# Luminor Bank Interim Report Q3 2022

# AT A GLANCE

## THE QUARTER IN BRIEF

- Continued healthy growth in lending to individuals (+1.9%) and companies (+5.9%)
- Increased operating income and flat costs leading to an improved cost efficiency ratio of 58.1%
- Net profit of 40.0 million EUR, an increase of 49.8% as compared to 3Q21, with return on normalised equity of 12.2%
- Credit quality remains strong, with non-performing loans to gross loans falling to 1.3% – our lowest ever level
- No direct and marginal indirect exposure to Russia, Belarus and Ukraine
- Strong capitalisation with CET1 ratio of 18.9%, following payment of a 90.0 million EUR dividend

## FINANCIAL PERFORMANCE

| €m | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | **2021** | **2022** | **2021** | **2022** | **2021** |
| Total operating income | 78.9 | 100.2 | 239.1 | 270.9 | 330.7 |
| Total operating expenses | -58.7 | -58.2 | -197.4 | -168.2 | -262.8 |
| **Profit before credit loss allowance and tax** | **20.2** | **42.0** | **41.7** | **102.7** | **67.9** |
| Credit loss allowance | 8.7 | 2.6 | 16.9 | -6.9 | 14.5 |
| Tax expense | -2.2 | -4.6 | -4.5 | -11.4 | -7.7 |
| **Profit for the period** | **26.7** | **40.0** | **54.1** | **84.4** | **74.7** |
| Return on equity, % | 6.2 | 10.1 | 4.3 | 7.3 | 4.6 |
| Return on normalised equity, % | 8.5 | 12.2 | 5.8 | 8.6 | 6.3 |

## VOLUMES & KEY RATIOS

| €m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Loans to customers | 9,946.7 | 10,502.8 | 10,889.2 |
| Deposits from customers | 10,305.4 | 10,615.9 | 10,552.9 |
| Equity | 1,548.8 | 1,593.2 | 1,543.1 |
| Common Equity Tier 1 ratio (including result for the period), % | 21.5 | 21.3 | 18.9 |
| Liquidity coverage ratio, % | 137.3 | 148.1 | 133.2 |

## 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 inside page photographs: Images from the second phase of our employer branding campaign 'Yes you can', launched in October.

# CHIEF EXECUTIVE'S STATEMENT

The third quarter continued to be affected by the geopolitical and economic impacts of the invasion of Ukraine, with the Baltic region recording the highest inflation rates in the euro-zone. In these uncertain times, our focus continues to be to support our customers – individuals and companies resident in the Baltic countries – and our employees. I applaud the dedication and resilience of our employees.

We improved our business performance despite having to adjust to the new operating environment. We grew our lending and raised our efficiency, which resulted in an increase in this quarter's net profits 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. 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 we made continued progress despite the challenging environment. We increased loans to individuals and companies in the third quarter, with mortgage balances reaching 5 billion EUR. In Estonia we launched instant incoming payments and in Lithuania completed a joint ATM network for rural areas. We worked to modernise our core banking system and strengthen further our cyber security and regulatory compliance processes, to enhance our IT stability and improve our services. During the quarter, we also took several steps to realise our ESG ambitions and completed the acquisition of Maksekeskus, which will strengthen our presence in the fast-growing e-commerce payments market and support the expansion of Maksekeskus in Latvia and Lithuania.

We generated a net profit of 40.0 million EUR in the quarter, nearly 50% higher than in the third quarter of last year. This improvement was driven principally by an increase in revenues, as we grew net interest and net fee income, and supported by marginally lower expenses as we continued to raise our efficiency. We recorded a net reversal of credit loss allowances once again, though in a lower amount than last year, and paid a dividend of 90.0 million EUR.  Our return on normalised equity improved to 12.2% from 8.5% a year ago.

Our liquidity and capital positions remain strong. In August we completed the sale of a 300 million EUR senior bond issue, which counts towards our MREL requirement. At quarter end our Common Equity, Tier 1 and Total Capital Ratios, including net profit for the period, were 18.9%. All our capital is composed of equity. We are reviewing our capital levels and structure to align with our plans and outlook, and improve the efficiency of our capital resources. We have no direct exposure to companies domiciled in Russia, Belarus or Ukraine, and next to no exposure to residents of these countries. Our credit quality remains robust. Stage 2 loans increased marginally over the quarter while Stage 3 loans fell to 1.3% of gross lending, our lowest ever level.

On 1 September, Nordea, who sponsored the creation of Luminor, sold their remaining shareholding in Luminor Holding, our parent company, to a consortium led by private equity funds managed by Blackstone. The consortium now own 80.05% of Luminor. I am grateful for the stalwart support of Blackstone and look forward to continuing our partnership with them.

The outlook for the Baltic region is strong but the continuing high uncertainty about future growth and high rates of inflation are starting to reduce customer demand for new loans. That said, our progress, position, and ambitions are clear. In these uncertain times, we are here for our customers. I look forward to Luminor doing more business, more effectively, with more individuals and companies 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

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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.

# MANAGEMENT REPORT

## Financial Performance

| Summary income statement | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| **€m** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Net interest and similar income | 57.9 | 73.3 | 174.8 | 202.4 | 239.2 |
| Net fee and commission income | 18.3 | 20.7 | 55.1 | 59.6 | 78.5 |
| Net other operating income | 2.7 | 6.2 | 9.2 | 8.9 | 13.0 |
| **Total operating income** | **78.9** | **100.2** | **239.1** | **270.9** | **330.7** |
| Total operating expenses | -58.7 | -58.2 | -197.4 | -168.2 | -262.8 |
| **Profit before allowances** | **20.2** | **42.0** | **41.7** | **102.7** | **67.9** |
| Credit loss allowances | 8.7 | 2.6 | 16.9 | -6.9 | 14.5 |
| **Profit before tax** | **28.9** | **44.6** | **58.6** | **95.8** | **82.4** |
| Tax expense | -2.2 | -4.6 | -4.5 | -11.4 | -7.7 |
| **Profit for the period** | **26.7** | **40.0** | **54.1** | **84.4** | **74.7** |
| Cost / income ratio, % | 74.4 | 58.1 | 82.6 | 62.1 | 79.5 |

We generated a net profit of 40.0 million EUR in the quarter (Q3 2021: 26.7 million EUR) an increase of 49.8%.

Total operating income was 100.2 million EUR (Q3 2021: 78.9 million EUR) an increase of 27.0%. Net interest income increased by 15.4 million EUR to 73.3 million EUR. This was mainly driven by increasing lending volumes, as well as increasing EURIBOR rates, driving interest income up by 10.8 million EUR. At the same time interest expense fell by 4.6 million EUR mainly as we reduced our balances of excess liquidity.

Net fee and commission income increased by 2.4 million EUR with growth in fees from daily banking following higher customer activity, investments, driven by corporate advisory income, and trade finance.

Net other operating income increased by 3.5 million EUR on the back of positive developments in sales of derivatives to our corporate customers. The volatility in financial markets continued in the third quarter which increased demand from our clients to hedge their risks. We have low appetite for market risk and so we hedge derivative contracts agreed with customers with back-to-back transactions with counterparties. Therefore, market volatility has a limited effect on our income statement.

Total operating expenses were 58.2 million EUR (Q3 2021: 58.7 million EUR) a decrease of 0.9%. Higher staff costs were offset by lower consulting and IT-related expenses following the completion in 2021 of certain transformation projects. Our cost-to-income ratio improved significantly to 58.1% from 74.4% in the same quarter last year.

We recorded a net reversal of credit loss allowances of 2.6 million EUR this quarter as compared to a net reversal of 8.7 million EUR in the third quarter last year. Increases in allowances for a small number of larger exposures were offset by decreases as we exited a non-performing exposure and moved exposures from Stage 2 to Stage 1 after the end of their respective probation periods. More details about our credit portfolio can be found in the 'Asset Quality' section, below.

In the quarter we generated a return on normalised equity of 12.2%, as measured on an annualised basis, as compared to 8.5% in the same period last year.

## Retail Banking

| Financial performance | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2021 | 2022 | 2021 | 2022 | 2021 |
| Net interest and similar income | 27.9 | 32.9 | 82.0 | 89.2 | 110.2 |
| Net fee and commission income | 12.2 | 13.2 | 37.2 | 39.0 | 52.8 |
| Other net income | 2.0 | 1.9 | 5.7 | 5.5 | 7.5 |
| **Total operating income** | **42.1** | **48.0** | **124.9** | **133.7** | **170.5** |
| Total operating expenses | -37.9 | -35.5 | -129,2 | -103.7 | -170.3 |
| **Profit before allowances** | **4.2** | **12.5** | **-4.3** | **30.0** | **0.2** |
| Credit loss allowances | -4.4 | 2.0 | 2.8 | 6.5 | 11.4 |
| **Profit (-loss) before tax** | **-0.2** | **14.5** | **-1.5** | **36.5** | **11.6** |
| Cost/ income ratio, % | 90.0 | 74.0 | 103.4 | 77.6 | 99.9 |

| Balances<br>€m | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Loans to customers | 5,389.8 | 5,511.0 | 5,610.4 |
| Deposits from customers | 6,066.3 | 5,813.9 | 5,865.3 |

Loans to customers of Retail banking grew by 1.8% over the quarter, as we maintained our new lending volumes.

Sales volumes for new mortgage lending were at the same level in the third quarter this year as they were in the same quarter of last year, while sales volumes for new consumer lending were 14% higher. Demand for energy efficiency loans remained high through the quarter, though we started to see a decline in demand for new mortgages towards the end of the period.

We continued to develop our digital solutions further in the third quarter. After launching SEPA instant incoming payments in Lithuania in March and outgoing payments in June, we introduced incoming payments in Estonia in September. We also took further steps towards making our customer journeys more convenient.

Our active customer base continues to grow. More than one fifth of our active customers are using mobile wallets. Meanwhile card transaction numbers were up year-on-year by 12% and volumes by 21%. We improved the operability of our payment cards in Estonia and Latvia, and similar changes are planned for Lithuania during the fourth quarter. Moreover, more than 170,000 of our card customers are benefitting from using 'Safety+', a service which provides protection should their cards be stolen or lost, or used for fraudulent payments.

## Corporate Banking

| Financial performance | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2021 | 2022 | 2021 | 2022 | 2021 |
| Net interest and similar income | 32.5 | 44.1 | 93.1 | 121.8 | 125.8 |
| Net fee and commission income | 5.8 | 6.6 | 17.2 | 19.7 | 25.3 |
| Other net income | 2.5 | 4.5 | 8.2 | 13.5 | 11.8 |
| **Total operating income** | **40.8** | **55.2** | **118.5** | **155.0** | **162.9** |
| Total operating expenses | -20.1 | -20.3 | -66.1 | -58.1 | -89.9 |
| **Profit before allowances** | **20.7** | **34.9** | **52.4** | **96.9** | **73.0** |
| Credit loss allowances | 12.6 | 0.6 | 13.7 | -13.9 | 2.5 |
| **Profit before tax** | **33.3** | **35.5** | **66.1** | **83.0** | **75.5** |
| Cost/ income ratio, % | 49.3 | 36.8 | 55.8 | 37.5 | 55.2 |

| Balances, €m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Loans to customers | 4,556.4 | 4,991.1 | 5,277.0 |
| Deposits from customers | 4,196.8 | 4,736.3 | 4,592.9 |

Loans to customers of Corporate banking grew by 5.7% over the quarter, and we maintained our top league table position for Baltic corporate issuers.

Loans to customers grew to over 5.25 billion EUR at quarter end on the back of higher demand for working capital facilities, partly driven by seasonal demand from companies in the agricultural sector and partly by energy purchases. Demand for investment loans held up well in the early part of the quarter though faltered somewhat in September as geopolitical uncertainty, rising interest rates and higher energy prices made customers reconsider their plans for significant investments and additional borrowing. We continued to see good demand for renewable energy investments with a larger part of new loans being used to construct solar and wind parks.

We maintained our position as the underwriter of the largest volume of Baltic corporate bonds despite the soft market environment, as euro interest rates increased, and credit spreads widened. We jointly lead managed a 240 million EUR liability management exercise for a sub-investment grade issuer, and acted as Arranger and Bookrunner for increases in the amount outstanding under a customer's green bond programme. The proceeds from the issuance will be allocated to environment-friendly investment projects according to the borrower's Green Bond Framework.

