Luminor Bank Interim Report Q1 2022

AT A GLANCE

THE QUARTER IN BRIEF

- Insignificant exposure to Russia, Belarus and Ukraine
- Grew lending and increased operating income
- Lowered costs significantly and improved cost efficiency
- Credit loss allowance reflects mainly macro-driven provisions in the performing credit portfolio
- Net profit almost tripled to 15.0 million EUR as compared to the first quarter 2021
- Non-performing loans fell to 1.7% of gross loans, our lowest level ever

FINANCIAL PERFORMANCE

€m	Q1		FY
	2021	2022	2021
Total operating income	76.9	82.7	328.9
Total operating expenses	-70.5	-54.6	-262.8
Credit loss allowance	-0.1	-11.4	14.8
Other items and taxation	-0.5	-1.7	-6.2
Profit for the period	**5.8**	**15.0**	**74.7**
Return on equity, %	1.4	3.9	4.6

VOLUMES & KEY RATIOS

€m	31 Mar 2021	31 Dec 2021	31 Mar 2022
Loans to customers	9,392.8	9,946.7	10,123.3
Deposits from customers	11,403.8	10,305.4	10,561.1
Equity	1,671.0	1,548.8	1,563.7
Common Equity Tier 1 ratio, %	23.4	20.5	21.2[1]
Liquidity coverage ratio, %	197.3	137.3	136.6

[1] Retained profits for the first quarter 2022 are excluded from the capital calculation. Including these profits would increase this ratio to 21.4%.

ABOUT US

Luminor is the leading independent bank in the Baltics and the third-largest provider of financial services in our region. We serve the financial needs of individuals, families, and companies. Just like our home markets of Estonia, Latvia, and Lithuania we are young, dynamic, and forward looking. Further information about us can be found at www.luminor.ee.

Cover and page 6 photographs: Images from our mortgage campaign 'Need some personal space?', launched in April 2022

CHIEF EXECUTIVE’S STATEMENT

The first quarter was overshadowed by the geopolitical and economic impacts of the invasion of Ukraine, following which we focused on ensuring continuity of service to customers – individuals and enterprises resident in the Baltic countries - and supporting our staff, while working with others to assist displaced Ukrainians arriving in the region. We continue to apply sanctions and support those most affected. We made it easier for citizens of the Ukraine to open an account with us and we waived fees on all payments to accounts held with Ukrainian banks. In addition, we made donations to three Baltic-based charities assisting refugees who have fled Ukraine. To support our staff, we modified the content of our wellbeing programme, established emotional support groups and offered individual psychological counselling.

We also evaluated our credit portfolio. We have no direct exposure to companies domiciled in Russia, Belarus or Ukraine, and next to no exposure to residents of these countries. Despite an insignificant number of new non-performing loans, and limited indirect exposure, we placed on watch list those corporate exposures we believe could be impacted by higher geopolitical risks or high inflation, or exposures for whom energy costs are significant. This action increased our stage 2 loans by 567 million EUR.

As we adjusted our way of doing business to reflect this new operating environment, we improved our business performance, raised our efficiency, and so boosted our net profits as compared to the same quarter last year. As we support our customers, our staff, and the societies we serve, we have three priorities. First, to do more business with more customers – notably more mortgage and consumer lending, and lending to SME customers - widen our product offering, and improve customer experience. Second, to raise our efficiency and enhance our IT operations. And third, to build our unique culture.

We have substantial work ahead of us to realise these goals, but I am encouraged by our continued progress in the first quarter. Despite the uncertain environment and understandable caution from customers, we grew loans to individuals and businesses by 1.8% in the quarter. We launched instant payments in Lithuania, modernised our ATM network, and signed an agreement to acquire Maksekeskus, the leading e-commerce payments service provider in the Baltic region. We remain focused on ensuring IT stability as we improve our services, products, and performance. To enhance our evaluation of ESG risk we drafted strategies for those sectors most exposed to climate risk.

We generated a net profit of 15.0 million EUR in the quarter, as compared to 5.8 million EUR in the same quarter last year. This improvement was driven principally by an 8% increase in revenue as we grew net interest income and a 23% reduction in expenses following the completion of several planned initiatives during 2021, offset in part by higher credit loss allowances. Our return on equity improved to 3.9% from 1.4%.

Our liquidity and capital positions remain strong. At quarter end our Common Equity, Tier 1 and Total Capital Ratios were 21.2%. All our capital is composed of equity. We are reviewing our capital levels and structure to ensure alignment with our plans and outlook, and improve the efficiency of our capital resources.

The outlook for the Baltic region is strong. While the impacts from the invasion of Ukraine and the spectre of price inflation are near term challenges for the Baltic countries, our path and ambitions are clear. I look forward to Luminor doing more business, more effectively, with more individuals and businesses across our home markets of Estonia, Latvia, and Lithuania. In so doing, we will maintain our strong financial standing, exercise prudent risk management, and fulfil our wider obligations.

Peter Bosek

CONTENTS

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and Estonian law. In this report 'Luminor', 'Luminor Bank', 'we', 'us' and 'our' refer to Luminor Bank AS together with its subsidiaries. The abbreviations '€m' and '€bn' represent millions and billions (thousands of millions) of euro, respectively. We have stopped disclosing exceptional costs, and ratios which excluded exceptional costs. This change reflects the reduction in exceptional costs and hence their significance in explaining our performance.

MANAGEMENT REPORT

Financial Performance

Summary income statement	Q1		FY
€m	2021	2022	2021
Net interest and similar income	56.6	63.1	239.2
Net fee and commission income	17.6	18.0	78.5
Net other operating income	2.7	1.6	11.2
Total operating income	**76.9**	**82.7**	**328.9**
Total operating expenses	-70.5	-54.6	-262.8
Share of profit from associates	0.3	0.4	1.8
Credit loss allowance	-0.1	-11.4	14.8
Other non-operating expenses	-0.1	-0.4	-0.3
Profit before tax	**6.5**	**16.7**	**82.4**
Tax expense	-0.7	-1.7	-7.7
Profit for the period	**5.8**	**15.0**	**74.7**
Cost / income ratio, %	91.7	66.0	79.9

Profit for the quarter was 15.0 million EUR, almost triple that of the same quarter last year. An increase in Total operating income of 5.8 million EUR and a 15.9 million EUR decrease in Total operating expenses were offset partially by an increase of 11.3 million EUR in credit loss allowances.

Total operating income was 82.7 million EUR, an increase of 7.5%, as compared to the prior year first quarter. Net interest income increased by 6.5 million EUR to 63.1 million EUR. Interest income increased by 2.3 million EUR as continued pressure on lending margins was offset by growing lending volumes, while interest expense fell by 4.2 million EUR mainly as we reduced our balances of excess liquidity. Net fee and commission income increased by 0.4 million EUR with growth in fees from credit products, daily banking and trade finance, while fees from pensions fell. Net other operating income decreased by 1.1 million EUR, driven by payment of a guarantee fee to the European Investment Bank in relation to our synthetic securitization transaction.

Total operating expenses were 54.6 million EUR, a decrease of 22.6% as compared to the same period last year, driven by lower IT-related expenses, and consulting and professional services, following the completion of several planned initiatives during 2021. We continue to make considerable investments in our IT operations. Our cost-to-income ratio improved significantly to 66.0% from 91.7% in the same quarter last year.

We incurred a credit loss allowance of 11.4 million EUR this quarter as compared to 0.1 million EUR in the first quarter last year. Allowances increased as we updated macroeconomic scenarios and changed their probabilities, made a provision for a new single larger non-performing exposure, and placed on watch list those exposures we believe could be impacted by higher geopolitical risks or high inflation or exposures for whom energy costs are significant. The increase was partly offset by a halving of the management overlay, as the risk from COVID-19 decreased. More details about these changes can be found in the 'Asset Quality' section, below.

In the quarter we generated a return on equity of 3.9%, as measured on an annualised basis, as compared to 1.4% in the same period last year.

Retail Banking

Financial performance	Q1		FY
€m	2021	2022	2021
Net interest income	26.8	29.2	110.2
Net fee income	12.4	12.1	52.8
Other net income	1.8	1.7	7.5
Total operating income	**41.0**	**43.0**	**170.5**
Total operating expenses	-46.0	-34.6	-170.3
Credit loss allowance	2.4	-0.6	11.6
Other non-operating expenses	0.0	-0.2	-0.1
Profit (-loss) before tax	**-2.6**	**7.6**	**11.7**
Cost/ income ratio, %	112.2	80.5	99.9

Balances €m	31 Mar 2021	31 Dec 2021	31 Mar 2022
Loans to customers (excludes allowances and accumulated interest)	5,311.9	5,436.5	5,416.5
Deposits from customers	5,761.5	6,066.3	5,804.9

We remain focused on growing lending, increasing the number of active customers, and raising customer satisfaction.

Despite the uncertain environment and understandable caution amongst customers, we maintained new mortgage lending volumes at the same level as last year and grew the amount of new consumer lending and leasing. Growth was aided by our introduction of specialised consumer loans to finance the installation of solar panels and heat pump heating systems in private houses. This was part of a wider initiative to direct more funding towards sustainable projects, and followed our launch last year of 'Green car' loans which offer lower interest rates for low emission cars.

