# Luminor Bank
# Interim Report
# Q3 2021

# AT A GLANCE

## THE QUARTER IN BRIEF

- Increased new lending volumes in mortgages and consumer loans
- Growth in lending to business customers
- Net Profit increased to 26.7 million EUR – a 19% increase compared to the third quarter 2020
- Non-performing loans fell to 2.3% of gross loans – our lowest ever level

## FINANCIAL PERFORMANCE

| €m | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 |
| Total operating income | 85.0 | 78.5 | 245.8 | 237.7 | 328.2 |
| Total operating expenses | -63.4 | -58.7 | -199.7 | -197.4 | -275.4 |
| o/w exceptional costs | -20.6 | -12.5 | -74.8 | -61.5 | -102.6 |
| Credit loss allowance | 0.6 | 8.7 | -32.1 | 17.2 | -17.6 |
| Other items and taxation | 0.1 | -1.8 | 0.4 | -3.4 | -2.1 |
| **Profit for the period** | **22.3** | **26.7** | **14.4** | **54.1** | **33.1** |
| Return on equity, % | 5.4 | 6.2 | 1.2 | 4.3 | 2.0 |
| Return on equity excluding exceptional costs, % | 9.7 | 8.7 | 6.3 | 8.4 | 7.3 |

## VOLUMES & KEY RATIOS

| €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Loans to customers | 9,430.8 | 9,641.0 | 9,831.5 |
| Deposits from customers | 11,821.7 | 10,632.5 | 10,958.8 |
| Equity | 1,665.2 | 1,691.5 | 1,718.3 |
| Common Equity Tier 1 ratio, % | 22.4 | 23.1 | 22.3 |
| Liquidity coverage ratio, % | 197.2 | 169.6 | 160.2 |

## 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 photo
Image from our ‘Luminor Black’ card campaign. We launched the card in Latvia and Lithuania last year and extended the campaign to Estonia this year. This VISA-network card, targeted at new and existing customers, can be used as a credit or debit card, and comes with enhanced features such as travel insurance. The campaign – conducted across traditional and digital media – also raised awareness of our brand.

# CHIEF EXECUTIVE'S STATEMENT

The third quarter saw a continued expansion of the Baltic economies despite the ongoing presence of COVID-19. Against this environment, we boosted our business performance, advanced our digital transformation, and increased our net profits as compared to the same quarter last year. Our staff did a super job.

In January this year we started the next stage of our strategy, as we turned the focus of Luminor to our customers and to business growth. Our priorities are to grow our lending, notably in mortgages and to SME customers, to increase customer satisfaction, and to raise our level of digitisation and automation, while fulfilling our wider obligations to our communities and the environment.

We have substantial work ahead of us to realise these goals, but I am encouraged by our continued progress in the third quarter. New sales volumes in mortgages were double those of a year ago, loans to business customers grew in the quarter and, once again, we were at the heart of developments in the Baltic capital markets lead managing two new bonds from debut issuers. We deepened our work with IBM and started to switch our ATM network to Worldline as we continue our technological development. Our priority is to ensure IT stability as we improve our services, products, and performance. To advance our ESG agenda we became the first Baltic financial institution to join PCAF, the partnership for carbon accounting financials.

We generated a net profit of 26.7 million EUR in the quarter, as compared to 22.3 million EUR in the same quarter last year. This improvement was driven principally by an increased net reversal of credit loss allowances. As we increased our profit, our return on equity improved to 6.2% from 5.4%. Exceptional costs, incurred as we transform our operations, totalled 12.5 million EUR. Without these costs we would have generated a return on equity of 8.7%.

Our Common Equity, Tier 1 and Total Capital Ratios on 30 September were 22.3% substantially above our target Total Capital Ratio of 17%. Once again, we retained the profit we generated in the quarter. We introduced revised credit risk models, which improve our risk differentiation and prediction capabilities, and prepare us to apply to measure our risk exposures on an advanced internal ratings-based approach in the medium term.

Preventing money laundering and terrorist financing remains firmly in the focus of our Management Board and the Supervisory Council. The Baltic supervisory authorities published in August the results of their routine anti-money laundering inspections conducted last year. We have implemented many of the improvements required by the supervisors and we will complete the remaining actions in accordance with the plans we have submitted.