To contribute to the sustainable growth of the Baltic economies, we continued hosting ESG seminars for our corporate customers. This quarter our seminars focused on the upcoming ESG reporting requirements.

## Financial condition

| Summary balance sheet<br>€m | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Cash and central bank balances | 2,494.2 | 2,714.6 | 2,315.8 |
| Debt securities | 608.2 | 899.6 | 1,100.7 |
| Loans to customers | 9,946.7 | 10,502.8 | 10,889.2 |
| Other assets | 267.7 | 313.5 | 382.4 |
| **Total assets** | **13,316.8** | **14,430.5** | **14,688.1** |
| Deposits from customers | 10,305.4 | 10,615.9 | 10,552.9 |
| Debt securities issued | 1,163.6 | 1,630.8 | 1,881.3 |
| Other liabilities | 299.0 | 590.6 | 710.8 |
| Equity | 1,548.8 | 1,593.2 | 1,543.1 |
| **Total liabilities and equity** | **13,316.8** | **14,430.5** | **14,688.1** |

Loans to customers in the third quarter increased by 3.7%, while deposits from customers decreased by 0.6%, and the total balance sheet grew by 1.8%. At quarter end, Loans to customers accounted for nearly three-quarters of Total assets.

Loans to customers increased by 386.4 million EUR, as we grew our lending to both individuals and companies. Mortgage loans grew at an annualised rate of 6.5% to finish the quarter at just over 5 billion EUR, while leasing to individuals, credit cards, and consumer and other loans grew at an annualised rate of 13% to 889 million EUR. Loans to business customers grew at an annualised rate of 26% with higher lending to the wholesale and retail, manufacturing, and agricultural sectors offset partially by lower lending in construction. Lending to the real estate sector was virtually unchanged.

Debt securities grew by 201.1 million EUR, as we increased our investments, primarily in government securities, to be held in our liquidity portfolio, while conversely Cash and central bank balances fell by 398.8 million EUR as we grew lending and investments. High-quality government and covered bonds, which can be pledged with the European Central Bank to allow us to obtain additional liquidity, make up the majority of our liquidity portfolio. Other assets grew as intangible assets increased following the completion at the start of the quarter of our purchase of Maksekeskus.

Deposits from customers decreased by 63.0 million EUR. Deposits from individuals increased marginally while deposits from companies were 75.0 million EUR lower; a fall in business customers' balances was offset partially by an increase in deposits from financial institutions and public sector customers. Debt securities issued grew as we completed a 300 million EUR callable, senior preferred issue. The transaction, priced on 25 August, counts towards our MREL requirement. Other liabilities increased by a net 120.2 million EUR to 710.8 million EUR mainly as deposits from credit institutions grew as we received more collateral under derivatives contracts, while payments in transit halved as we verified more payments.

Equity reduced by 50.1 million EUR as net profit for the period of 40.0 million EUR was more than offset by payment of a 90.0 million EUR dividend in September. At quarter end our MREL-eligible securities totalled 30.04% of our total Risk Exposure Amounts and 15.04% of our leverage exposure, as compared to our minimum requirement from 1 January 2022 of 26.92% and 5.91%, respectively.

On 1 November Moody's changed the outlook on their ratings to positive from neutral, and affirmed their A3 bank deposit and Baa1 senior unsecured debt ratings.

## Capital and liquidity

| Capital<br>€m | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Shareholders' Equity | 1,548.8 | 1,593.2 | 1,543.1 |
| Regulatory adjustments | -43.9 | -43.9 | -94.2 |
| Prudential filters | -0.4 | -0.5 | -0.6 |
| **Common Equity Tier 1** | **1,504.5** | **1,548.8** | **1,448.3** |
| Credit risk exposure amounts | 6,307.2 | 6,582.4 | 6,983.3 |
| Operational risk exposure amounts | 648.8 | 648.8 | 648.8 |
| Other risk exposure amounts | 31.7 | 46.6 | 41.7 |
| **Total risk exposure amounts** | **6,987.7** | **7,277.8** | **7,673.8** |
| Common Equity Tier 1 ratio, % | 21.5 | 21.3 | 18.9 |
| | | | |
| **Capital, excluding result for the period**[1] | | | |
| Common Equity Tier 1, €m | 1,429.8 | 1,499.2 | 1,408.2 |
| Common Equity Tier 1 ratio, % | 20.5 | 20.6 | 18.4 |
| Leverage ratio, % | 10.3 | 10.0 | 9.2 |

1. 30 September 2022 includes first and second quarter profit, but excludes third quarter profit

At the end of the third quarter, our own funds totalled 1,448.3 million EUR, composed entirely of Common Equity Tier 1 (CET1) capital. Our CET1, Tier 1, and Total capital ratios decreased over the quarter to 18.9%, as net profits for the quarter were more than offset by the 90.0 million EUR dividend we paid, and Risk Exposure Amounts (REA), which we measure on a standardised basis, increased as we grew our credit portfolio.

Our capital ratios remain well above our minimum capital requirements set by our regulators, which increased in the third quarter by 24 basis points principally as we incurred a systemic risk buffer of 2% of our risk weighted retail exposures in Lithuania, and require us to have a CET1 ratio exceeding 10.48%, a Tier 1 ratio above 12.44% and a Total Capital ratio greater than 14.94%. These include a Pillar 2 additional own funds requirement of 2.2%. We will be subject to countercyclical buffers of 1% of our risk exposures in Estonia from December this year and 1% of our risk exposures in Lithuania from October next year. We estimate these new buffers will add 20 and 48 basis points to our minimum CET1, Tier 1 and Total capital requirements, taking them to 11.16%, 13.12% and 15.62% respectively.

Our target is to manage our capital at a level 150-300 bps above the minimum regulatory requirements. This target includes Pillar 2 guidance and management buffers. We continue to assess the value of issuing Tier 2 capital to improve the efficiency of our capital resources. Our leverage ratio decreased to 9.2% during the quarter as own funds reduced due to payment of a dividend and assets increased.

| Liquidity<br>% | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Liquidity Coverage Ratio | 137.3 | 148.1 | 133.2 |
| Net Stable Funding Ratio | 140.8 | 135.2 | 130.3 |

We manage our liquidity risk prudently and use a range of measures, one of which is the Liquidity Coverage Ratio (LCR). Our LCR decreased over the quarter to 133.2%, driven by the increase in our credit portfolio, 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 30 September 2022 our NSFR was 130.3% compared to 135.2% at end of the second quarter, 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 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Stage 1 | 8,452.0 | 8,830.7 | 9,185.6 |
| Stage 2 | 1,411.0 | 1,604.7 | 1,663.1 |
| Stage 3 | 185.6 | 175.9 | 141.1 |
| **Gross carrying amount[1]** | **10,048.6** | **10,611.3** | **10,989.8** |
| Credit loss allowances | -101.9 | -108.5 | -100.6 |
| **Net carrying amount** | **9,946.7** | **10,502.8** | **10,889.2** |
| Non-performing loans ratio, % | 1.8 | 1.7 | 1.3 |

1. POCI loans are spread between Stage 2 and Stage 3

The quality of our loan portfolio remains good and stable. 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. Fears of recession increased during the quarter.

Our 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 0.01% 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. 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 performed a systematic assessment and have not identified any systemic risk.

Our total Stage 2 exposures increased by 58.4 million EUR in the third quarter, driven primarily by an increase of the probability of default for a few larger exposures. The inflow of Stage 2 exposures was around 1.2 times higher than the outflow, and this left the volume of Stage 2 exposures slightly higher than at the end of the previous quarter. The inflow primarily was driven by migrations from Stage 1 to Stage 2, while the outflow was driven by both migrations between stages and exposure decreases.

Total non-performing ('Stage 3') loans decreased by 34.8 million to 141.1 million EUR, or 1.3% of gross lending, at the end of the third quarter. The outflow of non-performing loans was around 5 times higher than the inflow, and this left the volume of non-performing loans at its lowest level ever. The higher outflows were driven mostly by repayments for a larger exposure where certain geopolitical risks were identified earlier this year, as well as by exit from a larger non-performing exposure.

Of the 100.6 million EUR total allowances for expected credit losses on the balance sheet at the end of the quarter, 47.1 million EUR were for Stage 3 exposures (including POCI loans). The net carrying amount of Stage 3 loans was 94.0 million EUR against which we held collateral with a fair value of 122.6 million EUR. Details of a net reversal of the Credit loss allowance for the quarter of 2.6 million EUR can be found in the 'Financial Performance' section, above.

# Additional information

## ECONOMIC ENVIRONMENT

| Latest data and forecasts[1] | Public Debt /GDP | Economic growth (GDP)[2] | | Inflation (CPI)[2] | | Unemployment rate | | Wage growth[2] | |
|---|---|---|---|---|---|---|---|---|---|
| % | 22Q1 | 22Q2 | 22f | Sept 22 | 22f | 22Q2 | 22f | 22Q1 | 22f |
| Estonia | 17.6 | 0.3 | 0.0 | 23.7 | 21.0 | 5.8 | 6.0 | 8.2 | 10.0 |
| Latvia | 42.8 | 2.9 | 2.7 | 22.1 | 18.0 | 6.6 | 6.9 | 6.9 | 7.8 |
| Lithuania | 40.3 | 2.8 | 1.3 | 24.1 | 17.2 | 5.2 | 5.8 | 14.0 | 12.0 |

1. Luminor economists' forecasts as of September 2022, data as of 14 October 2022; 2. Year-on-year change

The third quarter of 2022 brought a slowdown in the economic growth of the Baltic states, with year-on-year economic growth in the second quarter between 0.3 and 2.9 percent and economic confidence measures worsening in the third quarter. Industrial production continued to grow in all Baltic states compared to a year ago with the annual growth rates varying between 0.8% in Estonia and 15.2% in Lithuania. Unemployment rates stabilized at levels close to the historic lows of the past two decades with the rates increasing somewhat in Estonia and declining in Lithuania, while wages grew in response to increases in consumer prices and profits in the first half of 2022.

Prices across the Baltic countries have increased notably over the last year, especially oil, natural gas and electricity, and the rate of increases are among the highest in the euro area. That said, given the worsening outlook for the global economy, the cost of many commodities have started to decline. The governments of the Baltic states have introduced measures to limit the effects on consumers of energy price rises over the coming winter, which will limit inflation over the next quarters.

Public debt levels relative to GDP have decreased in the Baltic states as nominal GDP has grown faster than public debt. The indebtedness of the Baltic governments is amongst the lowest in Europe, leaving ample fiscal space to support the economies if needed. The growth of residential real estate prices exceeded 20 percent, around the same change as the general price level, but exceeded wage growth, limiting the ability of first time buyers to buy property. Inflation expectations has led to higher consumer spending and deposit growth has slowed. Profits of firms have remained strong, but the outlook for some companies in selected sectors has worsened due to weaker export demand.

The outlook for the rest of 2022 has remained stable. The outlook for 2023 is weaker as the focus of risks shifts away from Baltic specific factors to global risks such as higher interest rates and interruptions to energy supplies. The Baltic states have sufficient capacity for receiving Liquified Natural Gas and are less dependent on natural gas as an energy source than many EU countries.

## BUSINESS DEVELOPMENTS

We continued to advance our offering with additional functionalities and new products. We made further investments in our customer offering, our team and the scalability of our IT platform. We focused on strengthening our security and regulatory compliance processes further, with particular priority given to ensuring robust cyber-security and fraud management, and addressing geopolitical challenges. We also continued our work to raise our IT stability and improve our services, products and performance, and we progressed the adoption of cloud computing and the modernisation of our core banking system.

Following the launch of SEPA instant payments for individuals in Lithuania in the previous quarter, we introduced incoming SEPA instant payments in Estonia, and prepared to roll out this functionality more widely. In addition, we enhanced our open banking capabilities, and strengthened our fraud monitoring systems.  We completed the launch a joint ATM network in Lithuania with other banks, with 100 ATMs installed and in operation, to increase access to cash in rural areas.

Our product and brand campaigns were further recognised, receiving awards at this year's Latvian Art Directors Club Adwards. These included two Silver Awards for the home loan campaign "Your home, your rules" and two Gold Awards for the brand campaign "Bug girl".

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

During the quarter, we took several steps to realise our ESG ambitions, including improving our practices, helping customers, and meeting our obligations to the societies we serve.