We continued to develop our digital solutions and improve our customer experience. We introduced automated loan application screening in Estonia and the number of active customers who are using ApplePay or GooglePay increased by 10,000 over the quarter. Our focus on service and cross-sales increased both the number of card transactions and transaction volumes by more than 10% as compared to the first quarter of last year.

Contributions to third pillar pension funds increased by 11% with growth in all three Baltic countries, while assets under management in our pension index funds 'Sustainable Future' reached 10 million EUR for the first time.

To address possible customer concerns about the impact of the invasion of Ukraine we provided updates on developments, and organised webinars and produced podcasts. To support refugees from Ukraine we simplified our account opening process for Ukrainian citizens, added Ukrainian language pages to our website and visited refugee centres to help with opening accounts.

Corporate Banking

Financial performance	Q1		FY
€m	2021	2022	2021
Net interest income	29.0	32.5	125.8
Net fee income	5.2	6.1	25.3
Other net income	1.9	4.0	10.0
Total operating income	**36.1**	**42.6**	**161.1**
Total operating expenses	-23.6	-19.3	-89.9
Credit loss allowance	-2.6	-10.1	2.5
Other non-operating expenses	0.2	0.2	1.7
Profit before tax	**10.1**	**13.4**	**75.4**
Cost/ income ratio, %	65.4	45.3	55.8

Balances, €m	31 Mar 2021	31 Dec 2021	31 Mar 2022
Loans to customers (excludes allowances and accumulated interest)	4,198.4	4,627.9	4,831.1
Deposits from customers	5,588.7	4,196.8	4,692.1

We advanced 390 million EUR of new loans in the first quarter, 31% more than in the same quarter last year.

In the immediate aftermath of the invasion of Ukraine, large corporate customers suspended their investment activities for several weeks, though by the second half of March there were signs of normalisation of activity, while business activity in the SME segment did not change significantly.

The transaction pipeline is growing slowly across all corporate segments. The main driver of new volumes is increased demand for working capital financing in response to inflation and supply chain risks, and is visible in many economic sectors. There is demand for leases in all sectors, especially agriculture, as well as trade finance products The latter led to growth in net fee income during the quarter.

The depressed activity in the European credit markets following the invasion of Ukraine, combined with widening risk premiums for Baltic borrowers, meant that levels of activity were low in the Baltic debt capital markets in the first quarter.

We aim to contribute to the sustainable growth of the Baltic economies. We aspire to support our customers on this journey and ensure that they consider climate risk and contribute to climate expectations. To aid this process, we hosted for corporate customers the first in a planned series of climate seminars.

Photograph left: Image from our business campaign ‘Extra player for your team’, launched in March 2022

Financial condition

Summary balance sheet €m	31 Mar 2021	31 Dec 2021	31 Mar 2022
Cash and central bank balances	4,602.6	2,494.2	2,603.6
Debt securities	287.9	608.2	773.7
Loans to customers	9,392.8	9,946.7	10,123.3
Other assets	268.1	267.7	329.5
Total assets	**14,551.4**	**13,316.8**	**13,830.1**
Deposits from customers	11,403.8	10,305.4	10,561.1
Debt securities issued	1,200.7	1,163.6	1,146.7
Other liabilities	275.9	299.0	558.6
Equity	1,671.0	1,548.8	1,563.7
Total liabilities and equity	**14,551.4**	**13,316.8**	**13,830.1**

Loans to customers in the first quarter increased by 1.8%, Deposits from customers increased by 2.5%, while the total balance grew just under 4%. At quarter end, Loans to customers accounted for nearly three-quarters of Total assets.

Loans to customers increased by 176.6 million EUR, as we grew our lending to both Individuals and Businesses. Debt securities grew by 165.5 million EUR, as we increased our investments in low-risk debt securities. Cash and central bank balances grew by 109.4 million EUR, which included 75 million EUR borrowed from the European Central Bank (ECB).

Deposits from customers increased by 255.7 million EUR. Within the net increase, deposits from Individuals fell by 186.6 million EUR and deposits from Business customers reduced by 282.1 million EUR. These reductions were, however, offset by growth in deposits from Public sector customers of 743.4 million EUR. Equity increased by just under 15 million EUR as we retained the net profit generated in the period.

Given the heightened geopolitical risks, in the first quarter we issued and retained 750 million EUR of covered bonds. On 31 March 2022 our MREL-eligible securities were 29.66% of our total Risk Exposure Amounts and 14.61% of our leverage exposure, as compared to our minimum requirement from 1 January 2022 of 26.92% and 5.91% respectively.

Capital and liquidity

Capital €m	31 Mar 2021	31 Dec 2021	31 Mar 2022
Shareholders' Equity	1,671.0	1,548.8	1,563.7
Regulatory adjustments	-26.0	-118.6	-59.3
Prudential filters	-0.4	-0.4	-0.5
Common Equity Tier 1	**1,644.6**	**1,429.8**	**1,503.9**
Credit risk exposure amounts	6,313.2	6,307.2	6,393.9
Operational risk exposure amounts	673.6	648.8	648.8
Other risk exposure amounts	34.7	31.7	55.8
Total risk exposure amounts	**7,021.5**	**6,987.7**	**7,098.5**
Common Equity Tier 1 ratio, %	23.4	20.5	21.2
Leverage ratio, %	10.8	10.3	10.4

At the end of the first quarter, our own funds totalled 1,503.9 million EUR, composed entirely of Common Equity Tier 1 (CET1) capital. Our CET1, Tier 1, and Total capital ratios increased in the quarter to 21.2%, as we added our audited net profits for 2021 to our capital base. This increase was offset in part by an increase in Risk Exposure Amounts (REA), which we measure on a standardised basis, as we grew our credit portfolio. Retained net profit for the first quarter has not been included in the capital calculation. Including the retained profit would increase the CET1 ratio to 21.4% at quarter end.

Our capital ratios remain well above our minimum capital requirements set by our regulators which, from 1 March 2022, require us to have a CET1 ratio exceeding 10.24%, a Tier 1 ratio above 12.2% and a Total Capital ratio greater than 14.7%. These include a Pillar 2 additional own funds requirement of 2.2%. We reviewed our capital requirements and concluded that, from 1 March 2022 our capital targets for CET1, Tier 1 and Total capital ratios will be 12.94%, 14.9% and 17.4% of REA respectively. These limits include Pillar 2 guidance and management buffers. We continue to assess the value of Tier 2 capital to improve the efficiency of our capital resources.

Our leverage ratio increased to 10.4% during the quarter as we included our audited net profits for 2021 to our capital base, offset in part by the increase in total assets and off-balance sheet exposures.

Liquidity %	31 Mar 2021	31 Dec 2021	31 Mar 2022
Liquidity Coverage Ratio	197.3	137.3	136.6
Net Stable Funding Ratio	159.4	140.8	136.2

Our structural liquidity risk is conservative and well-balanced. It is based on metrics that measure liquidity risk and is appropriately adapted to the current economic and regulatory environment. We use a range of metrics to measure liquidity risk, one of which is the Liquidity Coverage Ratio (LCR). Our LCR fell marginally over the quarter to 136.6% as compared to a minimum regulatory requirement of 100%. The liquidity buffer is composed of cash and liquid, central bank eligible, securities.

Long-term liquidity risk is measured by the Net Stable Funding Ratio (NSFR). On 31 March 2022 our NSFR was 136.2% compared to 140.8% at end of the 2021, and a minimum regulatory requirement of 100%. The decrease of the ratio during the quarter was driven by an increase in Required Stable Funding as we grew Loans to customers.

Asset Quality

Loans to customers €m	31 Mar 2021	31 Dec 2021	31 Mar 2022
Stage 1	8,043.2	8,452.0	8,083.8
Stage 2	1,182.5	1,411.0	1,977.9
Stage 3	291.0	185.6	171.1
Gross carrying amount	**9,516.7**	**10,048.6**	**10,232.8**
Allowance for impairment	-123.9	-101.9	-109.5
Net carrying amount	**9,392.8**	**9,946.7**	**10,123.3**
Non-performing loans ratio, %	3.1	1.8	1.7

The quality of our loan portfolio remains good and stable. While the threat from COVID-19 reduced through the quarter, the economic impact of the invasion of Ukraine - including sanctions, disruption to supply chains, and inflation - and heightened geopolitical risk means the outlook for loan losses remains uncertain. We revised our macroeconomic scenarios to reflect the more challenging environment, which drove an increase in expected credit losses and hence allowances.

During February and March, we evaluated possible consequences from the invasion of Ukraine on our credit portfolio. Our direct exposure to Russia, Belarus and Ukraine is insignificant. We have no direct exposure to companies domiciled in these countries nor investments in the region. Our exposure to residents of Russia, Belarus and Ukraine is 0.02% of our total gross lending and consists mostly of mortgage loans which are secured against residential real estate in the Baltics. Our counterparty credit risk exposure is also insignificant.