I was delighted Moody's recognised our progress when they upgraded their long-term rating of Luminor, by one notch, to Baa1. Following the upgrade, we completed the sale of a new 300 million EUR senior bond issue and concurrent repurchase of an existing security. These transactions help us meet our future regulatory requirements, strengthen our liability structure, and enhance our investor base.

We continue to monitor the incidence of COVID-19 and the effect of new restrictions on our customers, the societies we serve, and our staff. That said, the economies and peoples of the Baltic countries have proven resilient through the pandemic, Government policies have been effective, and economic fundamentals are robust.

I look forward to Luminor doing more business, more effectively, with more individuals and businesses across our home markets of Estonia, Latvia, and Lithuania. In so doing, we will maintain our strong financial standing, prudent risk management and commitment to preventing financial crime.

Peter Bosek

# CONTENTS



This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and Estonian law. In this report 'Luminor', 'Luminor Bank', 'we', 'us' and 'our' refer to Luminor Bank AS together with its subsidiaries. The abbreviations '€m' and '€bn' represent millions and billions (thousands of millions) of euro, respectively.

# MANAGEMENT REPORT

## Financial Performance

| Summary income statement | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net interest and similar income | 58.1 | 57.9 | 169.8 | 174.8 | 226.9 |
| Net fee and commission income | 19.7 | 18.3 | 52.9 | 55.1 | 73.6 |
| Net other operating income | 7.2 | 2.3 | 23.1 | 7.8 | 27.7 |
| **Total operating income** | **85.0** | **78.5** | **245.8** | **237.7** | **328.2** |
| Total operating expenses | -63.4 | -58.7 | -199.7 | -197.4 | -275.4 |
| Share of profit from associates | 0.4 | 0.4 | 1.0 | 1.4 | 1.0 |
| Credit loss allowance | 0.6 | 8.7 | -32.1 | 17.2 | -17.6 |
| Other non-operating expenses | 0.0 | 0.0 | -0.1 | -0.3 | -0.4 |
| **Profit before tax** | **22.6** | **28.9** | **14.9** | **58.6** | **35.8** |
| Tax expense | -0.3 | -2.2 | -0.5 | -4.5 | -2.7 |
| **Profit for the period** | **22.3** | **26.7** | **14.4** | **54.1** | **33.1** |
| Cost / income ratio, % | 74.6 | 74.8 | 81.2 | 83.0 | 83.9 |
| Cost / income ratio excluding exceptional costs, % | 50.4 | 58.9 | 50.8 | 57.2 | 52.7 |

Profit before tax for the quarter was 28.9 million EUR compared to 22.6 million EUR in the same period last year. A decrease in Total operating income of 6.5 million EUR was offset by a 4.7 million EUR decrease in Total operating expenses and an 8.1 million EUR increase in reversal of credit loss allowances.

Total operating income was 78.5 million EUR. Net interest income decreased by 0.2 million EUR to 57.9 million EUR in the third quarter of 2021. Interest income reduced by 0.7 million EUR as pressure on lending margins continued. Interest expense fell by 0.5 million EUR. Lower interest payable on deposits and the repayment of the former parent funding facilities were offset largely by the 3.6 million EUR cost to repurchase an existing security. Net fee and commission income decreased by 1.4 million EUR, compared to the same quarter last year, driven by higher cards expenses. Net other operating income decreased by 4.9 million EUR driven by a number of factors. Principally, income generated in the third quarter of 2020 from the revaluation of bonds in our liquidity portfolio and VISA shares did not recur in 2021. In addition, our contribution to the Single Resolution Fund increased this year as compared to 2020.

Total operating expenses were 58.7 million EUR, as compared to 63.4 million EUR in the period last year. Personnel expenses were 0.5 million EUR lower in the third quarter compared to the same quarter last year, which reflects mainly the transfer of 185 people from our Technology Division to IBM as part of our digital transformation initiative. Other administrative expenses decreased by 4.2 million EUR, driven by lower IT development costs. Exceptional costs were 12.5 million EUR, a 8.1 million EUR decrease compared to the same period last year. We continue to make significant investments into IT operations, credit risk analytics and business development.

We recorded a net reversal of credit loss allowances of 8.7 million EUR this quarter, mainly driven by the improved quality of our loan portfolio. This compares to a net reversal of credit loss allowances of 0.6 million EUR in the third quarter of 2020.