In September we strengthened further our governance practices as we updated our Corporate Governance framework, Code of Conduct including third-party code of conduct, Risk Policy and Strategy, Compliance Standard with ESG provisions, and industry strategies including ESG industry credit risk procedures. We also completed this year's ESG Materiality Assessment which guides our annual sustainability-related disclosures. We continued to reduce our footprint, launched eco-friendly office tips for our employees, and raised awareness of actions employees can take in their daily activities to reduce their impact.

During the quarter, we entered a partnership with EIT Climate Accelerator and Cleantech Estonia for the support of green seed-stage startup companies. The programme offers business mentoring and financial support to help teams bring their prototypes and innovations to market faster. Forty start-ups will benefit from development support this year. We also cooperated with VISA to support female entrepreneurs under the 'She´s next' campaign. In Lithuania we established with others a competition to help social businesses, and an event to involve cities and their residents in solving climate problems.

We continued to participate in the Latvian school programme 'Life ready' where our experts give guest lectures in schools on financial and business topics. In Lithuania, we started a financial literacy class with awards for the winners. We donated 70 computers to the Latvian organization 'Gribu palīdzēt bēgļiem' that will be distributed to Ukrainian refugee families.

## PREVENTING FINANCIAL CRIME

We do not tolerate financial crime. 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 those countries. We continued to improve our processes and routines during the quarter to keep them consistent with our low risk appetite and our conservative business model. We also continued to invest in our anti money laundering capabilities, sanctions compliance, antifraud framework and technology, while promoting ethical behaviour and building our risk culture.

We comply with sanctions imposed by the countries where we operate, and those of the European Union, the United Kingdom, and the United States. We built capacity to meet our obligations under sanctions that were established in the quarter, and we maintained close contact with stakeholders. We implemented a new online fraud monitoring tool in Estonia and prepared the launch of a new anti-fraud solution in Latvia later in the year. We also continued with our efforts to raise public awareness about fraud prevention through our communications work.

## OTHER EVENTS

On 1 September, a consortium led by private equity funds managed by Blackstone acquired Nordea's remaining 11.6% shareholding of Luminor Holding, our parent company. As a consequence, the consortium now owns 80.05% of Luminor Holding. DNB holds the remaining 19.95%. Jørgen Christian Andersen, Nordea's representative on our Supervisory Council, stepped down from the Council and its audit, nomination, and remuneration committees, on 1 October 2022.

Andreas Treichl was elected to our Supervisory Council in September. Mr Treichl is a renowned finance leader with four decades of experience in bank strategy, transformation and branding. He was the Chief Executive of Erste Group Bank AG for over twenty years to 2019. Under his leadership, the former savings bank of Vienna transformed itself into one of the leading retail banks in CEE with more than 17 million clients.

Mari Mõis, Chief Compliance Officer, returned from maternity leave in September. She re-joined the Management Board and resumed her responsibility for the Compliance Division from Peter Bosek, Chief Executive, who took charge temporarily of the Division while Mari was on maternity leave.

Luminor Liising, received on 1 November a precept from the Estonian Financial Supervisory Authority to enhance its internal processes and methodology for the assessment of clients' creditworthiness. The company has already taken steps to address the precept, and will complete the remaining measures in accordance with the action plan.

# Statement of the Management Board

The interim report of Luminor Bank AS for the third 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 third 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, 1 November 2022

# INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| €m | Notes | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|---|
| | | 2021 | 2022 | 2021 | 2022 | 2021 |
| Interest income calculated using the effective interest method | 3 | 56.6 | 65.7 | 166.0 | 180.5 | 223.5 |
| Other similar income | 3 | 10.7 | 12.4 | 31.6 | 33.3 | 42.9 |
| Interest and similar expense | 3 | -9.4 | -4.8 | -22.8 | -11.4 | -27.2 |
| **Net interest and similar income** | | **57.9** | **73.3** | **174.8** | **202.4** | **239.2** |
| Fee and commission income | 4 | 25.0 | 28.8 | 72.7 | 81.8 | 102.1 |
| Fee and commission expense | 4 | -6.7 | -8.1 | -17.6 | -22.2 | -23.6 |
| **Net fee and commission income** | | **18.3** | **20.7** | **55.1** | **59.6** | **78.5** |
| Net gain (-loss) from derivatives | | 5.8 | 20.8 | 16.8 | 47.9 | 23.4 |
| Net gain (-loss) from foreign currency operations | | -2.7 | -8.9 | -6.7 | -17.5 | -7.9 |
| Net other financial income | 5 | 1.8 | -3.3 | 4.7 | -14.7 | 5.4 |
| Other operating income | | 0.4 | 0.0 | 1.4 | 0.6 | 1.6 |
| Other operating expense | | -3.0 | -2.9 | -8.4 | -8.7 | -11.3 |
| Share profit from associates | | 0.4 | 0.5 | 1.4 | 1.3 | 1.8 |
| **Net other operating income** | | **2.7** | **6.2** | **9.2** | **8.9** | **13.0** |
| **Total operating income** | | **78.9** | **100.2** | **239.1** | **270.9** | **330.7** |
| Salaries and other personnel expenses | | -22.6 | -27.3 | -72.2 | -81.1 | -101.0 |
| Other administrative expenses | 6 | -33.1 | -28.4 | -116.2 | -79.5 | -149.7 |
| Depreciation, amortisation and impairment | | -3.0 | -2.5 | -9.0 | -7.6 | -12.1 |
| **Total operating expenses** | | **-58.7** | **-58.2** | **-197.4** | **-168.2** | **-262.8** |
| **Profit before credit loss allowance and tax** | | **20.2** | **42.0** | **41.7** | **102.7** | **67.9** |
| Credit loss allowance, excluding off-balance sheet commitments | 8 | 7.3 | 0.9 | 14.2 | -6.8 | 12.8 |
| Credit loss allowance on off-balance sheet commitments | | 1.4 | 1.7 | 2.7 | -0.1 | 1.7 |
| **Profit before tax** | | **28.9** | **44.6** | **58.6** | **95.8** | **82.4** |
| Tax expense | | -2.2 | -4.6 | -4.5 | -11.4 | -7.7 |
| **Profit for the period** | | **26.7** | **40.0** | **54.1** | **84.4** | **74.7** |
| Total other comprehensive income | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total comprehensive income** | | **26.7** | **40.0** | **54.1** | **84.4** | **74.7** |

## CONDENSED CONSOLIDATED BALANCE SHEET

| €m | Notes | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | | 2,494.2 | 2,714.6 | 2,315.8 |
| Due from other credit institutions | | 64.4 | 56.3 | 69.9 |
| Debt securities | 7 | 608.2 | 899.6 | 1,100.7 |
| Loans to customers | 8 | 9,946.7 | 10,502.8 | 10,889.2 |
| Derivatives | 13 | 75.5 | 137.2 | 147.4 |
| Equity instruments | | 3.2 | 2.7 | 2.5 |
| Investments in associates | | 6.4 | 7.3 | 7.8 |
| Intangible assets | 9 | 10.0 | 10.8 | 61.3 |
| Property, plant and equipment | | 47.0 | 44.0 | 31.4 |
| Current tax assets | | 2.6 | 0.9 | 0.0 |
| Deferred tax assets | | 8.7 | 8.6 | 8.6 |
| Other assets | | 49.9 | 45.7 | 53.5 |
| **Total** | | **13,316.8** | **14,430.5** | **14,688.1** |
| | | | | |
| **Liabilities** | | | | |
| Loans and deposits from credit institutions | 13 | 83.8 | 168.5 | 356.2 |
| Deposits from customers | 10 | 10,305.4 | 10,615.9 | 10,552.9 |
| Debt securities issued | 11 | 1,163.6 | 1,630.8 | 1,881.3 |
| Derivatives | 13 | 70.3 | 145.2 | 191.0 |
| Tax liabilities | | 0.5 | 0.2 | 1.8 |
| Lease liabilities | | 43.4 | 41.6 | 31.0 |
| Other liabilities | 12 | 91.9 | 223.6 | 120.4 |
| Provisions | | 9.1 | 11.5 | 10.4 |
| **Total** | | **11,768.0** | **12,837.3** | **13,145.0** |
| **Shareholder’s equity** | | | | |
| Share capital and premium | | 1,447.1 | 1,447.1 | 1,447.1 |
| Retained earnings | | 97.9 | 142.3 | 92.4 |
| Other reserves | | 3.8 | 3.8 | 3.6 |
| **Total** | | **1,548.8** | **1,593.2** | **1,543.1** |
| **Total liabilities and shareholder’s equity** | | **13,316.8** | **14,430.5** | **14,688.1** |

## 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 | 54.1 | 0.0 | **54.1** |
| **Total comprehensive income** | **0.0** | **54.1** | **0.0** | **54.1** |
| Transfer to mandatory reserve | 0.0 | 0.0 | 0.0 | **0.0** |
| Dividends | 0.0 | -1.0 | 0.0 | **-1.0** |
| Other | 0.0 | 0.0 | 0.0 | **0.0** |
| **Balance as at 30 September 2021** | **1,447.1** | **268.2** | **3.0** | **1,718.3** |
| | | | | |
| **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** |
| | | | | |
| **Balance as at 31 December 2021** | **1,447.1** | **97.9** | **3.8** | **1,548.8** |
| Profit for the period | 0.0 | 84.4 | 0.0 | **84.4** |
| **Total comprehensive income** | **0.0** | **84.4** | **0.0** | **84.4** |
| Transfer to mandatory reserve | 0.0 | 0.0 | 0.0 | **0.0** |
| Dividends | 0.0 | -90.0 | 0.0 | **-90.0** |
| Other | 0.0 | 0.1 | -0.2 | **-0.1** |
| **Balance as at 30 September 2022** | **1,447.1** | **92.4** | **3.6** | **1,543.1** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| €m | Notes | Jan-Sep | | FY |
|---|---|---|---|---|
| | | 2021 | 2022 | 2021 |
| Profit before tax | | 58.6 | 95.8 | 82.4 |
| Adjustment for non-cash items: | | | | |
| Credit loss allowance | | -17.2 | 6.9 | -14.8 |
| Depreciation, amortisation, and impairment | | 9.0 | 7.6 | 12.1 |
| Other non-cash items | | -1.1 | -1.2 | -1.5 |
| Interest and similar income | 3 | -197.6 | -213.8 | -266.4 |
| Interest and similar expenses | 3 | 22.8 | 11.4 | 27.2 |
| Change in operating assets/liabilities: | | | | |
| Increase (-) / decrease (+) of lending to customers | | -388.9 | -985.1 | -509.1 |
| Increase (-) / decrease (+) of other assets | | -108.0 | -658.4 | -318.5 |
| Increase (+) / decrease (-) of client deposits | 10 | -851.2 | 519.7 | -1,478.5 |
| Increase (+) / decrease (-) of other liabilities | | -11.1 | 146.7 | 31.2 |
| Interest received | | 202.1 | 209.3 | 276.5 |
| Interest paid | | -21.3 | -7.6 | -27.8 |
| Income tax paid | | -6.8 | -10.0 | -8.8 |
| Dividend income | | 0.0 | 0.0 | -0.7 |
| **Cash flow used in operating activities** | | **-1,310.7** | **-878.7** | **-2,196.7** |
| Acquisition of property, equipment and intangible assets | | -2.2 | -3.7 | -8.0 |
| Proceeds from disposal of property, equipment and intangible assets | | 0.3 | 0.0 | 0.3 |
| Proceeds from disposal of investment property | | 0.0 | 0.1 | 0.5 |
| Dividend received | | 0.0 | 0.0 | 0.7 |
| **Cash flows used in investing activities** | | **-1.9** | **-3.6** | **-6.5** |
| Debt securities issued | 11 | 300.0 | 796.9 | 299.3 |
| Debt securities bought back | | -228.5 | 0.0 | -235.5 |
| Debt securities repayment on maturity | | 0.0 | 0.0 | -100.8 |
| Payments of principal on leases | | -1.4 | -1.4 | -6.4 |
| Dividends paid | | -1.0 | -90.0 | -191.0 |
| **Cash flows from / (used in) financing activities** | | **69.1** | **705.5** | **-234.4** |
| **Net increase or decrease in cash and cash equivalents** | | **-1,243.5** | **-176.8** | **-2,437.6** |
| Cash and cash equivalents at the beginning of the period | | 4,884.7 | 2,447.2 | 4,884.7 |
| Effects of currency translation on cash and cash equivalents | | 0.0 | 0.1 | 0.0 |
| Net increase or decrease in cash and cash equivalents | | -1,243.5 | -176.8 | -2,437.5 |
| **Cash and cash equivalents at the end of the period** | | **3,641.2** | **2,270.5** | **2,447.2** |
| Cash and cash equivalents comprise: | | | | |
| Cash on hand | | 150.5 | 122.3 | 136.1 |
| Non-restricted current account with central bank | | 3,453.9 | 2,088.6 | 2,249.3 |
| Due from other credit institutions within three months | | 36.8 | 59.6 | 61.8 |
| **Total** | | **3,641.2** | **2,270.5** | **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 (Luminor Bank Annual Report 2021). The financial information in this interim report is presented to a material extent in the same format as in the Luminor Bank 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 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 evaluated continuously and are based on management's experience and expectations of future events. Consistent with the 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. Implementation of the new SICR indicators had an impact on staging of credit exposures by increasing the amount of exposures classified as 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. This approach remained unchanged in the second and third quarters of 2022.