In our evaluation, we assessed corporate customers' ownership structures, together with corporate customers' sales markets, sourcing markets, location of production units and operations. We also assessed customers at risk from high and persistent inflation, and customers for whom energy costs are significant. Corporate customers' direct exposure to Russia, Belarus and Ukraine is limited. We assessed that some 6% of our total gross lending is to corporate customers with some exposure to one or more of the above mentioned risks. However, the number of our corporate customers with ownership links to the affected region is limited; sales markets for most customers are diversified; and the risks related to the material sourcing and location of production units and operations are mitigated in most cases.

We have identified an insignificant number of new non-performing exposures so far. That said, we have taken a prudent approach to managing our risk exposures. During the quarter we placed on watch list those exposures we believe could be impacted by higher geopolitical risks or high inflation, or exposures for whom energy costs are significant, and have classified these exposures as stage 2. As a consequence, together with our incorporation of an additional top-down collective Significant Increase in Credit Risk (SICR) adjustment for customers affected by the above mentioned risks, stage 2 exposures increased by 567 million EUR.

Total non-performing ('stage 3') loans decreased by 14.5 million to 171.1 million EUR, or 1.7% of gross lending, at the end of the first quarter. The outflow of non-performing loans was around 1.6 times higher than the inflow, and this left the volume of non-performing loans at its lowest level ever. The decrease was driven by repayments, collection activities including sales of collateral, and cures resulting from the end of probation periods.

Of the 109.5 million EUR total allowances for expected credit losses on the balance sheet at the end of the quarter, 56.2 million EUR were for Stage 3 exposures. The net carrying amount of Stage 3 loans was 114.9 million EUR against which we held collateral with a fair value of 155.5 million EUR.

Details of the Credit loss allowance for the quarter of 11.4 million EUR can be found in the 'Financial Performance' section, above.

Additional information

ECONOMIC ENVIRONMENT

Data and Luminor economists' forecasts	Public Debt /GDP	Economic growth (GDP)[1]		Inflation (CPI)[1]		Unemployment rate		Wage growth[1]	
%	3Q21	21Q4	22f	Mar 22	22f	21Q4	22f	21Q4	22f
Estonia	19.6	8.8	1.0	15.2	12.0	5.2	6.0	7.5	8.0
Latvia	45.1	5.0	1.0	15.7	13.5	6.9	7.0	12.6	10.0
Lithuania	43.6	2.7	1.7	11.6	11.1	7.0	7.2	10.2	8.8

1. Annual change

In 2021, the Baltic economies saw strong growth while unemployment fell to pre-COVID-19 levels. Wage growth remained high, though real wages fell. This led to decreasing real purchasing power, but contributed to the competitiveness of firms and high employment rates. Public debt remained low, leaving room for fiscal policy to operate effectively. The rise in the prices of energy, metals and food, led to double digit inflation. Energy and food account for a higher proportion of consumer spending in the Baltics than the EU average, which resulted in a strong pass-through of input prices to consumers. Inflation impacted the balance sheets of lower income households, through rising utility costs, and those businesses who had contracted to supply goods at fixed prices but had not hedged their input costs.

Forecasts for output growth for 2022 have fallen from some 4% at the start of the year to 1-2% now as export revenues fall, commodity prices increase, and economic confidence drops. Luminor economists' forecast double-digit inflation in 2022 as firms pass-through higher input prices, with a decrease in rates after the summer. It is anticipated that wage growth will be strong in nominal terms though, once again, lower than the growth in prices. Falling real wages are expected to keep employment rates high. Governments are using their fiscal strength to support their economies, build defence capability, and help refugees. Public debt is expected to remain at low levels as output growth continues and interest rates remain low. Further ahead the Baltic economies will benefit from recovering consumer and investor confidence, and more stable commodity prices.

The exports of local goods and services to Russia have declined since 2014. In 2021 the share of exports of goods was around 1% of GDP and exports of services between 1.4% and 2.1% of GDP. In addition, there are some low value-added re-exports of goods and services to Russia. Altogether the loss of export markets affects a very small share of Baltic companies. About half of the imports from Russia in 2021 were energy products, which are now stopped or expected to cease in the near future. The impact of this is expected to be manageable, with the procurement of energy from other sources, such as the opening of a new LNG terminal in Estonia in 2022.

BUSINESS DEVELOPMENTS

In the first quarter we launched instant inward payments in Lithuania and will extend this to Estonia and Latvia during the year. We continued to advance our work with Kyndryl to prepare for the launch of additional functionalities and products, and we strengthened further our security and regulatory compliance processes. We also reviewed our cyber-security. In support of our focus on ensuring IT stability while improving our services, products, and performance, we progressed our adoption of ServiceNow and Amazon Cloud, and modernized our core banking platforms in Estonia and Latvia.

We continued to modernise our ATM network. Where ATM functionality permits, we have enabled contactless operations at ATMs in Estonia and Latvia. These operations include contactless viewing of account balance information and withdrawal of cash using both cards and wallets, and contactless cash depositing transactions with cards. We will continue our work to develop our ATM network in the coming quarters.

In January we signed an agreement to acquire 99% of Maksekeskus, the leading e-commerce payment service provider in the Baltic region. The acquisition will advance our digital transformation and strengthen our presence in the fast-growing e-commerce payments market. The transaction, which was approved by the Estonian Competition Authority in March, is expected to close in the coming months, and is subject to approval by the Estonian Financial Supervision and Resolution Authority.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

During the quarter we refined our climate related data and data capabilities. We submitted to the ECB information about our financed emissions and other climate risk factors in preparation for the ECB's Climate Risk Stress Test later this year. To enhance our evaluation of ESG risk during our credit risk assessment process, we drafted strategies for the manufacturing, energy, construction, agriculture and retail trade sectors, all of which are exposed to high levels of climate risk. We continued to reduce our carbon footprint and now use only Forest Stewardship Council certified or recycled paper in our offices, and installed water dispensers in our headquarters.

To help to address the humanitarian impact of the invasion of Ukraine, we made it easier for citizens of the Ukraine to open an account with us and we waived fees on all payments to accounts with Ukrainian banks. In addition, we donated 100,000 EUR to MTÜ Pagulasabi, Gribu Palīdzēt Bēgļiem and Stiprus Kartu, three Baltic-based organisations who are assisting refugees.

We surveyed our staff to understand how they felt in the aftermath of the invasion. We used the insights gained from the Survey to modify the content of our wellbeing programme with additional features on how to stay calm during uncertainty and how to support other people. We also held an event for our leaders on how to support and lead teams during a crisis. In addition, we established emotional support groups and offered individual psychological support.

Finally, we continued to promote financial literacy and support the societies we serve. Our employees gave guest lectures to young people of different ages, and were given the opportunity to volunteer as mentors and guest teachers in schools. We also donated computers we no longer require to schools in Estonia. In Estonia and Latvia, we announced a cooperation agreement with social entrepreneurship development programmes.

PREVENTING FINANCIAL CRIME

We do not tolerate financial crime. We continued to improve our internal processes and rules during the first quarter, following the plans we have submitted to our supervisors to raise further the effectiveness of our anti-money laundering work.

We have a low-risk appetite and a conservative business model. We operate only in the Baltic countries and target our products and services at residents of the Baltic countries, and at individuals and companies with a strong connection to the Baltic countries. During the quarter we enhanced our common monitoring and screening solution and continued to invest in our anti-fraud framework and technology, while promoting ethical behaviour and building our risk culture.

We complied with new sanctions imposed by the European Union, the United Kingdom, and the United States. We added capacity to fulfil our obligations under the new sanctions' regime, and maintained close contact with relevant stakeholders.

OTHER EVENTS

Ottar Ertzeid was appointed to the Supervisory Council. Mr Ertzeid is a career banker with over 30-years' experience. Most recently, he was Group Chief Financial Officer at DNB ASA and DNB Bank ASA, and a member of DNB's Group Management Board. Prior to this he was Head of DNB Markets, DNB's investment banking unit. In addition to being a member of the Supervisory Council, Mr Ertzeid is a member of the Council's Audit, Remuneration and Risk committees.

Mari Mõis, Chief Compliance Officer, commenced maternity leave and is expected to return in mid-September. While on leave, Mari has stepped down temporarily from the Management Board. During this period, Peter Bosek will lead the Compliance Division.

Elanor Rose ('Elly') Hardwick was appointed to the Supervisory Council with effect from 1 April 2022. Miss Hardwick is a financial services executive with two-decades experience in innovation, markets and technology. Most recently she was Chief Digital Officer at UBS Group AG and, prior to that, Head of Innovation at Deutsche Bank AG. In addition to being a member of the Supervisory Council, Miss Hardwick is a member of the Audit, Nomination and Transformation committees.

Statement of the Management Board

The interim report of Luminor Bank AS for the first quarter of 2022 consists of the Management Report and the Condensed Consolidated Interim Financial Statements.

The data and additional information presented in the interim report of Luminor Bank AS for the first quarter of 2022 are true and complete. The Condensed Consolidated Interim Financial Statements have been prepared according to the principles of the International Accounting Standard IAS 34 Interim Financial Reporting as adopted by the European Union and the requirements established by the Credit Institutions Act of the Republic of Estonia for the disclosure of information.

Luminor Bank AS and the Bank's subsidiaries are going concerns.