Profit for the period was 26.7 million EUR, an increase of 4.4 million from the profit of 22.3 million EUR in the third quarter of 2020. Our return on equity was 6.2% in this period as compared to 5.4% in the same period last year. Excluding exceptional costs, the respective returns were 8.7% and 9.7%.

## Retail Banking

| Financial performance | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net interest income | 27.6 | 27.9 | 85.7 | 82.0 | 114.2 |
| Other net income | 14.8 | 14.2 | 40.2 | 42.9 | 56.2 |
| **Total operating income** | **42.4** | **42.1** | **125.9** | **124.9** | **170.4** |
| Total operating expenses | -40.5 | -37.9 | -129.1 | -129.2 | -173.7 |
| Credit loss allowance | 4.4 | -4.4 | -0.3 | 2.8 | 5.4 |
| Other non-operating expenses | 0.0 | 0.0 | 0.0 | -0.1 | 0.1 |
| **Profit (-loss) before tax** | **6.3** | **-0.2** | **-3.5** | **-1.6** | **2.2** |
| Cost/ income ratio, % | 95.5 | 90.0 | 102.5 | 103.4 | 101.9 |
| Cost / income ratio excluding exceptional costs, % | 61.1 | 70.8 | 63.9 | 70.5 | 62.0 |

| Balances<br>€m | 31 December<br>2020 | 30 June<br>2021 | 30 September<br>2021 |
|---|---|---|---|
| Loans to customers [1] | 5,251.8 | 5,290.6 | 5,353.0 |
| Deposits from customers | 5,743.1 | 5,790.1 | 5,842.0 |

[1] Amounts in Segment reporting do not include allowances and accumulated interests.

In the third quarter we made progress against our strategic priorities of growing mortgage lending, increasing our number of customers, and improving customer experience.

Mortgage balances increased during the quarter and new sales volumes were more than double what they were in the same period last year. Moreover, sales volumes reached their highest level of this year in September. We also saw a positive trend in consumer lending, and our new sales in the third quarter were near double their level in the same period last year. Last year we launched our 'Luminor Black' VISA card in Latvia and Lithuania. In the second quarter of 2021, we extended the campaign to Estonia. Customer numbers grew 12% in this quarter, aided by a summer campaign in association with airBaltic.

Our focus to improve customer experience is reflected in a growing active customer base, which has increased by six percentage points since the beginning of the year. Furthermore, our newly onboarded customers rate our products and services highly, which is reflected in improving customer survey results.

Photo left and on the following page
Images from our mortgage campaign launched in all three Baltic countries in August. The campaign is targeted at 25 to 35-year-olds who are considering buying their first home and is built around the idea of personalization – 'when you have your own home, you make your own rules'. The multi-channel campaign differentiated our mortgage offering from other lenders.

## Corporate Banking

| Financial performance | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net interest income | 29.3 | 32.5 | 89.8 | 93.1 | 123.2 |
| Other net income | 8.9 | 7.9 | 25.3 | 24.0 | 33.2 |
| **Total operating income** | **38.2** | **40.4** | **115.1** | **117.1** | **156.4** |
| Total operating expenses | -19.7 | -20.1 | -65.7 | -66.1 | -96.1 |
| Credit loss allowance | -4.3 | 12.6 | -32.6 | 13.7 | -24.0 |
| Other non-operating expenses | 0.0 | 0.4 | 0.1 | 1.2 | 0.1 |
| **Profit before tax** | **14.2** | **33.3** | **16.9** | **65.9** | **36.4** |
| Cost/ income ratio, % | 51.6 | 49.8 | 57.1 | 56.4 | 61.4 |
| Cost / income ratio excluding exceptional costs, % | 36.1 | 39.0 | 34.9 | 39.4 | 39.9 |

| Balances<br>€m | 31 December<br>2020 | 30 June<br>2021 | 30 September<br>2021 |
|---|---|---|---|
| Loans to customers [1] | 4,307.8 | 4,481.7 | 4,598.0 |
| Deposits from customers | 6,024.8 | 4,803.6 | 5,085.8 |

[1] Amounts in Segment reporting do not include allowances and accumulated interests.

New loans to corporate banking customers in the quarter amounted to 350 million EUR and were in line with quarterly volumes observed in the first half of 2021.