A management overlay, introduced to adjust the standard ECL model output for potential credit losses related to COVID-19, and applied since the fourth quarter of 2020, continued to apply in the first nine months of 2022. Macroeconomic scenarios and their weights were re-considered in the first quarter of 2022 to reflect, mainly, possible consequences of the invasion of Ukraine and COVID-19. Further details can be found in Note 2, below

**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, except for loans to customers, where differentiated interest rates are used to discount future cash flows of mortgage loans to private individuals and all other loans.

# 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 nine months of 2022, the impairment calculation approach remained unchanged, except for the amendments disclosed in Note 1, above.

Three year projections of macroeconomic variables and probability weights are prepared for each Baltic country. These were most recently prepared in the first quarter of 2022 to reflect, mainly, possible consequences of the invasion of Ukraine and COVID-19. Luminor believes that these projections remain relevant for the purposes of ECL calculation as of 30 September 2022. We intend to update the scenarios in the fourth quarter. The prevailing probability weights for the three scenarios are 20% for the optimistic scenario, 50% for the baseline, and 30% for the pessimistic scenario. The following table shows 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** |
| **Real GDP**[1] | | | | | | | | | | |
| Estonia | 8.3 | 1.0 | 5.0 | 6.0 | 0.0 | 2.0 | 6.0 | -5.0 | 0.0 | 7.0 |
| Latvia | 4.8 | 2.0 | 6.0 | 5.0 | 0.0 | 3.0 | 7.0 | -4.0 | 0.0 | 8.0 |
| Lithuania | 4.9 | 1.0 | 5.0 | 5.0 | 0.0 | 2.0 | 6.0 | -5.0 | 0.0 | 7.0 |
| **Unemployment rate** | | | | | | | | | | |
| Estonia | 6.2 | 7.0 | 7.0 | 6.0 | 9.0 | 10.0 | 7.0 | 11.0 | 12.0 | 8.0 |
| Latvia | 7.6 | 7.0 | 7.0 | 7.0 | 10.0 | 11.0 | 8.0 | 12.0 | 13.0 | 9.0 |
| Lithuania | 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] | | | | | | | | | | |
| Estonia | 15.0 | 9.0 | 8.0 | 7.0 | 0.0 | 5.0 | 7.0 | -25.0 | -5.0 | 10.0 |
| Latvia | 11.0 | 9.0 | 8.0 | 7.0 | 0.0 | 5.0 | 7.0 | -25.0 | -5.0 | 10.0 |
| Lithuania | 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 maintained, in part, a management overlay of 4.4 million EUR at 30 September 2022. The overlay was reduced by 7 million EUR in the first half of 2022, and by 0.3 million EUR in the third quarter.

## MARKET AND LIQUIDITY RISK

Luminor has a low appetite for market risk. The most significant types of market risk for Luminor are interest rate risk and credit spread risk. The recently changing interest rate and market environment did not significantly alter the Bank's overall market risk profile. However, given the long period of low interest rates, it has triggered a review of underlying assumptions in interest rate risk in the banking book (IRRBB) modelling methodology (e.g., on the behaviour of non-maturing deposits). Apart from this, Luminor is further following its strategy and has increased its banking book bond portfolio holdings during the third quarter from 843.1 million EUR to 1022.6 million EUR. The significance of other risks is low as Luminor does not have any open positions in equity instruments for trading, customer related foreign exchange flow is hedged each day, and all derivative contracts with customers are hedged with back-to-back transactions.

Luminor's liquidity position has remained strong in the third quarter, with LCR ratio of 133.3% at quarter end. There were no external regulatory limit breaches for liquidity risk during the third quarter of 2022.

## 3. NET INTEREST AND SIMILAR INCOME

| €m | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 |
| Loans and advances to customers at amortised cost | 54.7 | 64.8 | 160.8 | 174.8 | 215.9 |
| Deposits with other banks | 0.2 | 0.2 | 0.3 | 0.5 | 0.4 |
| Negative interest on financial liabilities | 1.7 | 0.7 | 4.9 | 5.2 | 7.2 |
| **Interest income calculated using effective interest method** | **56.6** | **65.7** | **166.0** | **180.5** | **223.5** |
| Finance leases | 10.5 | 11.3 | 30.9 | 31.7 | 42.0 |
| Other interest | 0.2 | 1.1 | 0.7 | 1.6 | 0.9 |
| **Other similar income** | **10.7** | **12.4** | **31.6** | **33.3** | **42.9** |
| **Interest and similar income** | **67.3** | **78.1** | **197.6** | **213.8** | **266.4** |
| Loans and deposits from credit institutions[1] | -3.5 | -0.8 | -12.0 | -4.7 | -15.1 |
| Deposits from customers | -0.2 | -0.1 | -1.1 | -0.5 | -1.3 |
| Impact of hedging activities | -3.1 | 1.3 | -1.6 | 2.9 | -1.2 |
| Debt securities issued | -2.1 | -5.0 | -6.2 | -8.6 | -7.5 |
| Other[2] | -0.5 | -0.2 | -1.9 | -0.5 | -2.1 |
| **Interest expense** | **-9.4** | **-4.8** | **-22.8** | **-11.4** | **-27.2** |
| **Net interest and similar income** | **57.9** | **73.3** | **174.8** | **202.4** | **239.2** |
| 1. Of which interest paid on cash balances at central bank | -3.5 | -0.7 | -11.9 | -4.4 | -14.7 |
| 2. Of which interest paid on former parent funding loan facility | 0.0 | 0.0 | -1.2 | 0.0 | -1.2 |

| **Interest and similar income by country of income generation** | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| **€m** | 2021 | 2022 | 2021 | 2022 | 2021 |
| Estonia | 16.2 | 17.2 | 49.0 | 48.3 | 65.8 |
| Latvia | 21.7 | 23.6 | 63.2 | 65.9 | 85.0 |
| Lithuania | 29.4 | 37.3 | 85.4 | 99.6 | 115.6 |
| **Total** | **67.3** | **78.1** | **197.6** | **213.8** | **266.4** |

## 4. NET FEE AND COMMISSION INCOME

| €m | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 |
| Cards | 9.6 | 10.2 | 24.6 | 28.9 | 34.2 |
| Credit products | 1.1 | 1.8 | 3.6 | 5.5 | 4.9 |
| Daily banking plans | 3.8 | 4.5 | 11.6 | 12.9 | 16.0 |
| Deposit products and cash management | 4.2 | 4.2 | 12.6 | 12.4 | 16.8 |
| Insurance | 1.0 | 0.9 | 2.9 | 2.6 | 3.9 |
| Investments | 0.7 | 1.3 | 3.3 | 3.7 | 5.1 |
| Pensions | 2.1 | 2.2 | 7.1 | 6.8 | 11.5 |
| Trade finance | 2.2 | 2.5 | 6.4 | 7.3 | 8.9 |
| Other fee and commission income | 0.3 | 1.2 | 0.6 | 1.7 | 0.8 |
| **Fee and commission income** | **25.0** | **28.8** | **72.7** | **81.8** | **102.1** |
| Cards | -4.9 | -5.7 | -12.8 | -15.9 | -17.2 |
| Credit products | -0.2 | -0.7 | -0.5 | -1.8 | -0.6 |
| Deposit products and cash management | -1.0 | -0.7 | -2.5 | -2.3 | -2.9 |
| Insurance | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| Investments | -0.3 | -0.4 | -1.1 | -1.0 | -1.4 |
| Pensions | -0.2 | -0.2 | -0.5 | -0.6 | -1.3 |
| Other fee and commission expense | -0.1 | -0.4 | -0.2 | -0.5 | -0.2 |
| **Fee and commission expense** | **-6.7** | **-8.1** | **-17.6** | **-22.2** | **-23.6** |
| Cards | 4.7 | 4.5 | 11.8 | 13.0 | 17.0 |
| Credit products | 0.9 | 1.1 | 3.1 | 3.7 | 4.3 |
| Daily banking plans | 3.8 | 4.5 | 11.6 | 12.9 | 16.0 |
| Deposit products and cash management | 3.2 | 3.5 | 10.1 | 10.1 | 13.9 |
| Insurance | 1.0 | 0.9 | 2.9 | 2.5 | 3.9 |
| Investments | 0.4 | 0.9 | 2.2 | 2.7 | 3.7 |
| Pensions | 1.9 | 2.0 | 6.6 | 6.2 | 10.2 |
| Trade finance | 2.2 | 2.5 | 6.4 | 7.3 | 8.9 |
| Other fee and commission income | 0.2 | 0.8 | 0.4 | 1.2 | 0.6 |
| **Net fee and commission income** | **18.3** | **20.7** | **55.1** | **59.6** | **78.5** |

| Fee and commission income by country of income generation | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2021 | 2022 | 2021 | 2022 | 2021 |
| Estonia | 3.3 | 4.6 | 11.2 | 12.2 | 15.8 |
| Latvia | 7.9 | 8.5 | 22.2 | 24.2 | 31.6 |
| Lithuania | 13.8 | 15.7 | 39.3 | 45.4 | 54.7 |
| **Total** | **25.0** | **28.8** | **72.7** | **81.8** | **102.1** |

| Fee and commission income by revenue recognition and product, €m | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Over time | Point in time | Total | Over time | Point in time | Total |
| **Third quarter** | | | | | | |
| Cards | 2.8 | 6.8 | **9.6** | 2.8 | 7.4 | **10.2** |
| Credit products | 0.3 | 0.8 | **1.1** | 0.3 | 1.5 | **1.8** |
| Daily banking plans | 3.8 | 0.0 | **3.8** | 4.5 | 0.0 | **4.5** |
| Deposit products and cash management | 0.7 | 3.5 | **4.2** | 1.1 | 3.1 | **4.2** |
| Insurance | 0.0 | 1.0 | **1.0** | 0.0 | 0.9 | **0.9** |
| Investments | 0.4 | 0.3 | **0.7** | 0.5 | 0.8 | **1.3** |
| Pensions | 2.1 | 0.0 | **2.1** | 2.2 | 0.0 | **2.2** |
| Trade finance | 2.0 | 0.2 | **2.2** | 2.3 | 0.2 | **2.5** |
| Other fee and commission income | 0.0 | 0.3 | **0.3** | 0.0 | 1.2 | **1.2** |
| **Total** | **12.1** | **12.9** | **25.0** | **13.7** | **15.1** | **28.8** |
| **January–September** | | | | | | |
| Cards | 6.8 | 17.8 | **24.6** | 8.1 | 20.8 | **28.9** |
| Credit products | 1.2 | 2.4 | **3.6** | 0.9 | 4.6 | **5.5** |
| Daily banking plans | 11.6 | 0.0 | **11.6** | 12.9 | 0.0 | **12.9** |
| Deposit products and cash management | 2.3 | 10.3 | **12.6** | 2.9 | 9.5 | **12.4** |
| Insurance | 0.0 | 2.9 | **2.9** | 0.0 | 2.6 | **2.6** |
| Investments | 1.5 | 1.8 | **3.3** | 1.5 | 2.2 | **3.7** |
| Pensions | 7.1 | 0.0 | **7.1** | 6.8 | 0.0 | **6.8** |
| Trade finance | 5.8 | 0.6 | **6.4** | 6.6 | 0.7 | **7.3** |
| Other fee and commission income | 0.0 | 0.6 | **0.6** | 0.1 | 1.6 | **1.7** |
| **Total** | **36.3** | **36.4** | **72.7** | **39.8** | **42.0** | **81.8** |
| **Full year** | | | | | | |
| 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 | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 |
| Net gain (-loss) on financial assets and liabilities at FVTPL | 0.0 | -0.2 | 0.2 | -0.6 | 0.3 |
| Net gain (-loss) on debt securities designated at FVTPL | 0.0 | -5.2 | -0.4 | -20.1 | -1.9 |
| Net gain on financial assets and liabilities held for trading | 1.8 | 2.1 | 4.9 | 6.0 | 7.0 |
| **Total** | **1.8** | **-3.3** | **4.7** | **-14.7** | **5.4** |