Peter Bosek
Chief Executive Officer and
Chairman of the Management Board
Tallinn, 4 May 2022

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

€m	Notes	Q1		FY
		2021	2022	2021
Interest income calculated using the effective interest method	3	52.0	55.7	223.5
Other similar income	3	11.9	10.5	42.9
Interest and similar expense	3	-7.3	-3.1	-27.2
Net interest and similar income		**56.6**	**63.1**	**239.2**
Fee and commission income	4	22.5	25.0	102.1
Fee and commission expense	4	-4.9	-7.0	-23.6
Net fee and commission income		**17.6**	**18.0**	**78.5**
Net other financial income	5	4.6	5.1	20.9
Other operating income		0.9	0.2	1.6
Other operating expense		-2.8	-3.7	-11.3
Net other operating income		**2.7**	**1.6**	**11.2**
Total operating income		**76.9**	**82.7**	**328.9**
Salaries and other personnel expenses		-25.6	-27.0	-101.0
Other administrative expenses	6	-41.9	-24.9	-149.7
Depreciation, amortization and impairment		-3.0	-2.7	-12.1
Total operating expenses		**-70.5**	**-54.6**	**-262.8**
Share of profit from associates		0.3	0.4	1.8
Other non-operating expenses		-0.1	-0.4	-0.3
Profit before credit loss allowance and tax		**6.6**	**28.1**	**67.6**
Credit loss allowance, excluding off-balance sheet commitments	7	0.5	-7.9	13.1
Credit loss allowance on off-balance sheet commitments	7	-0.6	-3.5	1.7
Profit before tax		**6.5**	**16.7**	**82.4**
Tax expense		-0.7	-1.7	-7.7
Profit for the period		**5.8**	**15.0**	**74.7**
Total other comprehensive income		0.0	0.0	0.0
Total comprehensive income		**5.8**	**15.0**	**74.7**

CONDENSED CONSOLIDATED BALANCE SHEET

€m	Notes	31 Mar 2021	31 Dec 2021	31 Mar 2022
Assets				
Cash and balances with central banks		4,602.6	2,494.2	2,603.6
Due from other credit institutions		78.1	64.4	70.1
Loans to customers	7	9,392.8	9,946.7	10,123.3
Debt securities		287.9	608.2	773.7
Derivative financial instruments	10	49.6	75.5	143.1
Equity instruments		2.9	3.2	2.9
Investments in associates		5.6	6.4	6.8
Intangible assets		11.9	10.0	9.7
Property, plant and equipment, etc.		53.6	47.0	46.0
Investment properties		0.4	0.1	0.1
Current tax assets		1.2	2.6	3.0
Deferred tax assets		10.3	8.7	8.7
Other assets		54.5	49.8	39.1
Total assets		**14,551.4**	**13,316.8**	**13,830.1**
Liabilities				
Loans and deposits from credit institutions		63.4	83.8	213.1
Deposits from customers	8	11,403.8	10,305.4	10,561.1
Debt securities issued	9	1,200.7	1,163.6	1,146.7
Derivative financial instruments	10	38.4	70.3	146.9
Tax liabilities		0.2	0.5	0.3
Lease liabilities		47.9	43.4	43.0
Other financial liabilities		43.4	29.0	78.0
Other liabilities		72.7	62.9	64.8
Provisions		9.9	9.1	12.5
Total liabilities		**12,880.4**	**11,768.0**	**12,266.4**
Shareholder’s equity				
Share capital and premium		1,447.1	1,447.1	1,447.1
Retained earnings		220.9	97.9	112.9
Other reserves		3.0	3.8	3.7
Total shareholder's equity		**1,671.0**	**1,548.8**	**1,563.7**
Total liabilities and shareholder’s equity		**14,551.4**	**13,316.8**	**13,830.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€m	Share capital and premium	Retained earnings	Other reserves	Total equity
Balance as at 31 December 2020	**1,447.1**	**215.1**	**3.0**	**1,665.2**
Profit for the period	0.0	5.8	0.0	**5.8**
Total comprehensive income	**0.0**	**5.8**	**0.0**	**5.8**
Transfer to mandatory reserve	0.0	0.0	0.0	**0.0**
Dividends	0.0	0.0	0.0	**0.0**
Other	0.0	0.0	0.0	**0.0**
Balance as at 31 March 2021	**1,447.1**	**220.9**	**3.0**	**1,671.0**
Balance as at 31 December 2021	**1,447.1**	**97.9**	**3.8**	**1,548.8**
Profit for the period	0.0	15.0	0.0	**15.0**
Total comprehensive income	**0.0**	**15.0**	**0.0**	**15.0**
Transfer to mandatory reserve	0.0	0.0	0.0	**0.0**
Dividends	0.0	0.0	0.0	**0.0**
Other	0.0	0.0	−0.1	**−0.1**
Balance as at 31 March 2022	**1,447.1**	**112.9**	**3.7**	**1,563.7**
Balance as at 31 December 2020	**1,447.1**	**215.1**	**3.0**	**1,665.2**
Profit for the period	0.0	74.7	0.0	**74.7**
Total comprehensive income	**0.0**	**74.7**	**0.0**	**74.7**
Transfer to mandatory reserve	0.0	−0.8	0.8	**0.0**
Dividends	0.0	−191.0	0.0	**−191.0**
Other	0.0	−0.1	0.0	**−0.1**
Balance as at 31 December 2021	**1,447.1**	**97.9**	**3.8**	**1,548.8**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

€m	Notes	Q1		FY
		2021	2022	2021
Profit or loss before tax		6.5	16.7	82.4
Adjustment for non-cash items:				
Credit loss allowance		0.1	11.4	-14.8
Depreciation, amortisation, and impairment		3.0	2.7	12.1
Other non-cash items		-0.1	0.0	-1.5
Interest income	3	-63.9	-66.2	-266.4
Interest expenses	3	7.3	3.1	27.2
Change in operating assets/liabilities:				
Increase (-) / decrease (+) of lending to customers		40.7	-186.3	-509.1
Increase (-) / decrease (+) of other assets		14.8	-217.0	-318.5
Increase (+) / decrease (-) of client deposits	8	-400.7	385.2	-1,478.5
Increase (-) / decrease (+) of liabilities		21.9	115.3	31.2
Interest received		60.1	64.5	276.5
Interest paid		-5.3	-3.4	-27.8
Income tax paid		-2.3	-1.9	-8.8
Dividend income		0.0	0.0	-0.7
Cash flow from operating activities		**-317.9**	**124.1**	**-2,196.7**
Acquisition of property, equipment and intangible assets		-5.2	-1.4	-8.0
Proceeds from disposal of property, equipment and intangible assets		0.0	0.0	0.3
Proceeds from disposal of investment property		0.2	0.0	0.5
Dividend received		0.0	0.0	0.7
Cash flows from investing activities		**-5.0**	**-1.4**	**-6.5**
Debt securities issued	9	0.0	0.0	299.3
Debt securities bought back		0.0	0.0	-235.5
Debt securities repayment on maturity		0.0	0.0	-100.8
Payments of principal on leases		-1.7	-1.4	-6.4
Dividends paid		0.0	0.0	-191.0
Cash flows from financing activities		**-1.7**	**-1.4**	**-234.4**
Net increase or decrease in cash and cash equivalents		**-324.6**	**121.3**	**-2,437.6**
Cash and cash equivalents at the beginning of the period		4,884.8	2,447.2	4,884.8
Effects of currency translation on cash and cash equivalents		-0.1	0.0	0.0
Net increase or decrease in cash and cash equivalents		-324.6	121.3	-2,437.6
Cash and cash equivalents at the end of the period		**4,560.1**	**2,568.5**	**2,447.2**
Cash and cash equivalents comprise:				
Cash on hand		126.9	148.2	136.1
Non-restricted current account with central bank		4,363.0	2,352.7	2,249.3
Due from other credit institutions within three months		70.2	67.6	61.8
Total		**4,560.1**	**2,568.5**	**2,447.2**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

BASIS OF PRESENTATION

The condensed consolidated interim financial statements of Luminor Bank AS were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with Luminor Bank AS annual financial statements for the year ended 31 December 2021 (Annual Report 2021). The financial information in this interim report is presented in the same format as in the Luminor Bank AS Annual Report 2021.

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Luminor Bank AS Annual Report 2021, except for the adoption of new standards effective as of 1 January 2022. Several amendments and interpretations are effective for the first time in 2022, but do not have a material impact on the interim condensed consolidated financial statements of Luminor. Luminor has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Luminor makes estimates and applies assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities. Estimates and judgements are continuously evaluated and are based on management's experience and expectations of future events. Consistent with Luminor Bank Annual Report 2021 the significant estimates are the impairment of financial instruments, as well as the determination of the fair value.

Impairment of financial instruments
The methods and the key assumptions related to the calculation of the impairment of financial instruments are consistent with those applied by Luminor for the year ended 31 December 2021 except as noted further. For more detailed information on the impairment policies, please, refer to the Note 4 'General Risk Management Policies' of the Luminor Bank Annual Report 2021.