The overall portfolio grew by 3% and was supported by both new sales and, as anticipated, increased use of overdraft facilities by agricultural companies. Leasing balances benefitted from the European Investment Bank guarantee programme with increased sales notably in the heavy transportation and agricultural sectors. The programme also boosted SME lending.

We continued to support the development of the Baltic capital markets and acted as a sole arranger for two debut issuers, from the sovereign and financial sectors, as well as lead managing the new senior issue for Luminor Bank.

## Financial condition

| Summary balance sheet €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Cash and central bank balances | 4,926.5 | 3,600.8 | 3,712.0 |
| Loans to customers | 9,430.8 | 9,641.0 | 9,831.5 |
| Other assets | 566.8 | 583.5 | 643.1 |
| **Total assets** | **14,924.1** | **13,825.3** | **14,186.6** |
| Deposits from customers | 11,821.7 | 10,632.5 | 10,958.8 |
| Debt securities issued | 1,201.2 | 1,199.9 | 1,269.1 |
| Other liabilities | 236.0 | 301.4 | 240.4 |
| Equity | 1,665.2 | 1,691.5 | 1,718.3 |
| **Total liabilities and equity** | **14,924.1** | **13,825.3** | **14,186.6** |

Our balance sheet increased in the third quarter by 361.2 million EUR to total 14.2 billion EUR on 30 September. Loans to customers increased by 190.5 million EUR, which reflects business growth in both Retail and Corporate segments, and account for over two-thirds of total assets. Cash and central bank balances, which account for a further quarter of total assets, increased by 111.2 million EUR. In addition, Other assets increased by 59.6 million EUR, principally driven by higher investments in debt securities.

Deposits from customers increased by 326.3 million EUR in the third quarter. To mitigate the impact of the negative rates charged by Central Banks we have introduced negative rates on certain deposits from large corporate and public sector customers.

In September, Moody's Investors Service upgraded their long-term deposit rating of Luminor Bank from Baa1 to A3, and their long-term senior rating from Baa2 to Baa1. Following this, Moody's changed its rating outlook to stable. The credit agency explained the primary drivers for their upgrade were 'the strengthened solvency of the bank, with improved asset risk, a solid capital base, and a return to lending growth that will support sustainable growth in revenues.'

Following the upgrade, we sold a new 300 million EUR senior preferred bond. At the same time, we repurchased 228 million EUR of an existing 300 million EUR senior bond that matures in October 2022 but loses regulatory benefit one year before maturity. Together the transactions ensure we will meet our future regulatory requirements for Minimum Requirements for Own Funds and Eligible Liabilities, strengthened our liability structure, and enhanced our investor base. As a consequence of these transactions, the balance of Debt securities issued increased in the quarter by 69.2 million EUR.

On 30 September 2021 our MREL-eligible securities equalled 31.46% of our total risk exposure amount and 15.47% of our leverage ratio exposure, as compared to our minimum requirement from 1 January 2022 of 26.92% and 5.91% respectively.

## Capital and liquidity

| Capital<br>€m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Shareholders' Equity | 1,665.2 | 1,691.5 | 1,718.3 |
| Regulatory adjustments | -78.5 | -47.5 | -94.2 |
| Prudential filters | -0.3 | -0.4 | -0.4 |
| **Common Equity Tier 1** | **1,586.4** | **1,643.6** | **1,623.7** |
| Credit risk exposure amounts | 6,375.2 | 6,410.8 | 6,584.9 |
| Operational risk exposure amounts | 673.6 | 673.6 | 673.6 |
| Other risk exposure amounts | 37.5 | 35.3 | 34.0 |
| **Total risk exposure amounts** | **7,086.3** | **7,119.7** | **7,292.5** |
| Common Equity Tier 1 ratio, % | 22.4 | 23.1 | 22.3 |
| Leverage ratio, % | 10.2 | 11.4 | 11.0 |

At the end of the third quarter of 2021, own funds totalled 1,623.7 million EUR, composed entirely of Common Equity Tier 1 (CET1) capital. Our CET1, Tier 1, and Total capital ratios at the end of the quarter were 22.3%, slightly down from 23.1% at the end of the second quarter. The reduction in the ratios was driven mainly by an increase in risk exposure amounts (REA) to 7,292.5 million EUR as credit risk exposure amounts increased by 172.8 million EUR as Loans to customers increased.