## 6. OTHER ADMINISTRATIVE EXPENSES

| €m | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 |
| IT related expenses | -21.1 | -18.3 | -72.4 | -51.1 | -96.8 |
| Consulting and professional services | -5.2 | -2.0 | -23.1 | -6.1 | -24.8 |
| Advertising and marketing expenses | -2.4 | -1.8 | -3.9 | -4.9 | -6.5 |
| Real estate expenses | -0.8 | -1.0 | -2.8 | -2.5 | -3.7 |
| Taxes and duties | -1.0 | -0.9 | -3.2 | -1.3 | -3.8 |
| Other expenses | -2.6 | -4.4 | -10.8 | -13.6 | -14.1 |
| **Total** | **-33.1** | **-28.4** | **-116.2** | **-79.5** | **-149.7** |

## 7. DEBT SECURITIES

| €m | At amortised cost | Designated at FVTPL | Mandatorily measured at FVTPL | Measured at FVTOCI | Total |
|---|---|---|---|---|---|
| **31 December 2021** | | | | | |
| Governments | 242.7 | 242.1 | 1.4 | 1.4 | **487.6** |
| Credit institutions | 37.4 | 23.7 | 5.2 | 0.0 | **66.3** |
| Other financial corporations | 0.0 | 0.0 | 7.9 | 0.0 | **7.9** |
| Corporates | 45.4 | 0.0 | 1.0 | 0.0 | **46.4** |
| **Total** | **325.5** | **265.8** | **15.5** | **1.4** | **608.2** |
| **30 June 2022** | | | | | |
| Governments | 569.0 | 185.5 | 1.4 | 2.8 | **758.7** |
| Credit institutions | 55.7 | 22.7 | 0.2 | 0.0 | **78.6** |
| Other financial corporations | 0.0 | 0.0 | 7.2 | 0.0 | **7.2** |
| Corporates | 48.5 | 0.0 | 6.6 | 0.0 | **55.1** |
| **Total** | **673.2** | **208.2** | **15.4** | **2.8** | **899.6** |
| **30 September 2022** | | | | | |
| Governments | 699.9 | 178.4 | 26.1 | 2.6 | **907.0** |
| Credit institutions | 55.8 | 22.1 | 0.1 | 0.0 | **78.0** |
| Other financial corporations | 0.0 | 0.0 | 4.8 | 0.0 | **4.8** |
| Corporates | 106.7 | 0.0 | 4.2 | 0.0 | **110.9** |
| **Total** | **862.4** | **200.5** | **35.2** | **2.6** | **1,100.7** |

## 8. LOANS TO CUSTOMERS

| €m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| **By customer type** | | | |
| Individual customers | 5,640.0 | 5,795.7 | 5,904.8 |
| Business customers | 3,922.9 | 4,301.8 | 4,581.3 |
| Financial institutions | 199.5 | 227.8 | 232.1 |
| Public sector | 184.3 | 177.5 | 171.0 |
| **Total** | **9,946.7** | **10,502.8** | **10,889.2** |
| of which pledged loans | 549.1 | 1,840.0 | 1,925.0 |
| | | | |
| **By country of registration** | | | |
| Estonia, Latvia, and Lithuania | 9,671.9 | 10,287.6 | 10,695.1 |
| Other EU countries | 178.5 | 169.4 | 162.6 |
| Other countries | 96.3 | 45.8 | 31.5 |
| **Total** | **9,946.7** | **10,502.8** | **10,889.2** |

| Loans and allowances | Gross carrying amount | | | | | Credit loss allowances | | | | | Net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| €m | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total | amount |
| **31 December 2021** | | | | | | | | | | | |
| Mortgage loans | 4,415.4 | 359.8 | 52.1 | 6.3 | **4,833.6** | -8.2 | -8.2 | -13.8 | -0.2 | **-30.4** | **4,803.2** |
| Leasing | 421.3 | 30.9 | 2.7 | 0.0 | **454.9** | -0.7 | -0.7 | -0.6 | 0.0 | **-2.0** | **452.9** |
| Consumer loans, cards | 102.3 | 5.3 | 0.7 | 0.0 | **108.3** | -0.5 | -0.5 | -0.2 | 0.0 | **-1.2** | **107.1** |
| Other loans | 214.4 | 54.4 | 12.4 | 2.1 | **283.3** | -1.0 | -1.4 | -3.6 | -0.5 | **-6.5** | **276.8** |
| **Individual customers** | **5,153.4** | **450.4** | **67.9** | **8.4** | **5,680.1** | **-10.4** | **-10.8** | **-18.2** | **-0.7** | **-40.1** | **5,640.0** |
| Loans | 1,981.7 | 732.3 | 93.7 | 29.4 | **2,837.1** | -3.1 | -12.3 | -31.4 | -0.7 | **-47.5** | **2,789.6** |
| Leasing | 704.4 | 167.7 | 16.7 | 0.9 | **889.7** | -1.8 | -5.2 | -4.6 | -0.1 | **-11.7** | **878.0** |
| Factoring | 237.1 | 18.1 | 1.8 | 0.0 | **257.0** | -0.7 | -0.1 | -0.9 | 0.0 | **-1.7** | **255.3** |
| **Business customers** | **2,923.2** | **918.1** | **112.2** | **30.3** | **3,983.8** | **-5.6** | **-17.6** | **-36.9** | **-0.8** | **-60.9** | **3,922.9** |
| Financial institutions | 191.0 | 8.9 | 0.3 | 0.0 | **200.2** | -0.2 | -0.2 | -0.3 | 0.0 | **-0.7** | **199.5** |
| Public sector | 184.4 | 0.0 | 0.1 | 0.0 | **184.5** | -0.1 | 0.0 | -0.1 | 0.0 | **-0.2** | **184.3** |
| **Total** | **8,452.0** | **1,377.4** | **180.5** | **38.7** | **10,048.6** | **-16.3** | **-28.6** | **-55.5** | **-1.5** | **-101.9** | **9,946.7** |
| | | | | | | | | | | | |
| **30 June 2022** | | | | | | | | | | | |
| Mortgage loans | 4,703.0 | 210.8 | 41.2 | 5.8 | **4,960.8** | -8.9 | -7.4 | -10.2 | -0.2 | **-26.7** | **4,934.1** |
| Leasing | 437.8 | 28.9 | 1.9 | 0.0 | **468.6** | -1.3 | -0.8 | -0.5 | 0.0 | **-2.6** | **466.0** |
| Consumer loans, cards | 110.2 | 5.2 | 0.6 | 0.0 | **116.0** | -0.5 | -0.6 | -0.2 | 0.0 | **-1.3** | **114.7** |
| Other loans | 217.9 | 55.2 | 12.2 | 1.9 | **287.2** | -1.4 | -1.5 | -3.1 | -0.3 | **-6.3** | **280.9** |
| **Individual customers** | **5,468.9** | **300.1** | **55.9** | **7.7** | **5,832.6** | **-12.1** | **-10.3** | **-14.0** | **-0.5** | **-36.9** | **5,795.7** |
| Loans | 2,030.8 | 978.0 | 85.5 | 10.7 | **3,105.0** | -7.0 | -14.2 | -33.3 | -0.3 | **-54.8** | **3,050.2** |
| Leasing | 737.7 | 206.3 | 11.4 | 0.8 | **956.2** | -3.2 | -4.3 | -3.7 | -0.2 | **-11.4** | **944.8** |
| Factoring | 245.5 | 47.2 | 18.3 | 0.0 | **311.0** | -0.4 | -0.2 | -3.6 | 0.0 | **-4.2** | **306.8** |
| **Business customers** | **3,014.0** | **1,231.5** | **115.2** | **11.5** | **4,372.2** | **-10.6** | **-18.7** | **-40.6** | **-0.5** | **-70.4** | **4,301.8** |
| Financial institutions | 170.1 | 58.3 | 0.3 | 0.0 | **228.7** | -0.4 | -0.2 | -0.3 | 0.0 | **-0.9** | **227.8** |
| Public sector | 177.7 | 0.0 | 0.1 | 0.0 | **177.8** | -0.2 | 0.0 | -0.1 | 0.0 | **-0.3** | **177.5** |
| **Total** | **8,830.7** | **1,589.9** | **171.5** | **19.2** | **10,611.3** | **-23.3** | **-29.2** | **-55.0** | **-1.0** | **-108.5** | **10,502.8** |
| | | | | | | | | | | | |
| **30 September 2022** | | | | | | | | | | | |
| Mortgage loans | 4,791.8 | 208.1 | 33.5 | 5.3 | **5,038.7** | -8.7 | -7.2 | -7.4 | -0.2 | **-23.5** | **5,015.2** |
| Leasing | 454.0 | 25.7 | 1.8 | 0.0 | **481.5** | -1.5 | -0.7 | -0.4 | 0.0 | **-2.6** | **478.9** |
| Consumer loans, cards | 115.7 | 5.4 | 0.6 | 0.0 | **121.7** | -0.6 | -0.6 | -0.2 | 0.0 | **-1.4** | **120.3** |
| Other loans | 231.7 | 50.9 | 12.1 | 1.5 | **296.2** | -1.3 | -1.1 | -3.2 | -0.2 | **-5.8** | **290.4** |
| **Individual customers** | **5,593.2** | **290.1** | **48.0** | **6.8** | **5,938.1** | **-12.1** | **-9.6** | **-11.2** | **-0.4** | **-33.3** | **5,904.8** |
| Loans | 2,194.8 | 1,077.0 | 74.9 | 10.6 | **3,357.3** | -7.7 | -15.0 | -27.4 | -0.3 | **-50.4** | **3,306.9** |
| Leasing | 801.2 | 179.4 | 9.2 | 0.6 | **990.4** | -3.6 | -4.0 | -3.6 | -0.1 | **-11.3** | **979.1** |
| Factoring | 250.5 | 44.3 | 5.0 | 0.0 | **299.8** | -0.4 | -0.2 | -3.9 | 0.0 | **-4.5** | **295.3** |
| **Business customers** | **3,246.5** | **1,300.7** | **89.1** | **11.2** | **4,647.5** | **-11.7** | **-19.2** | **-34.9** | **-0.4** | **-66.2** | **4,581.3** |
| Financial institutions | 174.7 | 57.9 | 0.3 | 0.0 | **232.9** | -0.3 | -0.2 | -0.3 | 0.0 | **-0.8** | **232.1** |
| Public sector | 171.2 | 0.0 | 0.1 | 0.0 | **171.3** | -0.2 | 0.0 | -0.1 | 0.0 | **-0.3** | **171.0** |
| **Total** | **9,185.6** | **1,648.7** | **137.5** | **18.0** | **10,989.8** | **-24.3** | **-29.0** | **-46.5** | **-0.8** | **-100.6** | **10,889.2** |