The applied Expected Credit Loss (the ECL) model was enhanced during the first quarter of 2022 to reflect the effects of the invasion of Ukraine. New collective Significant Increase in Credit Risk (SICR) indicators were incorporated into the ECL model due to different measures taken by governments and companies, such as sanctions and closure of operations. Consequently, an additional collective impairment was established at the end of the quarter. Implementation of the new SICR indicators had an impact on staging of credit exposures by increasing the amount of exposures classified within Stage 2, as well as by increasing the total amount of impairment due to reclassification of exposures from Stage 1 to Stage 2. Consideration of the new SICR indicators was based on the assessment of the impact of geopolitical risk, inflationary risk (including sustained energy price increase) on credit customers, and on identification of customers with energy intensive operations. Thus, currently exposures of customers that meet the new collective SICR indicators are treated at least as Stage 2 exposures.

A management overlay adjustment introduced in the fourth quarter of 2020 and applied during 2021 was also applied in the first quarter of 2022 to adjust the standard ECL model output for the potential credit losses due to COVID-19 related uncertainties.

Fair value determination
The methods and the key assumptions related to the calculation of the fair value are consistent with those applied by Luminor for the year ended 31 December 2021. When the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. For the fair value of financial assets and liabilities, please, refer to the Note 12.

2. GENERAL RISK MANAGEMENT POLICIES

CREDIT RISK

Impairment policies

Luminor recognises credit losses in accordance with the requirements of IFRS 9 applying a forward-looking ECL approach. For more detailed information on the impairment policies, please, refer to the Note 4 'General Risk Management Policies' of the Luminor Bank Annual Report 2021. During the first quarter of 2022, the impairment calculation approach remained unchanged.

Projections of macroeconomic variables with probability weights over three years are prepared for each of the Baltic countries. The most recent review of projections and assumptions of the macroeconomic variables was performed in the first quarter of 2022 to reflect mainly possible consequences of the invasion of Ukraine and to adjust the outlook due to COVID-19. The probability weights for scenarios were also reviewed, which resulted in a change of probability weight of 20% (previously 10%) probability for the optimistic scenario, 50% (previously 60%) for the baseline, and 30% for the pessimistic scenario. The following tables show the parameters that were used for macroeconomic modelling.

Measure by country, %	2021a	Scenarios								
		Optimistic			Baseline			Pessimistic		
		22f	23f	24f	22f	23f	24f	22f	23f	24f
Estonia										
Real GDP[1]	8.3	1.0	5.0	4.0	0.0	2.0	6.0	-5.0	0.0	7.0
Unemployment rate	6.2	7.0	7.0	6.0	9.0	10.0	7.0	11.0	12.0	8.0
Residential Real Estate price[1]	15.0	9.0	8.0	7.0	0.0	5.0	7.0	-25.0	-5.0	10.0
Latvia										
Real GDP[1]	4.8	2.0	6.0	5.0	0.0	3.0	7.0	-4.0	0.0	8.0
Unemployment rate	7.6	7.0	7.0	7.0	10.0	11.0	8.0	12.0	13.0	9.0
Residential Real Estate price[1]	11.0	9.0	8.0	7.0	0.0	5.0	7.0	-25.0	-5.0	10.0
Lithuania										
Real GDP[1]	4.9	1.0	5.0	5.0	0.0	2.0	6.0	-5.0	0.0	7.0
Unemployment rate	6.9	7.0	7.0	6.0	9.0	10.0	7.0	11.0	12.0	8.0
Residential Real Estate price[1]	16.0	9.0	8.0	7.0	0.0	5.0	7.0	-25.0	-5.0	10.0

[1] Annual change

Given the uncertainty caused by COVID-19, Luminor decided to maintain in part a management overlay, although reduce the overlay from 12 million EUR at the end of 2021 to 6 million EUR at the end of the first quarter of 2022. The reasons for the overlay remain relevant, even though restrictions were lifted as the impact from the Omicron variant proved to be significantly less severe compared to previous variants. Luminor's decision to maintain in part the overlay was also supported by relative lack of effective early indicators to predict credit quality developments, no clear trend of customers' post grace period behaviour and evolving inflation.

MARKET RISK

Luminor has a low appetite for market risk. The most significant parts of market risk for Luminor are interest rate risk and credit spread risk. Both stayed well within internal limits during the first quarter of 2022 despite the changes in the outlook on interest rates and the impacts of the invasion of Ukraine. Luminor has further increased its liquidity bond portfolio during the first quarter to 715.4 million EUR by actively managing its liquidity buffer in accordance with internal procedures. The significance of other risks is lower as Luminor does not have any open positions in equity instruments for trading, customer related foreign exchange flow is managed through daily hedging activities, and all derivative contracts with customers are hedged with back-to-back transactions.

LIQUIDITY RISK

Liquidity risk is managed to ensure a constant ability to settle contractual obligations. Luminor's liquidity position has remained strong in the first quarter of 2022, with an LCR ratio standing at 136.6%. at quarter end. There were no external regulatory limit breaches for Liquidity Risk during the first quarter of 2022.

3. NET INTEREST AND SIMILAR INCOME

€m	Q1		FY
	2021	2022	2021
Loans and advances to customers at amortised cost	50.5	53.3	215.9
Deposits with other banks	0.1	0.2	0.4
Negative interest on financial liabilities	1.4	2.2	7.2
Interest income calculated using effective interest method	**52.0**	**55.7**	**223.5**
Finance leases	10.2	10.3	42.0
Other interest	1.7	0.2	0.9
Other similar income	**11.9**	**10.5**	**42.9**
Interest and similar income	**63.9**	**66.2**	**266.4**
Loans and deposits from credit institutions[1]	−4.6	−1.8	−15.1
Deposits from customers	−0.5	−0.2	−1.3
Impact of hedging activities	0.6	0.3	−1.2
Debt securities issued	−2.0	−1.2	−7.5
Other[2]	−0.8	−0.2	−2.1
Interest expense	**−7.3**	**−3.1**	**−27.2**
Net interest and similar income	**56.6**	**63.1**	**239.2**
[1] Of which interest paid on cash balances at central bank	−4.5	−1.8	−14.7
[2] Of which former parent funding loan commitment interest expense	−0.3	0.0	−1.2

Interest and similar income by country of income generation	Q1		FY
€m	2021	2022	2021
Estonia	16.2	15.3	65.8
Latvia	20.1	21.0	85.0
Lithuania	27.6	29.9	115.6
Total	**63.9**	**66.2**	**266.4**

4. NET FEE AND COMMISSION INCOME

€m	Q1 2021	Q1 2022	FY 2021
Cards	7.0	8.7	34.2
Credit products	1.0	1.4	4.9
Daily banking plans	3.9	4.1	16.0
Deposit products and cash management	4.0	4.0	16.8
Insurance	0.9	0.8	3.9
Investments	1.1	1.1	5.1
Pensions	2.5	2.3	11.5
Trade finance	2.0	2.3	8.9
Other fee and commission income	0.1	0.3	0.8
Fee and commission income	**22.5**	**25.0**	**102.1**
Cards	-3.5	-5.2	-17.2
Credit products	-0.2	-0.3	-0.6
Deposit products and cash management	-0.6	-0.7	-2.9
Investments	-0.4	-0.3	-1.4
Pensions	-0.1	-0.2	-1.3
Other fee and commission expense	-0.1	-0.3	-0.2
Fee and commission expense	**-4.9**	**-7.0**	**-23.6**
Cards	3.5	3.5	17.0
Credit products	0.8	1.1	4.3
Daily banking plans	3.9	4.1	16.0
Deposit products and cash management	3.4	3.3	13.9
Insurance	0.9	0.8	3.9
Investments	0.7	0.8	3.7
Pensions	2.4	2.1	10.2
Trade finance	2.0	2.3	8.9
Other fee and commission income	0.0	0.0	0.6
Net fee and commission income	**17.6**	**18.0**	**78.5**

Fee and commission income by country of income generation €m	Q1 2021	Q1 2022	FY 2021
Estonia	3.7	3.6	15.8
Latvia	6.9	7.5	31.6
Lithuania	11.9	13.9	54.7
Total	**22.5**	**25.0**	**102.1**

Fee and commission income by products and type of revenue recognition

€m	Q1					
	2021			2022		
	Over time	Point in time	Total	Over time	Point in time	Total
Cards	1.9	5.1	**7.0**	2.4	6.3	**8.7**
Credit products	0.5	0.5	**1.0**	0.3	1.1	**1.4**
Daily banking plans	3.9	0.0	**3.9**	4.1	0.0	**4.1**
Deposit products and cash management	0.7	3.3	**4.0**	0.7	3.3	**4.0**
Insurance	0.0	0.9	**0.9**	0.0	0.8	**0.8**
Investments	0.4	0.7	**1.1**	0.4	0.7	**1.1**
Pensions	2.5	0.0	**2.5**	2.3	0.0	**2.3**
Trade finance	1.8	0.2	**2.0**	2.1	0.2	**2.3**
Other fee and commission income	0.0	0.1	**0.1**	0.0	0.3	**0.3**
Total	**11.7**	**10.8**	**22.5**	**12.3**	**12.7**	**25.0**