Our capital ratios remain well above our minimum capital requirements set by the regulatory authorities, which require us to have a CET1 ratio exceeding 10.1%, a Tier 1 ratio above 12.0% and a Total Capital ratio greater than 14.5%. The capital ratios were also above our targets of 16% for CET1 and Tier 1 capital and 17% for Total capital. In response to COVID-19, the Baltic countries left their systemic risk buffer and countercyclical buffer requirements at 0%. The buffers are expected to be reviewed once the economic difficulties caused by COVID-19 ease.

Our leverage ratio decreased to 11.0% during the quarter due to an increase in assets and off-balance sheet exposures.

| % | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Liquidity Coverage Ratio | 197.2 | 169.6 | 160.2 |
| Net Stable Funding Ratio | 159.0 | 146.9 | 148.6 |

Our structural liquidity risk is conservative and well-balanced. It is based on metrics that measure liquidity risk and is appropriately adapted to the current economic and regulatory environment. We use a range of metrics to measure liquidity risk, one of which is the Liquidity Coverage Ratio (LCR). On 30 September 2021 our LCR was 160.2% compared to 169.6% at end of the second quarter of 2021, and a minimum regulatory requirement of 100%. Changes in the LCR are driven mainly by activities to manage excess liquidity via the continuing selective introduction of negative rates to deposits. The liquidity buffer is composed of highly liquid central bank eligible securities and cash.

Long-term liquidity risk is measured by the Net Stable Funding Ratio (NSFR). On 30 September 2021 our NSFR was 148.6% compared to 146.9% at end of the second quarter of 2021, and a minimum regulatory requirement of 100%. The increase of the ratio during the quarter was driven by the increase of Available Stable Funding due to the growth in deposits which was partly offset by an increase in the Required Stable Funding, driven by the continuing growth of our loan portfolio. The NSFR for September 2021 was calculated in accordance with the new European Banking Authority and Capital Requirements Regulation 2 (CRR 2) requirements.

## Asset Quality

| Loans to customers<br>€m | 31 December<br>2020 | 30 June<br>2021 | 30 September<br>2021 |
|---|---|---|---|
| Stage 1 | 7,958.3 | 8,595.6 | 8,764.1 |
| Stage 2 | 1,304.0 | 903.8 | 945.5 |
| Stage 3 | 305.4 | 256.5 | 230.1 |
| **Gross carrying amount** | **9,567.7** | **9,755.9** | **9,939.7** |
| Allowance for impairment | -136.9 | -114.9 | -108.2 |
| **Net carrying amount** | **9,430.8** | **9,641.0** | **9,831.5** |
| Non-performing loans ratio, % | 3.2 | 2.6 | 2.3 |
| Non-performing mortgage loans ratio, % | 2.7 | 1.7 | 1.5 |

The quality of our loan portfolio is good and stable. The negative consequences of COVID-19 to date have been limited and have impacted mostly certain industries and customers, while others have so far been almost unaffected. The most severe impact was felt by the accommodation, food service, tourism, and aviation sectors. Our exposure to these sectors is 0.6% of our total net lending to customers, with almost no exposure to the aviation sector. We have classified a little more than a quarter of our net exposure within these affected sectors as Stage 3.

We have supported our customers throughout the pandemic, mainly through loan modifications. The most common modifications requested were grace periods for principal payments. We granted grace periods for both principal and interest payments in exceptional circumstances, and only for around 1% of all modifications. The outstanding balance of loans under modifications decreased further from 45 million EUR to 28 million EUR over the third quarter.

In the portfolio with modifications the level of exposures overdue by more than 5 days after the end of the grace period is higher (4.1%) than it is in the portfolio without modifications (1.7%). There are also differences between the level of exposures overdue more than 30 days for the portfolio with modifications after the end of the grace period, compared to the portfolio without modifications (2% vs 1%). However, absolute levels remain low.

Loan loss provisioning resulted in reversals of 8.7 million EUR during the third quarter. The reversals primarily were driven by changes in individual provisions due to repayments and full and gradual exit from non-performing exposures and by cures resulting from the end of probation period for loans to private individuals.