| Loans and allowances | Gross carrying amount | | | | | Credit loss allowances | | | | | Net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Business customers, €m** | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** | **amount** |
| **31 December 2021** | | | | | | | | | | | |
| Real estate activities | 805.3 | 312.0 | 35.1 | 26.6 | **1,179.0** | −1.2 | −7.2 | −2.3 | −0.5 | **−11.2** | **1,167.8** |
| Wholesale and retail trade | 589.5 | 170.3 | 6.3 | 0.1 | **766.2** | −1.2 | −2.1 | −2.0 | −0.1 | **−5.4** | **760.8** |
| Manufacturing | 380.1 | 120.0 | 8.7 | 0.1 | **508.9** | −0.7 | −1.8 | −3.0 | 0.0 | **−5.5** | **503.4** |
| Transport and storage | 248.5 | 48.4 | 8.6 | 0.2 | **305.7** | −0.6 | −1.0 | −4.1 | −0.2 | **−5.9** | **299.8** |
| Agriculture, forestry, and fishing | 243.1 | 51.4 | 5.5 | 0.1 | **300.1** | −0.7 | −0.9 | −1.8 | 0.0 | **−3.4** | **296.7** |
| Construction | 173.6 | 31.7 | 15.5 | 1.6 | **222.4** | −0.5 | −0.4 | −7.2 | 0.0 | **−8.1** | **214.3** |
| Administrative & support services | 111.5 | 73.8 | 10.2 | 0.0 | **195.5** | −0.2 | −2.7 | −5.1 | 0.0 | **−8.0** | **187.5** |
| Professional, scientific, technical | 107.0 | 18.0 | 0.4 | 0.0 | **125.4** | −0.1 | −0.2 | −0.2 | 0.0 | **−0.5** | **124.9** |
| Electricity, gas, steam, & aircon | 69.5 | 8.1 | 2.8 | 0.0 | **80.4** | −0.1 | −0.2 | −1.7 | 0.0 | **−2.0** | **78.4** |
| Other sectors | 195.1 | 84.4 | 19.1 | 1.6 | **300.2** | −0.3 | −1.1 | −9.5 | 0.0 | **−10.9** | **289.3** |
| **Total** | **2,923.2** | **918.1** | **112.2** | **30.3** | **3,983.8** | **−5.6** | **−17.6** | **−36.9** | **−0.8** | **−60.9** | **3,922.9** |
| **30 June 2022** | | | | | | | | | | | |
| Real estate activities | 891.1 | 305.2 | 14.2 | 8.0 | **1,218.5** | −2.8 | −5.1 | −1.7 | −0.2 | **−9.8** | **1,208.7** |
| Wholesale and retail trade | 427.7 | 181.5 | 36.3 | 0.1 | **645.6** | −1.4 | −1.4 | −6.3 | −0.1 | **−9.2** | **636.4** |
| Manufacturing | 452.1 | 215.2 | 9.4 | 0.1 | **676.8** | −1.4 | −2.2 | −3.2 | 0.0 | **−6.8** | **670.0** |
| Transport and storage | 200.6 | 112.8 | 6.6 | 0.2 | **320.2** | −0.9 | −1.9 | −3.7 | −0.2 | **−6.7** | **313.5** |
| Agriculture, forestry, and fishing | 258.1 | 66.2 | 3.9 | 0.0 | **328.2** | −1.0 | −1.3 | −1.6 | 0.0 | **−3.9** | **324.3** |
| Construction | 197.9 | 65.4 | 15.3 | 1.5 | **280.1** | −0.8 | −1.2 | −7.9 | 0.0 | **−9.9** | **270.2** |
| Administrative & support services | 156.0 | 82.4 | 9.2 | 0.0 | **247.6** | −0.6 | −1.9 | −5.0 | 0.0 | **−7.5** | **240.1** |
| Professional, scientific, technical | 112.7 | 55.9 | 0.2 | 0.0 | **168.8** | −0.6 | −1.1 | −0.1 | 0.0 | **−1.8** | **167.0** |
| Electricity, gas, steam, & aircon | 57.7 | 7.2 | 1.8 | 0.0 | **66.7** | −0.1 | −0.1 | −1.6 | 0.0 | **−1.8** | **64.9** |
| Other sectors | 260.1 | 139.7 | 18.3 | 1.6 | **419.7** | −1.0 | −2.5 | −9.5 | 0.0 | **−13.0** | **406.7** |
| **Total** | **3,014.0** | **1,231.5** | **115.2** | **11.5** | **4,372.2** | **−10.6** | **−18.7** | **−40.6** | **−0.5** | **−70.4** | **4,301.8** |
| **30 September 2022** | | | | | | | | | | | |
| Real estate activities | 838.8 | 360.4 | 13.1 | 7.8 | **1,220.1** | −2.8 | −5.8 | −1.5 | −0.1 | **−10.2** | **1,209.9** |
| Wholesale and retail trade | 566.9 | 214.4 | 21.8 | 0.1 | **803.2** | −1.8 | −1.4 | −6.5 | −0.1 | **−9.8** | **793.4** |
| Manufacturing | 494.0 | 219.8 | 7.7 | 0.1 | **721.6** | −1.3 | −2.9 | −2.6 | −0.1 | **−6.9** | **714.7** |
| Transport and storage | 209.4 | 102.5 | 6.0 | 0.1 | **318.0** | −0.9 | −1.8 | −3.5 | −0.1 | **−6.3** | **311.7** |
| Agriculture, forestry, and fishing | 285.2 | 61.5 | 3.7 | 0.0 | **350.4** | −1.2 | −1.2 | −1.6 | 0.0 | **−4.0** | **346.4** |
| Construction | 197.9 | 59.1 | 13.5 | 1.5 | **272.0** | −0.8 | −0.9 | −8.9 | 0.0 | **−10.6** | **261.4** |
| Administrative & support services | 178.8 | 69.4 | 9.0 | 0.0 | **257.2** | −0.8 | −1.6 | −4.9 | 0.0 | **−7.3** | **249.9** |
| Professional, scientific, technical | 115.2 | 73.2 | 1.1 | 0.0 | **189.5** | −0.7 | −1.0 | −0.5 | 0.0 | **−2.2** | **187.3** |
| Electricity, gas, steam, & aircon | 72.9 | 2.3 | 1.8 | 0.0 | **77.0** | −0.2 | 0.0 | −1.5 | 0.0 | **−1.7** | **75.3** |
| Other sectors | 287.4 | 138.1 | 11.4 | 1.6 | **438.5** | −1.2 | −2.6 | −3.4 | 0.0 | **−7.2** | **431.3** |
| **Total** | **3,246.5** | **1,300.7** | **89.1** | **11.2** | **4,647.5** | **−11.7** | **−19.2** | **−34.9** | **−0.4** | **−66.2** | **4,581.3** |

| Loans to customers by risk category and stage, €m | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **31 December 2021** | | | | | |
| Low risk | 5,949.6 | 307.6 | 0.0 | 3.3 | **6,260.5** |
| Moderate risk | 2,342.9 | 745.5 | 0.0 | 6.9 | **3,095.3** |
| High risk | 159.5 | 324.3 | 0.0 | 23.4 | **507.2** |
| 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** |
| Credit loss allowances | -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** |
| | | | | | |
| **30 June 2022** | | | | | |
| Low risk | 6,559.2 | 379.1 | 0.0 | 3.0 | **6,941.3** |
| Moderate risk | 2,131.6 | 841.8 | 0.0 | 7.0 | **2,980.4** |
| High risk | 139.9 | 369.0 | 0.0 | 6.7 | **515.6** |
| Default | 0.0 | 0.0 | 171.5 | 2.5 | **174.0** |
| **Gross carrying amount** | **8,830.7** | **1,589.9** | **171.5** | **19.2** | **10,611.3** |
| Credit loss allowances | -23.3 | -29.2 | -55.0 | -1.0 | **-108.5** |
| **Net carrying amount** | **8,807.4** | **1,560.7** | **116.5** | **18.2** | **10,502.8** |
| | | | | | |
| **30 September 2022** | | | | | |
| Low risk | 6,860.2 | 380.5 | 0.0 | 2.8 | **7,243.5** |
| Moderate risk | 2,204.4 | 939.1 | 0.0 | 8.1 | **3,151.6** |
| High risk | 121.0 | 329.1 | 0.0 | 3.5 | **453.6** |
| Default | 0.0 | 0.0 | 137.5 | 3.6 | **141.1** |
| **Gross carrying amount** | **9,185.6** | **1,648.7** | **137.5** | **18.0** | **10,989.8** |
| Credit loss allowances | -24.3 | -29.0 | -46.5 | -0.8 | **-100.6** |
| **Net carrying amount** | **9,161.3** | **1,619.7** | **91.0** | **17.2** | **10,889.2** |

**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.

| Loans and allowances movement, €m | Jan-Sep 21 | | | | | Jan-Sep 22 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| **Gross carrying amount** | | | | | | | | | | |
| Opening balance | 7,958.3 | 1,266.2 | 288.2 | 55.0 | **9,567.7** | 8,452.0 | 1,377.4 | 180.5 | 38.7 | **10,048.6** |
| Transfers between Stages | 200.6 | -220.7 | 20.1 | 0.0 | **0.0** | -562.5 | 492.0 | 70.5 | 0.0 | **0.0** |
| Originated or purchased | 1,905.7 | 0.0 | 0.0 | 6.7 | **1,912.4** | 1,910.3 | 0.0 | 0.0 | 0.3 | **1,910.6** |
| Derecognised inc. write offs | -1,300.5 | -133.4 | -90.0 | -16.5 | **-1,540.4** | -614.2 | -220.7 | -113.5 | -21.0 | **-969.4** |
| **Closing balance[1]** | **8,764.1** | **912.1** | **218.3** | **45.2** | **9,939.7** | **9,185.6** | **1,648.7** | **137.5** | **18.0** | **10,989.8** |
| **Credit loss allowances** | | | | | | | | | | |
| Opening balance | -21.3 | -23.1 | -89.1 | -3.4 | **-136.9** | -16.3 | -28.6 | -55.5 | -1.5 | **-101.9** |
| Transfer to Stage 1 | -15.8 | 12.9 | 2.9 | 0.0 | **0.0** | -9.9 | 9.8 | 0.1 | 0.0 | **0.0** |
| Transfer to Stage 2 | 2.1 | -13.1 | 11.0 | 0.0 | **0.0** | 3.8 | -8.3 | 4.5 | 0.0 | **0.0** |
| Transfer to Stage 3 | 1.9 | 1.9 | -3.8 | 0.0 | **0.0** | 2.2 | 1.9 | -4.1 | 0.0 | **0.0** |
| Originated or purchased | -13.0 | 0.0 | 0.0 | 0.0 | **-13.0** | -10.8 | 0.0 | 0.0 | 0.0 | **-10.8** |
| Derecognised and repaid | 3.9 | 5.4 | 47.6 | 0.2 | **57.1** | 0.6 | 2.8 | 2.2 | 0.0 | **5.6** |
| Change in ECL assumptions, Stages & other | 14.6 | -4.4 | -38.5 | -0.5 | **-28.8** | 6.1 | -6.6 | -1.7 | 0.6 | **-1.6** |
| Management overlay | 2.4 | -3.2 | 0.0 | 0.0 | **-0.8** | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| **Total** | -3.9 | -0.5 | 19.2 | -0.3 | **14.5** | -8.0 | -0.4 | 1.0 | 0.6 | **-6.8** |
| Write-offs | 0.0 | 0.0 | 14.0 | 0.2 | **14.2** | 0.0 | 0.0 | 8.0 | 0.1 | **8.1** |
| **Closing balance[2]** | **-25.2** | **-23.6** | **-55.9** | **-3.5** | **-108.2** | **-24.3** | **-29.0** | **-46.5** | **-0.8** | **-100.6** |

1. Of the gross carrying amount of POCI loans as at 30 September 2021, 33.4 million EUR are in non-credit-impaired and 11.8 million EUR in credit-impaired, and as at 30 September 2022 14.4 million EUR are in non-credit-impaired and 3.6 million EUR in credit-impaired.
2. Of the total POCI loans credit loss allowances as at 30 September 2021, -0.3 million EUR is in non-credit-impaired, and -3.2 million EUR is in credit-impaired, and as at 30 September 2022 -0.2 million EUR is in non-credit-impaired and -0.6 million EUR in credit-impaired.

## 9. INTANGIBLE ASSETS

| €m | Goodwill | Other | Total |
|---|---|---|---|
| **Accumulated cost** | | | |
| Opening balance, at 31 December 2021 | 0.4 | 39.0 | 39.4 |
| Additions[1] | 48.4 | 4.8 | 53.2 |
| Disposals | 0.0 | 0.0 | 0.0 |
| **Closing balance, at 30 September 2022** | **48.8** | **43.8** | **92.6** |
| | | | |
| **Accumulated amortisation and impairment** | | | |
| Opening balance, at 31 December 2021 | 0.0 | –29.4 | –29.4 |
| Amortisation | 0.0 | –1.9 | –1.9 |
| Disposals | 0.0 | 0.0 | 0.0 |
| **Closing balance, at 30 September 2022** | **0.0** | **–31.3** | **–31.3** |
| | | | |
| **Carrying amount** | | | |
| **At 31 December 2021** | **0.4** | **9.6** | **10.0** |
| **At 30 September 2022** | **48.8** | **12.5** | **61.3** |

1. The goodwill which is recognized as part of business combination is attributable mainly to the business potential of Maksekeskus AS including expected synergies from consolidation into Luminor. None of the goodwill recognised is deductible for tax purposes.