€m	FY 2021		
	Over time	Point in time	Total
Cards	9.3	24.9	**34.2**
Credit products	1.6	3.3	**4.9**
Daily banking plans	16.0	0.0	**16.0**
Deposit products and cash management	3.0	13.8	**16.8**
Insurance	0.0	3.9	**3.9**
Investments	2.1	3.0	**5.1**
Pensions	11.5	0.0	**11.5**
Trade finance	8.1	0.8	**8.9**
Other fee and commission income	0.0	0.8	**0.8**
Total	**51.6**	**50.5**	**102.1**

5. NET OTHER FINANCIAL INCOME

€m	Q1		FY
	2021	2022	2021
Net gain on financial assets and liabilities at fair value through profit or loss	0.1	-0.1	0.3
Net gain (-loss) on debt securities designated at fair value through profit or loss	-0.5	-6.8	-1.9
Net gain on financial assets and liabilities held for trading	1.7	1.4	7.0
Net gain (-loss) from financial derivatives	12.0	12.3	23.4
Net gain (-loss) from foreign currency operations	-8.7	-1.7	-7.9
Total	**4.6**	**5.1**	**20.9**

The debt securities designated at fair value through profit or loss were negatively impacted by changes in underlying interest rate curves. The portfolio has positive duration (close to 3 years) and therefore an increase in rates lowers the value of the portfolio. The net loss from foreign currency operations reflects mainly the revaluation of foreign currency customer liabilities. The net losses on debt securities designated at fair value through profit or loss and from foreign currency operations are offset by the positive revaluation of derivatives, with which these assets and liabilities are hedged.

6. OTHER ADMINISTRATIVE EXPENSES

€m	Q1		FY
	2021	2022	2021
IT related expenses	-24.2	-16.6	-96.8
Consulting and professional services	-10.1	-1.6	-24.8
Advertising and marketing expenses	-0.6	-1.2	-6.5
Real estate expenses	-1.0	-0.8	-3.7
Taxes and duties	-1.4	-1.3	-3.8
Other expenses	-4.6	-3.4	-14.1
Total	**-41.9**	**-24.9**	**-149.7**

7. LOANS TO CUSTOMERS

€m	31 March 2021	31 Dec 2021	31 March 2022
Individual customers	5,405.9	5,640.0	5,689.5
Business customers	3,656.3	3,922.9	4,054.8
Financial institutions	168.3	199.5	205.6
Public sector	162.3	184.3	173.4
Total	**9,392.8**	**9,946.7**	**10,123.3**
of which pledged loans	588.7	549.1	1,372.1

Loans to customers by country of registration €m	31 Mar 2021	31 Dec 2021	31 March 2022
Estonia, Latvia, and Lithuania	9,151.0	9,671.9	9,875.1
Other EU countries	171.9	178.5	175.5
Other countries	69.9	96.3	72.7
Total	**9,392.8**	**9,946.7**	**10,123.3**

Loans to Business customers by economic sectors €m	31 Mar 2021	31 Dec 2021	31 March 2022
Real estate activities	1,155.8	1,167.8	1,201.4
Wholesale and retail trade	639.9	760.8	710.7
Manufacturing	454.6	503.4	543.5
Transport and storage	303.6	299.8	305.1
Agriculture, forestry, and fishing	267.7	296.7	297.9
Construction	173.6	214.3	223.7
Professional, scientific, and technical activities	177.9	124.9	151.6
Administrative and support service activities	184.8	187.5	198.8
Electricity, gas, steam, and air conditioning supply	99.4	78.4	89.7
Other sectors	199.0	289.3	332.4
Total	**3,656.3**	**3,922.9**	**4,054.8**

Loans to customers by gross carrying amount and expected credit loss allowance

31 December 2021 €m	Gross carrying amount	Allowance for impairment	Net carrying amount
Mortgage loans	4,833.6	-30.4	4,803.2
Leasing	454.9	-2.0	452.9
Consumer and card loans	108.3	-1.2	107.1
Other loans	283.3	-6.5	276.8
Individual customers	**5,680.1**	**-40.1**	**5,640.0**
Loans	2,837.1	-47.5	2,789.6
Leasing	889.7	-11.7	878.0
Factoring	257.0	-1.7	255.3
Business customers	**3,983.8**	**-60.9**	**3,922.9**
Financial institutions	**200.2**	**-0.7**	**199.5**
Public sector	**184.5**	**-0.2**	**184.3**
Total	**10,048.6**	**-101.9**	**9,946.7**

31 March 2022 €m	Gross carrying amount	Allowance for impairment	Net carrying amount
Mortgage loans	4,889.4	-30.9	4,858.5
Leasing	448.6	-2.1	446.5
Consumer and card loans	110.0	-1.2	108.8
Other loans	281.8	-6.1	275.7
Individual customers	**5,729.8**	**-40.3**	**5,689.5**
Loans	2,958.2	-53.3	2,904.9
Leasing	909.4	-12.9	896.5
Factoring	255.4	-2.0	253.4
Business customers	**4,123.0**	**-68.2**	**4,054.8**
Financial institutions	**206.3**	**-0.7**	**205.6**
Public sector	**173.7**	**-0.3**	**173.4**
Total	**10,232.8**	**-109.5**	**10,123.3**

Loans to customers by risk category and stage

The credit quality of loans to customers is disclosed in the tables below according to our internal risk scale and methodology, the details of which have been disclosed in the Luminor Bank AS Annual Report 2021.

31 December 2021, €m	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	5,949.6	307.4	0.0	3.3	**6,260.3**
Moderate risk	2,342.9	745.4	0.0	6.9	**3,095.2**
High risk	159.5	324.6	0.0	23.4	**507.5**
Default	0.0	0.0	180.5	5.1	**185.6**
Gross carrying amount	**8,452.0**	**1,377.4**	**180.5**	**38.7**	**10,048.6**
Allowance for impairment	−16.3	−28.6	−55.5	−1.5	**−101.9**
Net carrying amount	**8,435.7**	**1,348.8**	**125.0**	**37.2**	**9,946.7**

31 March 2022, €m	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	6,007.4	537.3	0.0	3.2	6,547.9
Moderate risk	1,951.5	1,053.8	0.0	6.6	3,011.9
High risk	124.9	353.7	0.0	23.3	501.9
Default	0.0	0.0	166.4	4.7	171.1
Gross carrying amount	**8,083.8**	**1,944.8**	**166.4**	**37.8**	**10,232.8**
Allowance for impairment	−21.3	−31.7	−55.4	−1.1	**−109.5**
Net carrying amount	**8,062.5**	**1,913.1**	**111.0**	**36.7**	**10,123.3**

Information about credit loss allowances

For the purposes of the movement schedules below, Luminor assesses Stages only at the reporting date and transfers between the Stages reflect this. Movements between stages are measured at the beginning of the reporting period.

€m	Credit loss allowance					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
As at 31 December 2020	**-21.3**	**-23.1**	**-89.1**	**-3.4**	**-136.9**	**7,958.3**	**1,266.2**	**288.2**	**55.0**	**9,567.7**
Movements with impact on credit loss allowances										
Transfers within Stages:										
to Stage 1	-4.8	2.8	2.0	0.0	**0.0**	252.4	-238.6	-13.8	0.0	**0.0**
to Stage 2	1.2	-4.1	2.9	0.0	**0.0**	-225.5	250.2	-24.7	0.0	**0.0**
to Stage 3	3.1	1.0	-4.1	0.0	**0.0**	-17.5	-53.7	71.2	0.0	**0.0**
Originated or purchased	-6.7	0.0	0.0	0.0	**-6.7**	539.9	0.0	0.0	5.4	**545.3**
Derecognised and repaid	0.6	0.4	19.0	0.0	**20.0**	-464.4	-79.2	-32.6	-7.6	**-583.8**
Changes to ECL model assumptions and effect from changes in Stages	7.3	-3.2	-17.5	-0.1	**-13.5**	0.0	0.0	0.0	0.0	**0.0**
Management overlay adjustment	-1.0	1.9	0.0	-0.2	**0.7**	0.0	0.0	0.0	0.0	0.0
Total	**-0.3**	**-1.2**	**2.3**	**-0.3**	**0.5**	**84.9**	**-121.3**	**0.1**	**-2.2**	**-38.5**
Movements without impact on credit loss allowances										
Write-offs	0.0	0.0	12.3	0.2	**12.5**	0.0	0.0	-12.3	-0.2	**-12.5**
As at 31 March 2021[1]	**-21.6**	**-24.3**	**-74.5**	**-3.5**	**-123.9**	**8,043.2**	**1,144.9**	**276.0**	**52.6**	**9,516.7**

[1] Out of total POCI loans credit loss allowances -0.2 million EUR is in non-credit-impaired, and -3.3 million EUR is in credit-impaired, gross carrying amount 37.6 million EUR is in non-credit-impaired and 15.0 million EUR in credit-impaired.