Total non-performing loans decreased from 256.5 million EUR to 230.1 million EUR over the third quarter. The ratio of non-performing loans to gross lending (NPL ratio) was 2.3% at the end of the third quarter, 0.3 percentage points lower than at the end of the previous quarter. The outflow of non-performing loans was around 3 times higher than the inflow, and this left the volume of non-performing loans at its lowest ever level. The key drivers for the decrease in the non-performing portfolio were repayments, collection activities including sales of collaterals, sales of claim rights, write-offs of the amounts remaining after collection activities and cures resulting from the end of probation periods. The NPL ratio for the mortgage loan portfolio was 1.5%, a decrease of 0.2 percentage points as compared to the end of the second quarter. The spread of the COVID-19 delta variant, new lock down restrictions, and difficulties to reach herd immunity make the outlook for loan losses more uncertain.

Total allowances for expected credit losses on the balance sheet were 108.2 million EUR at the end of the quarter, of which 59.0 million EUR were for Stage 3 exposures. The net carrying amount of Stage 3 loans at the end of the quarter was 171.1 million EUR against which we held collateral with a fair value of 196.4 million EUR.

# Additional information

## ECONOMIC ENVIRONMENT

The Baltic economies are poised for continued expansion, though the rate of expansion has been made less certain by the continued incidence of COVID-19 and the effect of renewed restrictions introduced in October, notably in Latvia.

The Baltic economies had grown strongly in the second quarter of 2021, with GDP in all three countries breaching their pre-pandemic level. Growth in each economy was broadly based. The better outlook for export markets, notably the rest of the EU and the USA, was coupled with a recovery in domestic demand, where consumer spending benefited from fiscal support measures and easing of lockdown restrictions. House prices across the region grew on average by more than 10%, year on year.

Economic growth is expected to continue in the third quarter, though not at the double-digit rates seen in the preceding quarter, as the euro area – the key destination of Baltic exports – is forecast to exceed its pre-pandemic output level by the end of the year. Consumer demand was buoyant in the first two months of the third quarter with retail sales volume in Estonia, Latvia, and Lithuania up by 8.7%, 3.7% and 10.4% respectively in August from a year before, as compared to 1.1% growth across the EU. The rate of growth in consumer demand is expected to moderate towards year end.

Some normalization of the strong annual growth in the industrial sector is also expected, given the prevailing high energy prices and bottlenecks in global manufacturing and trade. Industrial production expanded in July by 9.3%, 8.4% and 15.6% in Estonia, Latvia, and Lithuania respectively, from a year before, at or above the EU average. In August annual growth moderated to 4.4% and 3.8% in Estonia and Latvia, though industrial production continued to increase strongly in Lithuania which recorded a 15.4% increase year on year.

Despite the less certain outlook, unemployment is expected to continue to fall and underlying price pressures rise. The outlook for investment into the green economy and digital transformation is underpinned by support from the 'Next Generation EU' and other structural funds.

## BUSINESS DEVELOPMENTS

As part of our roll-out of revised credit risk models and to prepare to apply to use in the medium term the advanced internal ratings-based approach to measure risk weights, we revised our internal model landscape and introduced the first of several incremental rating model updates. The newly developed rating systems for classifying credit exposures apply to our internal models that provide ratings and estimates for the key risk parameters of probability of default, loss given default and exposure at default.

These models are being applied in both application ratings and regular re-ratings and their output is used in a broad range of business and risk management processes, including the frontline systems of credit application, pricing, and credit monitoring, and the downstream systems of IFRS 9 provisioning, the Internal Capital Adequacy Assessment Process, and internal reporting. They provide an improved risk differentiation capability and higher predictive power than the models used previously, and they have been subjected to independent validation.

We advanced our work with IBM to accelerate our digital development, preparing for the rollout of additional functionalities and products, and strengthening our security and regulatory compliance processes. Our ATMs in Estonia and Lithuania were switched to a new network, managed by Worldline. Our ATMs in Latvia will be switched over in the fourth quarter, so by year end our entire ATM network will be owned and managed by Worldline.

We continued our technological development. Our priority is to ensure IT stability as we improve our services, products, and performance. We are focused on strengthening our product and software development capabilities and teams, increasing quality assurance, and utilizing more fully the capabilities of our partners. The cause of recent disruption to our digital channels in Estonia has been identified and we are implementing solutions to resolve the issue and improve our processes.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

During the quarter, we continued our ongoing ESG-related progress with the launch of two major initiatives. We became the first financial institution in the Baltics to join the Partnership for Carbon Accounting Financials (PCAF), and we also debuted a sustainability training programme for our employees.