## 10. DEPOSITS FROM CUSTOMERS

| €m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| **By deposit type** | | | |
| Term deposits | 888.5 | 951.3 | 1,033.5 |
| Demand deposits | 9,416.9 | 9,664.6 | 9,519.4 |
| **Total** | **10,305.4** | **10,615.9** | **10,552.9** |
| | | | |
| **By customer type** | | | |
| Individual customers | 4,788.6 | 4,599.1 | 4,611.1 |
| Business customers | 4,044.8 | 3,812.2 | 3,639.3 |
| Financial institutions | 246.9 | 218.2 | 301.2 |
| Public sector | 1,225.1 | 1,986.4 | 2,001.3 |
| **Total** | **10,305.4** | **10,615.9** | **10,552.9** |
| | | | |
| **By country of registration** | | | |
| Estonia, Latvia, and Lithuania | 10,075.9 | 10,400.9 | 10,387.2 |
| Other EU countries | 80.0 | 128.4 | 114.8 |
| Other countries | 149.5 | 86.6 | 50.9 |
| **Total** | **10,305.4** | **10,615.9** | **10,552.9** |

## 11. DEBT SECURITIES ISSUED

| Initial notional amount, €m | Coupon | | First call date | Maturity date | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|---|---|---|---|
| 500.0 | 0.01% | Hedge accounted | | Mar 2025 | 494.6 | 473.7 | 460.4 |
| 500.0 | 1.688% | Hedge accounted | | Jun 2027 | 0.0 | 490.9 | 466.3 |
| **Covered bonds** | | | | | **494.6** | **964.6** | **926.7** |
| 300.0[1] | 1.175% | | | Oct 2022 | 71.8 | 72.3 | 69.4 |
| 300.0[2] | 5% | Hedge accounted | Aug 2023 | Aug 2024 | 0.0 | 0.0 | 296.8 |
| 300.0 | 0.792% | Hedge accounted | Dec 2023 | Dec 2024 | 298.3 | 294.0 | 289.6 |
| 300.0 | 0.539% | | Sep 2025 | Sep 2026 | 298.9 | 299.9 | 298.8 |
| **Senior bonds** | | | | | **669.0** | **666.2** | **954.6** |
| **Total** | | | | | **1,163.6** | **1,630.8** | **1,881.3** |

1. 228.5 million EUR repurchased in September 2021
2. New issue, settled 29 August 2022

## 12. OTHER LIABILITIES

| €m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Payments in transit | 27.8 | 141.1 | 52.4 |
| Other | 1.2 | 0.7 | 2.4 |
| **Financial liabilities** | **29.0** | **141.8** | **54.8** |
| Accrued liabilities | 46.9 | 67.4 | 47.2 |
| Received prepayments | 3.6 | 2.8 | 5.6 |
| Other liabilities | 9.3 | 9.4 | 9.1 |
| Other tax liabilities | 1.4 | 1.5 | 1.6 |
| VAT liabilities | 1.7 | 0.7 | 2.1 |
| **Non-financial liabilities** | **62.9** | **81.8** | **65.6** |
| **Total** | **91.9** | **223.6** | **120.4** |

## 13. DERIVATIVES

| Fair value<br>€m | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Interest rate-related | 7.6 | 31.7 | 47.3 |
| Currency-related | 22.8 | 37.1 | 52.5 |
| Commodity-related | 45.1 | 68.4 | 47.6 |
| **Total assets** | **75.5** | **137.2** | **147.4** |
| Interest rate-related | 10.0 | 55.3 | 110.6 |
| Currency-related | 15.5 | 21.8 | 34.4 |
| Commodity-related | 44.8 | 68.1 | 46.0 |
| **Total liabilities** | **70.3** | **145.2** | **191.0** |

| Notional amounts<br>€m | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Interest rate-related | 2,023.7 | 2,621.3 | 2,881.1 |
| Currency-related | 1,351.3 | 1,373.7 | 1,239.4 |
| Commodity-related | 170.1 | 89.1 | 256.9 |
| **Total assets** | **3,545.1** | **4,084.1** | **4,377.4** |

### Hedge accounting

Luminor applies hedge accounting to fair value hedges of certain debt securities issued. 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 December 2021 and 30 June and 30 September 2022. The carrying amount of the derivatives are included in the line item 'Derivatives' in the Balance Sheet, on either the Assets or Liabilities side depending on the fair value of the instruments.

| Hedging instruments (interest rate swaps)<br>€m | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Notional amount | 800.0 | 1,300.0 | 1,600.0 |
| Carrying amount[1] | -3.5 | -36.5 | -81.7 |

1. The carrying amount of interest rate swaps fell in the second and third quarters due to the increase in underlying interest rate curves.

Loans and deposits from credit institutions included, at 30 September 2022, cash balances of 129.4 million EUR received as collateral under derivative contracts. The cash balances have increased as compared to 31 December 2021 (62.0 million EUR) and 30 June 2022 (104.6 million EUR) as the value of the derivative contracts changed.

## 14. CONTINGENT LIABILITIES

| €m | 31 Dec<br>2021 | 30 Jun<br>2022 | 30 Sep<br>2022 |
|---|---|---|---|
| Undrawn loan commitments given | 1,230.1 | 1,322.3 | 1,353.4 |
| Financial guarantees given | 498.9 | 530.4 | 547.2 |
| Performance guarantees | 190.5 | 198.0 | 229.0 |
| **Total** | **1,919.5** | **2,050.7** | **2,129.6** |

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

## 15. 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** | **Accounting method** | **Fair Value** | | | | **Carrying amount** |
|---|---|---|---|---|---|---|
| **€m** | | **Level 1** | **Level 2** | **Level 3** | **Total** | |
| Cash on hand | Amortized cost | 136.1 | 0.0 | 0.0 | **136.1** | **136.1** |
| Balances with central banks | Amortized cost | 0.0 | 2,358.1 | 0.0 | **2,358.1** | **2,358.1** |
| Due from other credit institutions | Amortized cost | 0.0 | 64.4 | 0.0 | **64.4** | **64.4** |
| Loans to customers | Amortized cost | 0.0 | 0.0 | 9,740.6 | **9,740.6** | **9,946.7** |
| Debt securities | Amortized cost | 314.4 | 6.9 | 0.0 | **321.3** | **325.5** |
| Debt securities | FVTPL (mandatorily) | 2.3 | 6.3 | 6.9 | **15.5** | **15.5** |
| Debt securities | FVTPL (designated) | 265.8 | 0.0 | 0.0 | **265.8** | **265.8** |
| Debt securities | FVOCI | 0.0 | 1.4 | 0.0 | **1.4** | **1.4** |
| Derivatives | FVTPL (mandatorily) | 0.0 | 74.9 | 0.6 | **75.5** | **75.5** |
| Equity instruments | FVTPL (mandatorily) | 0.0 | 2.7 | 0.0 | **2.7** | **2.7** |
| Equity instruments | FVOCI | 0.0 | 0.0 | 0.5 | **0.5** | **0.5** |
| Other financial assets | Amortized cost | 0.0 | 15.3 | 0.0 | **15.3** | **15.3** |
| **Total assets** | | **718.6** | **2,530.0** | **9,748.6** | **12,997.2** | **13,207.5** |
| Loans and deposits from credit institutions | Amortized cost | 0.0 | 83.8 | 0.0 | **83.8** | **83.8** |
| Deposits from customers | Amortized cost | 0.0 | 9,416.9 | 888.5 | **10,305.4** | **10,305.4** |
| Debt securities issued | Amortized cost | 0.0 | 1,106.4 | 0.0 | **1,106.4** | **1,163.6** |
| Derivatives | FVTPL (mandatorily) | 0.0 | 70.3 | 0.0 | **70.3** | **70.3** |
| Other financial liabilities | Amortized cost | 0.0 | 29.0 | 0.0 | **29.0** | **29.0** |
| **Total liabilities** | | **0.0** | **10,706.4** | **888.5** | **11,594.9** | **11,652.1** |

| 30 June 2022 | Accounting method | Fair Value | | | | Carrying amount |
|---|---|---|---|---|---|---|
| €m | | Level 1 | Level 2 | Level 3 | Total | |
| Cash on hand | Amortized cost | 125.3 | 0.0 | 0.0 | **125.3** | **125.3** |
| Balances with central banks | Amortized cost | 0.0 | 2,589.3 | 0.0 | **2,589.3** | **2,589.3** |
| Due from other credit institutions | Amortized cost | 0.0 | 56.3 | 0.0 | **56.3** | **56.3** |
| Loans to customers | Amortized cost | 0.0 | 0.0 | 10,698.8 | **10,698.8** | **10,502.8** |
| Debt securities | Amortized cost | 598.8 | 6.8 | 0.0 | **605.6** | **673.2** |
| Debt securities | FVTPL (mandatorily) | 8.2 | 0.5 | 7.2 | **15.9** | **15.4** |
| Debt securities | FVTPL (designated) | 208.2 | 0.0 | 0.0 | **208.2** | **208.2** |
| Debt securities | FVOCI | 0.0 | 2.8 | 0.0 | **2.8** | **2.8** |
| Derivatives | FVTPL (mandatorily) | 0.0 | 133.5 | 3.7 | **137.2** | **137.2** |
| Equity instruments | FVTPL (mandatorily) | 0.0 | 2.2 | 0.0 | **2.2** | **2.2** |
| Equity instruments | FVOCI | 0.0 | 0.0 | 0.5 | **0.5** | **0.5** |
| Other financial assets | Amortized cost | 0.0 | 14.8 | 0.0 | **14.8** | **14.8** |
| **Total assets** | | **940.5** | **2,806.2** | **10,710.2** | **14,456.9** | **14,328.0** |
| Loans and deposits from credit institutions | Amortized cost | 0.0 | 168.5 | 0.0 | **168.5** | **168.5** |
| Deposits from customers | Amortized cost | 0.0 | 9,664.6 | 951.3 | **10,615.9** | **10,615.9** |
| Debt securities issued | Amortized cost | 0.0 | 1,607.2 | 0.0 | **1,607.2** | **1,630.8** |
| Derivatives | FVTPL (mandatorily) | 0.0 | 145.2 | 0.0 | **145.2** | **145.2** |
| Other financial liabilities | Amortized cost | 0.0 | 141.8 | 0.0 | **141.8** | **141.8** |
| **Total liabilities** | | **0.0** | **11,727.3** | **951.3** | **12,678.6** | **12,702.2** |

| 30 September 2022 | Accounting method | Fair Value | | | | Carrying amount |
|---|---|---|---|---|---|---|
| €m | | Level 1 | Level 2 | Level 3 | Total | |
| Cash on hand | Amortized cost | 122.3 | 0.0 | 0.0 | **122.3** | **122.3** |
| Balances with central banks | Amortized cost | 0.0 | 2,193.5 | 0.0 | **2,193.5** | **2,193.5** |
| Due from other credit institutions | Amortized cost | 0.0 | 69.9 | 0.0 | **69.9** | **69.9** |
| Loans to customers | Amortized cost | 0.0 | 0.0 | 11,048.5 | **11,048.5** | **10,889.2** |
| Debt securities | Amortized cost | 812.2 | 6.6 | 0.0 | **818.8** | **862.4** |
| Debt securities | FVTPL (mandatorily) | 29.2 | 2.5 | 3.5 | **35.2** | **35.2** |
| Debt securities | FVTPL (designated) | 200.5 | 0.0 | 0.0 | **200.5** | **200.5** |
| Debt securities | FVOCI | 0.0 | 2.6 | 0.0 | **2.6** | **2.6** |
| Derivatives | FVTPL (mandatorily) | 0.0 | 144.4 | 3.0 | **147.4** | **147.4** |
| Equity instruments | FVTPL (mandatorily) | 0.0 | 2.0 | 0.0 | **2.0** | **2.0** |
| Equity instruments | FVOCI | 0.0 | 0.0 | 0.5 | **0.5** | **0.5** |
| Other financial assets | Amortized cost | 0.0 | 17.5 | 0.0 | **17.5** | **17.5** |
| **Total assets** | | **1,164.2** | **2,439.0** | **11,055.5** | **14,658.7** | **14,543.0** |
| Loans and deposits from credit institutions | Amortized cost | 0.0 | 356.2 | 0.0 | **356.2** | **356.2** |
| Deposits from customers | Amortized cost | 0.0 | 9,519.4 | 1,033.5 | **10,552.9** | **10,552.9** |
| Debt securities issued | Amortized cost | 0.0 | 1,843.8 | 0.0 | **1,843.8** | **1,881.3** |
| Derivatives | FVTPL (mandatorily) | 0.0 | 191.0 | 0.0 | **191.0** | **191.0** |
| Other financial liabilities | Amortized cost | 0.0 | 54.8 | 0.0 | **54.8** | **54.8** |
| **Total liabilities** | | **0.0** | **11,965.2** | **1,033.5** | **12,998.7** | **13,036.2** |

| Change in debt securities in Level 3 | Jan-Sep | | FY |
|---|---|---|---|
| €m | 2021 | 2022 | 2021 |
| Opening balance | 6.2 | 6.8 | 6.2 |
| Sold | 0.0 | -4.0 | 0.0 |
| Unrealised gains for assets held at the end of the reporting period | 0.9 | 0.7 | 0.7 |
| **Closing balance** | **7.1** | **3.5** | **6.9** |

## 16. RELATED PARTIES

A number of banking transactions are entered into with related parties in the normal course of business as shown below. Nordea sold their remaining shareholding in Luminor Holding on 1 September and are no longer treated as a related party. The income statement and balance sheet entries, shown below, include Nordea up to the date of the share sale.