€m	Credit loss allowance					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
As at 31 December 2021	**-16.3**	**-28.6**	**-55.5**	**-1.5**	**-101.9**	**8,452.0**	**1,377.4**	**180.5**	**38.7**	**10,048.6**
Movements with impact on credit loss allowances										
Transfers within Stages:										
to Stage 1	-2.0	1.8	0.2	0.0	0.0	110.4	-109.2	-1.2	0.0	0.0
to Stage 2	2.0	-3.6	1.6	0.0	0.0	-798.6	821.5	-22.9	0.0	0.0
to Stage 3	0.2	1.4	-1.6	0.0	0.0	-3.9	-22.1	26.0	0.0	0.0
Originated or purchased	-2.1	0.0	0.0	0.0	-2.1	597.4	0.0	0.0	0.1	597.5
Derecognised and repaid	0.3	0.8	2.3	0.1	3.5	-273.5	-122.8	-15.7	-1.0	-413.0
Changes to ECL model assumptions and effect from changes in Stages	-3.4	-9.5	-2.7	0.1	-15.5	0.0	0.0	0.0	0.0	0.0
Management overlay adjustment	0.0	6.0	0.0	0.2	6.2	0.0	0.0	0.0	0.0	0.0
Total	-5.0	-3.1	-0.2	0.4	-7.9	-368.2	567.4	-13.8	-0.9	184.5
Movements without impact on credit loss allowances										
Write-offs	0.0	0.0	0.3	0.0	0.3	0.0	0.0	-0.3	0.0	-0.3
As at 31 March 2022[1]	**-21.3**	**-31.7**	**-55.4**	**-1.1**	**-109.5**	**8,083.8**	**1,944.8**	**166.4**	**37.8**	**10,232.8**

[1] Out of total POCI loans credit loss allowances -0.3 million EUR is in non-credit-impaired, and -0.8 million EUR is in credit-impaired, gross carrying amount 33.1 million EUR is in non-credit-impaired and 4.7 million EUR in credit-impaired.

8. DEPOSITS FROM CUSTOMERS

€m	31 Mar 2021	31 Dec 2021	31 March 2022
Term deposits	953.5	888.5	818.6
Demand deposits	10,450.3	9,416.9	9,742.5
Total	**11,403.8**	**10,305.4**	**10,561.1**

Deposits from customers by type of customer €m	31 Mar 2021	31 Dec 2021	31 March 2022
Individual customers	4,513.5	4,788.6	4,602.0
Business customers	4,049.9	4,044.8	3,762.7
Financial institutions	378.9	246.9	227.8
Public sector	2,461.5	1,225.1	1,968.6
Total	**11,403.8**	**10,305.4**	**10,561.1**

Deposits from customers by country of registration €m	31 Mar 2021	31 Dec 2021	31 March 2022
Estonia, Latvia, and Lithuania	11,227.8	10,075.9	10,432.9
Other EU countries	85.6	80.0	72.1
Other countries	90.4	149.5	56.1
Total	**11,403.8**	**10,305.4**	**10,561.1**

9. DEBT SECURITIES ISSUED

Carrying amount €m	First call date	Maturity date	Nominal amount	31 Mar 2021	31 Dec 2021	31 March 2022
1.5% senior bond[1]		Oct 2021	99.3	100.4	0.0	0.0
1.375% senior bond[2]		Oct 2022	71.5	301.1	71.8	72.0
0.01% covered bond[3]		Mar 2025	500.0	499.8	494.6	480.0
0.792% senior bond[3]	Dec 2023	Dec 2024	300.0	299.4	298.3	295.3
0.539% senior bond	Sep 2025	Sep 2026	300.0	0.0	298.9	299.4
Total			**1,270.8**	**1,200.7**	**1,163.6**	**1,146.7**

[1] Initial nominal amount was 350 million EUR. We repurchased 250.8 million EUR in December 2020.

[2] Initial nominal amount was 300 million EUR. We repurchased 228.5 million EUR in September 2021.

[3] Hedge accounted. Due to shifts in interest rate expectations in the first quarter of 2022 the fair value of these hedged liabilities decreased.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value €m	31 Mar 2021	31 Dec 2021	31 March 2022
Interest rate-related contracts	11.5	7.6	17.3
Currency-related contracts	34.7	22.8	25.2
Commodity-related contracts	3.4	45.1	100.6
Total assets	**49.6**	**75.5**	**143.1**
Interest rate-related contracts	9.8	10.0	30.8
Currency-related contracts	25.3	15.5	16.2
Commodity-related contracts	3.3	44.8	99.9
Total liabilities	**38.4**	**70.3**	**146.9**

Notional amounts €m	31 Mar 2021	31 Dec 2021	31 March 2022
Interest rate-related contracts	2,891.3	2,023.7	2,183.8
Currency-related contracts	1,163.7	1,351.3	1,440.8
Commodity-related contracts	7.2	170.1	109.6
Total assets	**4,062.2**	**3,545.1**	**3,734.2**

Hedge accounting

Luminor applies hedge accounting only to fair value hedges of issued debt securities. To test hedge effectiveness, Luminor uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in the fair value of the hedged item attributable to the hedged risk. Ineffectiveness was clearly immaterial as at 31 March and 31 December 2021, and 31 March 2022. The carrying amount of the derivatives are included in line item 'Derivative financial instruments' in the Balance Sheet, on either the Assets or Liabilities side depending on the fair value of the instruments. The notional and fair value of hedging instruments are:

Interest rate swaps €m	31 Mar 2021	31 Dec 2021	31 March 2022
Notional amount	1,100.0	800.0	800.0
Carrying amount	3.8	-3.5	-21.8[1]

[1] The carrying amount of interest rate swaps fell in the first quarter due to the increase in underlying interest rate curves.

11. CONTINGENT LIABILITIES

€m	31 Mar 2021	31 Dec 2021	31 March 2022
Undrawn loan commitments given	1,280.1	1,230.1	1,248.6
Financial guarantees given	550.6	498.9	551.8
Performance guarantees	149.3	190.5	201.4
Total	**1,980.0**	**1,919.5**	**2,001.8**

All off-balance sheet items have a short-term maturity. All exposures have either on demand or less than 1-month settlement.

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The valuation techniques along with the selection of relevant inputs have not changed in the reporting period, except for loans to customers, where differentiated interest rates used to discount future cash flows of mortgage loans to private individuals and all other loans. For detailed information on the valuation techniques and inputs, please, refer to the Luminor Bank AS Annual Report 2021.

31 December 2021	Fair Value				Carrying amount
€m	Level 1	Level 2	Level 3	Total	
Financial assets at amortised cost for which fair values are disclosed					
Cash on hand	136.1	0.0	0.0	**136.1**	**136.1**
Balances with central banks	0.0	2,358.1	0.0	**2,358.1**	**2,358.1**
Due from other credit institutions	0.0	64.4	0.0	**64.4**	**64.4**
Loans to customers	0.0	0.0	9,740.6	**9,740.6**	**9,946.7**
Debt securities	314.4	6.9	0.0	**321.3**	**325.5**
Other financial assets	0.0	15.3	0.0	**15.3**	**15.3**
Financial assets at fair value					
Financial assets held for trading					
Debt securities	2.3	6.3	6.9	**15.5**	**15.5**
Financial assets at fair value through profit or loss					
Equity instruments	0.0	2.7	0.0	**2.7**	**2.7**
Debt securities	265.8	0.0	0.0	**265.8**	**265.8**
Derivative financial instruments	0.0	74.9	0.6	**75.5**	**75.5**
Financial assets at fair value through other comprehensive income					
Debt instruments	0.0	1.4	0.0	**1.4**	**1.4**
Equity instruments	0.0	0.0	0.5	**0.5**	**0.5**
Total	**718.6**	**2,530.0**	**9,748.6**	**12,997.2**	**13,207.5**
Liabilities at amortised cost for which fair values are disclosed					
Loans and deposits from credit institutions	0.0	83.8	0.0	**83.8**	**83.8**
Deposits from customers	0.0	9,416.9	888.5	**10,305.4**	**10,305.4**
Debt securities issued	0.0	1,106.4	0.0	**1,106.4**	**1,163.6**
Other financial liabilities	0.0	29.0	0.0	**29.0**	**29.0**
Financial liabilities at fair value					
Derivative financial instruments	0.0	70.3	0.0	**70.3**	**70.3**
Total	**0.0**	**10,706.4**	**888.5**	**11,594.9**	**11,652.1**

31 March 2022	Fair Value				Carrying amount
€m	Level 1	Level 2	Level 3	Total	
Financial assets at amortised cost for which fair values are disclosed					
Cash on hand	148.2	0.0	0.0	**148.2**	**148.2**
Balances with central banks	0.0	2,455.4	0.0	**2,455.4**	**2,455.4**
Due from other credit institutions	0.0	70.1	0.0	**70.1**	**70.1**
Loans to customers	0.0	0.0	10,016.4	**10,016.4**	**10,123.3**
Debt securities	497.6	6.6	0.0	**504.2**	**536.7**
Other financial assets	0.0	0.0	13.0	**13.0**	**13.0**
Financial assets at fair value					
Financial assets held for trading					
Debt securities	8.1	1.1	7.2	**16.4**	**16.5**
Financial assets at fair value through profit or loss					
Equity instruments	0.0	2.4	0.0	**2.4**	**2.4**
Debt securities	219.2	0.0	0.0	**219.2**	**219.2**
Derivative financial instruments	0.0	141.1	2.0	**143.1**	**143.1**
Financial assets at fair value through other comprehensive income					
Debt securities	0.0	1.3	0.0	**1.3**	**1.3**
Equity instruments	0.0	0.0	0.5	**0.5**	**0.5**
Total	**873.1**	**2,678.0**	**10,039.1**	**13,590.2**	**13,729.7**
Liabilities at amortised cost for which fair values are disclosed					
Loans and deposits from credit institutions	0.0	213.1	0.0	**213.1**	**213.1**
Deposits from customers	0.0	9,742.5	818.6	**10,561.1**	**10,561.1**
Debt securities issued	0.0	1,140.3	0.0	**1,140.3**	**1,146.7**
Other financial liabilities	0.0	0.0	78.0	**78.0**	**78.0**
Financial liabilities at fair value					
Derivative financial instruments	0.0	146.9	0.0	**146.9**	**146.9**
Total	**0.0**	**11,242.8**	**896.6**	**12,139.4**	**12,145.8**