The PCAF is a collaboration between financial institutions around the world to find a harmonised basis for assessing and disclosing greenhouse gas emissions financed through loans and investments. Once a methodology for reporting carbon emissions has been achieved, the PCAF participants will be able to assess better climate-related risks, align targets with the Paris Agreement on climate change, and develop strategies to reduce CO2 emissions. Furthermore, we signed a contract with an external vendor to start collecting data and measuring our Scope 2 greenhouse gas emissions.

Our sustainability training programme improves employees understanding of sustainability and shows how to integrate sustainability-related considerations into our business decisions. By the end of the quarter, three out of four employees had completed the five modules of the programme, which covered topics such as major climate-related legislative frameworks impacting banks, greenhouse gas accounting, transition and physical risks, and our climate strategy. In addition to the training programme, we initiated a recycling programme in our offices.

We approved our social strategy and started a search for suitable partners to help empower social entrepreneurs who tackle local social and environmental issues in the Baltic region. We continued to contribute actively to promoting financial literacy and raising awareness about fraud through a range of activities, including public campaigns, sharing advice and information on responsible finances in the media.

## PREVENTING FINANCIAL CRIME

We do not tolerate financial crime. During the quarter we continued to apply our financial crime risk management framework to prevent, detect, and report potential financial crime. Our framework covers the technology, and policies and procedures we employ to prevent and detect financial crime, assess risks, run training and awareness-raising sessions, and monitor new and developing financial crime risks.

In August 2021, the Baltic supervisory authorities published the results of the routine anti-money laundering inspections which were conducted at our offices last year. The supervisors highlighted areas for improvement within our internal processes and rules. We have implemented many of the required improvements already and we will complete the remaining actions in accordance with the plans we have submitted to our supervisors. The audits will help us to enhance further our AML effectiveness.

The findings also confirmed our low-risk appetite and our conservative business model. We operate only in the Baltic countries and target our products and services at residents of the Baltic countries, or individuals and companies with a strong connection to the Baltic countries.

During the third quarter, we continued with our activities to raise awareness on fraud and cyber security. We took an active part in the 'No thank you!' anti-fraud campaign, organised by the Estonian Banking Association. The aim of the campaign, motivated by a growing number of fraudulent calls being made to customers, was to inform people about financial fraud and how to counter it, and the campaign covered TV, radio and print media, direct mail, and online media.

## OTHER EVENTS

Mari Mõis, Chief Compliance Officer, was elected to the Management Board effective 1 August.

# Country information

## Estonia

### Loans to customers by Asset Quality, as at 30 September 2021

| €m | | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|
| Individual customers | Gross carrying amount | 1,184.9 | 77.7 | 8.3 | 1,270.9 |
| | Allowance for impairments | -2.6 | -2.4 | -1.2 | -6.2 |
| | Carrying amount | 1,182.3 | 75.3 | 7.1 | 1,264.7 |
| of which Mortgages | Gross carrying amount | 971.3 | 64.8 | 5.6 | 1,041.7 |
| | Allowance for impairments | -1.6 | -1.8 | -0.7 | -4.1 |
| | Carrying amount | 969.7 | 63.0 | 4.9 | 1,037.6 |
| Business customers | Gross carrying amount | 835.5 | 124.5 | 43.2 | 1,003.2 |
| | Allowance for impairments | -2.7 | -2.9 | -6.3 | -11.9 |
| | Carrying amount | 832.8 | 121.6 | 36.9 | 991.3 |
| Financial institutions | Gross carrying amount | 106.5 | 0.9 | 0.3 | 107.7 |
| | Allowance for impairments | -0.1 | 0.0 | -0.3 | -0.4 |
| | Carrying amount | 106.4 | 0.9 | 0.0 | 107.3 |
| Public sector | Gross carrying amount | 53.7 | 0.0 | 0.0 | 53.7 |
| | Allowance for impairments | 0.0 | 0.0 | 0.0 | 0.0 |
| | Carrying amount | 53.7 | 0.0 | 0.0 | 53.7 |
| Total | Gross carrying amount | 2,180.6 | 203.1 | 51.8 | 2,435.5 |
| | Allowance for impairments | -5.4 | -5.3 | -7.8 | -18.5 |
| | Carrying amount | 2,175.2 | 197.8 | 44.0 | 2,417.0 |