### Entities with significant influence

| €m | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 |
| Interest income calculated using the effective interest method | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Interest and similar expenses[1] | -0.3 | -8.2 | -4.7 | -50.4 | -7.9 |
| Fee and commission income | -0.1 | 0.0 | -0.2 | -0.2 | -0.2 |
| Net other financial income | 7.9 | 31.5 | 22.8 | 83.5 | 27.0 |
| Other administrative expenses | -0.1 | 0.0 | -4.0 | 0.0 | -4.0 |
| Other income and expenses | 0.0 | 0.0 | 0.3 | -0.1 | 0.4 |
| **Total** | **7.4** | **23.3** | **14.2** | **32.9** | **15.3** |

1. Interest expense includes reduction in value of interest rate swaps used for hedge accounting purposes.

| €m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Due from other credit institutions | 11.5 | 9.4 | 2.6 |
| Derivatives | 54.8 | 119.6 | 64.5 |
| Other assets | 0.3 | 0.0 | 0.0 |
| **Total assets** | **66.6** | **129.0** | **67.1** |
| Due to credit institutions | 59.2 | 109.6 | 76.3 |
| Deposits from customers | 3.9 | 3.8 | 3.1 |
| Derivatives | 21.2 | 39.6 | 13.5 |
| **Total liabilities** | **84.3** | **153.0** | **92.9** |

### Key management personnel

| €m | Q3 | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 | 2021 |
| Fixed and variable remuneration | -0.4 | -0.3 | -1.4 | -1.3 | -2.7 |

| €m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Loans to customers | 0.1 | 0.1 | 0.1 |
| Deposits from customers | 0.9 | 1.7 | 1.6 |

### Associated companies

| ALD Automotive (3 entities)<br>€m | 31 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Loans to Customers | 5.9 | 4.1 | 3.5 |
| Deposits from customers | 0.5 | 0.3 | 0.1 |

## 17. SEGMENT REPORTING

| €m | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail | Corporate | Other | Total | Retail | Corporate | Other | Total |
| **Third quarter** | | | | | | | | |
| Net interest and similar income | 27.9 | 32.5 | -2.5 | **57.9** | 32.9 | 44.1 | -3.7 | **73.3** |
| Net fee and commission income | 12.2 | 5.8 | 0.3 | **18.3** | 13.2 | 6.6 | 0.9 | **20.7** |
| Net financial income | 2.0 | 2.2 | 0.7 | **4.9** | 1.9 | 3.9 | 2.8 | **8.6** |
| Other income | 0.0 | 0.3 | -2.5 | **-2.2** | 0.0 | 0.6 | -3.0 | **-2.4** |
| **Total operating income** | **42.1** | **40.8** | **-4.0** | **78.9** | **48.0** | **55.2** | **-3.0** | **100.2** |
| Total operating expenses | -37.9 | -20.1 | -0.7 | **-58.7** | -35.5 | -20.3 | -2.4 | **-58.2** |
| Credit loss allowance | -4.4 | 12.6 | 0.5 | **8.7** | 2.0 | 0.6 | 0.0 | **2.6** |
| **Profit (-loss) before tax** | **-0.2** | **33.3** | **-4.2** | **28.9** | **14.5** | **35.5** | **-5.4** | **44.6** |
| | | | | | | | | |
| **January-September** | | | | | | | | |
| Net interest and similar income | 82.0 | 93.1 | -0.3 | **174.8** | 89.2 | 121.8 | -8.6 | **202.4** |
| Net fee and commission income | 37.2 | 17.2 | 0.7 | **55.1** | 39.0 | 19.7 | 0.9 | **59.6** |
| Net financial income | 5.4 | 6.5 | 2.9 | **14.8** | 5.3 | 11.9 | -1.5 | **15.7** |
| Other income | 0.3 | 1.7 | -7.6 | **-5.6** | 0.2 | 1.6 | -8.6 | **-6.8** |
| **Total operating income** | **124.9** | **118.5** | **-4.3** | **239.1** | **133.7** | **155.0** | **-17.8** | **270.9** |
| Total operating expenses | -129.2 | -66.1 | -2.1 | **-197.4** | -103.7 | -58.1 | -6.4 | **-168.2** |
| Credit loss allowance | 2.8 | 13.7 | 0.4 | **16.9** | 6.5 | -13.9 | 0.5 | **-6.9** |
| **Profit (-loss) before tax** | **-1.5** | **66.1** | **-6.0** | **58.6** | **36.5** | **83.0** | **-23.7** | **95.8** |
| | | | | | | | | |
| **Full year** | | | | | | | | |
| 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 financial income | 7.2 | 9.7 | 4.0 | **20.9** | | | | |
| Other income | 0.3 | 2.1 | -10.3 | **-7.9** | | | | |
| **Total operating income** | **170.5** | **162.9** | **-2.7** | **330.7** | | | | |
| Total operating expenses | -170.3 | -89.9 | -2.6 | **-262.8** | | | | |
| Credit loss allowance | 11.4 | 2.5 | 0.6 | **14.5** | | | | |
| **Profit (-loss) before tax** | **11.6** | **75.5** | **-4.7** | **82.4** | | | | |

| Fee and commission income by segment | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| €m | Retail | Corporate | Other | Total | Retail | Corporate | Other | Total |
| **Third quarter** | | | | | | | | |
| Cards | 8.1 | 1.5 | 0.0 | **9.6** | 8.6 | 1.6 | 0.0 | **10.2** |
| Credit products | 0.0 | 1.1 | 0.0 | **1.1** | 0.1 | 1.7 | 0.0 | **1.8** |
| Daily banking plans | 3.8 | 0.0 | 0.0 | **3.8** | 4.4 | 0.1 | 0.0 | **4.5** |
| Deposit products and cash management | 2.0 | 1.8 | 0.4 | **4.2** | 2.3 | 1.8 | 0.1 | **4.2** |
| Insurance | 0.8 | 0.2 | 0.0 | **1.0** | 0.8 | 0.1 | 0.0 | **0.9** |
| Investments | 0.2 | 0.1 | 0.4 | **0.7** | 0.4 | 0.5 | 0.4 | **1.3** |
| Pensions | 2.1 | 0.0 | 0.0 | **2.1** | 2.2 | 0.0 | 0.0 | **2.2** |
| Trade finance | 0.0 | 2.2 | 0.0 | **2.2** | 0.0 | 2.5 | 0.0 | **2.5** |
| Other fee and commission income | 0.1 | 0.2 | 0.0 | **0.3** | 0.1 | 0.1 | 1.0 | **1.2** |
| **Total** | **17.1** | **7.1** | **0.8** | **25.0** | **18.9** | **8.4** | **1.5** | **28.8** |
| | | | | | | | | |
| **January–September** | | | | | | | | |
| Cards | 20.9 | 3.7 | 0.0 | **24.6** | 24.4 | 4.5 | 0.0 | **28.9** |
| Credit products | 0.4 | 3.1 | 0.1 | **3.6** | 0.3 | 5.2 | 0.0 | **5.5** |
| Daily banking plans | 11.4 | 0.2 | 0.0 | **11.6** | 12.6 | 0.2 | 0.1 | **12.9** |
| Deposit products and cash management | 6.3 | 5.5 | 0.8 | **12.6** | 6.5 | 5.7 | 0.2 | **12.4** |
| Insurance | 2.2 | 0.7 | 0.0 | **2.9** | 2.2 | 0.4 | 0.0 | **2.6** |
| Investments | 1.8 | 0.7 | 0.8 | **3.3** | 1.5 | 1.0 | 1.2 | **3.7** |
| Pensions | 6.9 | 0.1 | 0.1 | **7.1** | 6.6 | 0.2 | 0.0 | **6.8** |
| Trade finance | 0.1 | 6.3 | 0.0 | **6.4** | 0.1 | 7.2 | 0.0 | **7.3** |
| Other fee and commission income | 0.3 | 0.3 | 0.0 | **0.6** | 0.4 | 0.2 | 1.1 | **1.7** |
| **Total** | **50.3** | **20.6** | **1.8** | **72.7** | **54.6** | **24.6** | **2.6** | **81.8** |
| | | | | | | | | |
| **Full year** | | | | | | | | |
| 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 Dec 2021 | 30 Jun 2022 | 30 Sep 2022 |
|---|---|---|---|
| Retail | 5,389.8 | 5,511.0 | 5,610.4 |
| Corporate | 4,556.4 | 4,991.1 | 5,277.0 |
| Other | 0.5 | 0.7 | 1.8 |
| **Loans to customers** | **9,946.7** | **10,502.8** | **10,889.2** |
| Retail | 6,066.3 | 5,813.9 | 5,865.3 |
| Corporate | 4,196.8 | 4,736.3 | 4,592.9 |
| Other | 42.3 | 65.7 | 94.7 |
| **Deposits from customers** | **10,305.4** | **10,615.9** | **10,552.9** |

## 18. BUSINESS COMBINATION

On 1 July 2022, we completed the acquisition of Maksekeskus AS through the execution of a share purchase agreement, on which date control of Maksekeskus passed to Luminor. Total cash consideration transferred as part of the acquisition amounted to 53.4 million EUR. We incurred acquisition-related costs of 0.3 million EUR in legal fees and due diligence costs. These costs have been included in 'Other administrative expenses. The goodwill which is recognized as part of business combination is attributable mainly to the business potential of Maksekeskus AS including expected synergies from consolidation into Luminor. None of the goodwill recognised is deductible for tax purposes.

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition.

| €m | Fair value |
|---|---|
| Due from other credit institutions | 5.3 |
| Intangible assets | 1.3 |
| Other assets | 0.2 |
| Other liabilities | -1.7 |
| **Total identifiable net assets acquired** | **5.1** |

Goodwill arising from the acquisition has been recognised as follows:

| €m | Fair value |
|---|---|
| Consideration transferred | 53.4 |
| NCI, based on proportionate interest in the recognized net assets (1%) | 0.1 |
| Fair value of identified net assets | -5.1 |
| **Goodwill** | **48.4** |

# GLOSSARY

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

**Companies**
Business customers, Financial institutions, and Public sector

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

**FVTOCI**
Fair Value through Other Comprehensive Income

**FVTPL**
Fair Value through Profit or Loss

**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.

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

**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.

**Return on normalised equity**
Profit for the period (annualized) as a percentage of total risk exposure amounts (multiplied by 17%) at period end.

**POCI loans**
Purchased or originated credit impaired loans

# LUMINOR BANK AS INFORMATION

**Country of registration**
Republic of Estonia

**Commercial register code**
11315936

**Main activity**
Credit institution

**Telephone**
+372 628 3300

**E-mail**
info@luminor.ee

**SWIFT/BIC**
RIKOEE22

**Balance sheet date**
30 September 2022

**Reporting period**
1 January to 30 September 2022

**Reporting currency**
euro

## Contacts

**For media:**
Ivi Heldna
ivi.heldna@luminorgroup.com
+372 5231 192

**For investors:**
Nick Turnor
nick.turnor@luminorgroup.com
+372 5306 7820

Luminor

Luminor Bank AS
Liivalaia 45
10145 Tallinn
Estonia
www.luminor.ee