028

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	Loans	72 105	7 821	5 295	8 151	5 937	19 201
2	Debt securities	-	-	-	-	-	-
3	Total exposures	72 105	7 821	5 295	8 151	5 937	19 201

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	25 957	-	-	-	-	-	-	-	-	-	-	-	
020	Loans and advances	4 034 815	13 116	5 071	118 510	118 510	118 510	255	(12 681)	(78)	(23 469)	(7)	221	20
030	Off-balance sheet exposures	483 137	-	-	-	1 623	-	-	(1 985)	-	-	-	-	-

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
1 Opening balance	(50 692)
2 Increases due to amounts set aside for estimated loan losses during the period	(9 413)
3 Decreases due to amounts reversed for estimated loan losses during the period	5 296
4 Decreases due to amounts taken against accumulated credit risk adjustments	(11 451)
5 Transfers between credit risk adjustments	-
6 Impact of exchange rate difference	-
7 Business combinations, including acquisitions and disposals of subsidiaries	-
8 Other adjustments	30 110
9 Closing balance	(36 150)
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	747
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	(14 845)

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

Table EU CR2-B contains year flows within exposures classified as defaulted. The closing balance of 31.12.2018 has been reconciled with the COREP number of exposures in default (CR1-A). In the table below are presented gross original exposures.

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	51 791
3 Returned to non-defaulted status	(29 445)
4 Amounts written off	(14 255)
5 Other changes	23 392
6 Closing balance	118 510

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
1 Total loans	1 501 664	1 094 692	1 094 692	-
2 Total debt securities	25 957	-	-	-
3 Total exposures	1 527 620	1 094 692	1 094 692	-
4 Of which defaulted	83 019	14 827	14 827	-

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	710 469	5	710 469	2	9	0,0%
2	Regional government or local authorities	51 724	-	51 724	-	10 345	20,0%
6	Institutions	108 501	2 646	108 501	2 073	22 192	20,1%
7	Corporates	1 043 611	392 028	1 043 611	150 344	1 131 546	94,8%
8	Retail	661 917	83 212	661 917	29 861	44 002	64,0%
9	Secured by mortgages on immovable property	1 097 159	1 643	1 097 159	329	382 974	34,9%
10	Exposures in default	93 418	1 618	93 418	430	127 559	135,9%
15	Equity	1 526	-	1 526	-	1526	100,0%
16	Other items	164 036	-	164 036	-	160 337	97,7%
17	Total	3 932 361	481 152	3 932 361	183 039	2 279 491	55,4%

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 December 31 2018, the leverage ratio of the Group was 11.23%. 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 ration follows Commission Delegated Regulation (EU) No 2016/200.

TEUR	Applicable amount	
1	Total assets as per published financial statements	4 063 511
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	3 304
4	Adjustments for derivative financial instruments	1 184
6	Adjustment for off-balance sheet items (ie conversion to credit equivalents amounts of off-balance sheet exposures)	187 352
7	Other adjustments	(132 137)
8	Leverage ratio total exposure measure	4 123 214

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)	3 935 327
2	(Asset amounts deducted in determining Tier 1 capital)	(2 979)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	3 932 348
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	2 330
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	1 184
{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)	3 514
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	481 152
18	(Adjustments for conversion to credit equivalent amounts)	(293 800)
19	Other off-balance sheet exposures (sum of lines 17 and 18)	187 352
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	462 935
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	4 123 214
Leverage ratio		
22	Leverage ratio	11.23%
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:	3 935 327
ES-3	Banking book exposures, of which:	3 935 327
ES-5	Exposures treated as sovereigns	710 469
ES-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	51 724
ES-7	Institutions	108 501
ES-8	Secured by mortgages of immovable properties	1 097 159
ES-9	Retail exposures	661 917
ES-10	Corporate	1 043 611
ES-11	Exposures in default	93 418
ES-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	168 528

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>
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>During 2018 the leverage ratio of the Group decreased mainly due to increase in total exposure.</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	2 896	224	1 349	1 900	490	6 859

* 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	12	50
	Total fixed remuneration	2 707	3 155
Variable remuneration	Number of employees	9	44
	Total variable remuneration (5+7+9)	414	583
	Of which: cash-based	207	292
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	207	292
	Of which: deferred	207	292
	Of which: other forms	-	-
Total remuneration (2+4)		3 120	3 739

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	Vested	Unvested
Senior management	-	95
Identified staff	-	38

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	207	0	0
Identified staff	292	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	7	1 312	3	39

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.

REM7: REMUNERATION OF HIGH EARNERS

Pursuant to Article 450 (EU) 575/2013 Paragraph 1 (i)

Salary band, mEUR	No of employees
1.0 – 1.5	1
1.5 – ...	0