Change in debt securities in Level 3	Q1		FY
€m	2021	2022	2021
Opening balance	**6.2**	**6.9**	**6.2**
Additions or disposals	0.0	0.0	0.0
Unrealised gains for assets held at the end of the reporting period	0.3	0.3	0.7
Closing balance	**6.5**	**7.2**	**6.9**

13. RELATED PARTIES

Luminor Bank AS is owned by Luminor Holding AS, which is ultimately controlled by BCP VII, an investment fund managed by an affiliate of Blackstone Group Inc. Other shareholders of Luminor Holding AS – Nordea Bank Abp and DNB BANK ASA – are also considered to have significant influence over Luminor Holding AS. Related parties are defined as shareholders and entities with significant influence, control, or joint control; members of the Supervisory Council and the Management Board as key management personnel, their close relatives, and companies in which they have a controlling interest; and associated companies. A number of banking transactions are entered into with related parties in the normal course of business, as follows:

Entities with significant influence

€m	Q1		FY
	2021	2022	2021
Interest expenses	-4.0	-17.7[1]	-7.9
Net commission and fee income	-0.1	-0.1	-0.2
Net other financial income	19.7	18.0	27.0
Other administrative expenses	-2.1	0.0	-4.0
Other income and expenses	0.2	0.1	0.4
Total	**13.7**	**0.3**	**15.3**

[1] Interest expense includes reduction in value of interest rate swaps.

€m	31 Mar 2021	31 Dec 2021	31 March 2022
Due from other credit institutions	21.7	11.5	18.5
Derivative instruments	31.4	54.8	94.9
Other assets	0.0	0.3	0.0
Total assets	**53.1**	**66.6**	**113.4**
Due to credit institutions	5.0	63.1	84.8
Derivative instruments	23.1	21.2	39.4
Other liabilities	8.7	0.0	0.0
Total liabilities	**36.8**	**84.3**	**124.2**

Key management personnel

€m	Q1		FY
	2021	2022	2022
Payments of fixed and variable remuneration	0.4	0.6	2.7

€m	31 Mar 2021	31 Dec 2021	31 March 2022
Loans to customers	0.1	0.1	0.1
Deposits from customers	0.4	0.9	1.5

Associated companies

ALD Automotive (3 entities) €m	31 Mar 2021	31 Dec 2021	31 March 2022
Loans to Customers	9.9	5.9	5.2
Deposits from customers	0.5	0.5	0.5

14. SEGMENT REPORTING

€m	Q1							
	2021				2022			
	Retail	Corporate	Other	Total	Retail	Corporate	Other	Total
Net interest and similar income	26.8	29.0	0.8	**56.6**	29.2	32.5	1.4	**63.1**
Net fee and commission income	12.4	5.2	0.0	**17.6**	12.1	6.1	-0.2	**18.0**
Net other financial income	1.6	1.8	1.2	**4.6**	1.7	4.2	-0.8	**5.1**
Other income	0.2	0.1	-2.2	**-1.9**	0.0	-0.2	-3.3	**-3.5**
Total operating income	**41.0**	**36.1**	**-0.2**	**76.9**	**43.0**	**42.6**	**-2.9**	**82.7**
Total operating expenses	-46.0	-23.6	-0.9	**-70.5**	-34.6	-19.3	-0.7	**-54.6**
Credit loss allowance	2.4	-2.6	0.1	**-0.1**	-0.6	-10.1	-0.7	**-11.4**
Other	0.0	0.2	0.0	**0.2**	-0.2	0.2	0.0	**0.0**
Profit (-loss) before tax	**-2.6**	**10.1**	**-1.0**	**6.5**	**7.6**	**13.4**	**-4.3**	**16.7**

€m	FY 2021			
	Retail	Corporate	Other	Total
Net interest and similar income	110.2	125.8	3.2	**239.2**
Net fee and commission income	52.8	25.3	0.4	**78.5**
Net other financial income	7.2	9.7	4.0	**20.9**
Other income	0.3	0.3	-10.3	**-9.7**
Total operating income	**170.5**	**161.1**	**-2.7**	**328.9**
Total operating expenses	-170.3	-89.9	-2.6	**-262.8**
Credit loss allowance	11.6	2.5	0.7	**14.8**
Other	-0.1	1.7	-0.1	**1.5**
Profit (-loss) before tax	**11.7**	**75.4**	**-4.7**	**82.4**

Fee and commission income by segment

€m	Q1							
	2021				2022			
	Retail	Corporate	Other	Total	Retail	Corporate	Other	Total
Cards	6.1	0.9	0.0	**7.0**	7.4	1.3	0.0	**8.7**
Credit products	0.1	0.8	0.1	**1.0**	0.1	1.3	0.0	**1.4**
Daily banking plans	3.8	0.1	0.0	**3.9**	4.0	0.1	0.0	**4.1**
Deposit products and cash management	2.1	1.9	0.0	**4.0**	2.0	2.0	0.0	**4.0**
Insurance	0.7	0.2	0.0	**0.9**	0.7	0.1	0.0	**0.8**
Investments	0.7	0.2	0.2	**1.1**	0.5	0.2	0.4	**1.1**
Pensions	2.5	0.0	0.0	**2.5**	2.3	0.0	0.0	**2.3**
Trade finance	0.0	2.0	0.0	**2.0**	0.0	2.3	0.0	**2.3**
Other fee and commission income	0.0	0.1	0.0	**0.1**	0.2	0.1	0.0	**0.3**
Total	**16.0**	**6.2**	**0.3**	**22.5**	**17.2**	**7.4**	**0.4**	**25.0**

€m	FY 2021			
	Retail	Corporate	Other	Total
Cards	29.1	5.1	0.0	**34.2**
Credit products	0.5	4.2	0.2	**4.9**
Daily banking plans	15.3	0.3	0.4	**16.0**
Deposit products and cash management	8.5	8.1	0.2	**16.8**
Insurance	3.0	0.9	0.0	**3.9**
Investments	2.8	1.6	0.7	**5.1**
Pensions	11.3	0.2	0.0	**11.5**
Trade finance	0.1	8.8	0.0	**8.9**
Other fee and commission income	0.5	0.3	0.0	**0.8**
Total	**71.1**	**29.5**	**1.5**	**102.1**

Customer balances

€m	31 Mar 2021	31 Dec 2021	31 March 2022
Retail	5,311.9	5,436.5	5,416.5
Corporate	4,198.4	4,627.9	4,831.1
Other	30.0	19.3	19.7
Loans to customers (excludes allowances and interest)	**9,540.3**	**10,083.7**	**10,267.3**
Retail	5,761.5	6,066.3	5,804.9
Corporate	5,588.7	4,196.8	4,692.1
Other	53.6	42.3	64.1
Deposits from customers	**11,403.8**	**10,305.4**	**10,561.1**

The table below reconciles the total Loan to customers shown above to the net carrying amount on the Balance Sheet

€m	31 Mar 2021	31 Dec 2021	31 March 2022
Total under segment reporting	**9,540.3**	**10,083.7**	**10,267.3**
Accrued interest	23.3	9.4	9.8
Allowance	-123.9	-101.9	-109.5
Initial impairment	-21.9	-15.7	-16.3
Amortized fee	-25.0	-28.8	-28.0
Net carrying amount	**9,392.8**	**9,946.7**	**10,123.3**

GLOSSARY

Cost/income ratio
Total operating expenses as a percentage of total operating income.

Return on Equity
Profit for the period (annualized) as a percentage of average shareholders' equity for that period. The average shareholders' equity is calculated using the opening and closing balances for the period.

POCI loans
Purchased or originated credit impaired loans

Non-performing loans ratio
Gross carrying amount for Stage 3 loans as a percentage of gross carrying amount of total loans.

Common Equity Tier 1 ratio
Shareholders' equity subject to regulatory adjustments as a percentage of total Risk Exposure Amounts.

Leverage ratio
Tier 1 capital as a percentage of total assets and off-balance sheet items subject to regulatory adjustments.

Liquidity coverage ratio
High-quality liquid assets as a percentage of the estimated net liquidity outflow over the next 30 calendar days.

Net stable funding ratio
Available stable funding as a percentage of required stable funding over a one-year horizon.

INFORMATION ABOUT LUMINOR

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31 March 2022

Reporting period
1 January to 31 March 2022

Reporting currency
euro

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