### Deposits from customers, by customer type and country of registration, as at 30 September 2021

| €m | Total |
|---|---|
| Individual customers | 502.2 |
| Business customers | 734.3 |
| Financial institutions | 59.1 |
| Public sector | 258.0 |
| **Total** | **1,553.6** |

| % of deposits | Total |
|---|---|
| Estonia | 97.5% |
| Other EU countries | 1.3% |
| Other countries | 1.2% |
| **Total** | **100.0%** |

## Latvia

### Loans to customers by Asset Quality, as at 30 September 2021

| €m | | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|
| Individual customers | Gross carrying amount | 1,410.3 | 95.2 | 60.5 | 1,566.0 |
| | Allowance for impairments | -3.2 | -4.8 | -14.8 | -22.8 |
| | Carrying amount | 1,407.1 | 90.4 | 45.7 | 1,543.2 |
| of which Mortgages | Gross carrying amount | 1,242.9 | 84.1 | 54.8 | 1,381.8 |
| | Allowance for impairments | -2.5 | -4.0 | -13.5 | -20.0 |
| | Carrying amount | 1,240.4 | 80.1 | 41.3 | 1,361.8 |
| Business customers | Gross carrying amount | 987.9 | 259.1 | 59.9 | 1,306.9 |
| | Allowance for impairments | -0.9 | -2.1 | -17.9 | -20.9 |
| | Carrying amount | 987.0 | 257.0 | 42.0 | 1,286.0 |
| Financial institutions | Gross carrying amount | 3.6 | 0.2 | 0.0 | 3.8 |
| | Allowance for impairments | 0.0 | 0.0 | 0.0 | 0.0 |
| | Carrying amount | 3.6 | 0.2 | 0.0 | 3.8 |
| Public sector | Gross carrying amount | 42.8 | 0.0 | 0.1 | 42.9 |
| | Allowance for impairments | 0.0 | 0.0 | 0.0 | 0.0 |
| | Carrying amount | 42.8 | 0.0 | 0.1 | 42.9 |
| Total | Gross carrying amount | 2,444.6 | 354.5 | 120.5 | 2,919.6 |
| | Allowance for impairments | -4.1 | -6.9 | -32.7 | -43.7 |
| | Carrying amount | 2,440.5 | 347.6 | 87.8 | 2,875.9 |

### Deposits from customers, by customer type and country of registration, as at 30 September 2021

| €m | Total |
|---|---|
| Individual customers | 1,423.6 |
| Business customers | 1,206.2 |
| Financial institutions | 83.3 |
| Public sector | 148.6 |
| **Total** | **2,861.7** |

| % of deposits | Total |
|---|---|
| Latvia | 97.3% |
| Other EU countries | 1.7% |
| Other countries | 1.0% |
| **Total** | **100.0%** |

## Lithuania

### Loans to customers by Asset Quality, as at 30 September 2021

| €m | | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|
| Individual customers | Gross carrying amount | 2,606.4 | 130.9 | 23.2 | 2,760.5 |
| | Allowance for impairments | -13.0 | -5.8 | -4.2 | -23.0 |
| | Carrying amount | 2,593.4 | 125.1 | 19.0 | 2,737.5 |
| of which Mortgages | Gross carrying amount | 2,229.7 | 73.8 | 11.0 | 2,314.5 |
| | Allowance for impairments | -11.0 | -3.7 | -1.2 | -15.9 |
| | Carrying amount | 2,218.7 | 70.1 | 9.8 | 2,298.6 |
| Business customers | Gross carrying amount | 1,426.8 | 250.0 | 34.6 | 1,711.4 |
| | Allowance for impairments | -2.6 | -5.9 | -14.3 | -22.8 |
| | Carrying amount | 1,424.2 | 244.1 | 20.3 | 1,688.6 |
| Financial institutions | Gross carrying amount | 36.6 | 6.7 | 0.0 | 43.3 |
| | Allowance for impairments | 0.0 | -0.2 | 0.0 | -0.2 |
| | Carrying amount | 36.6 | 6.5 | 0.0 | 43.1 |
| Public sector | Gross carrying amount | 69.4 | 0.0 | 0.0 | 69.4 |
| | Allowance for impairments | 0.0 | 0.0 | 0.0 | 0.0 |
| | Carrying amount | 69.4 | 0.0 | 0.0 | 69.4 |
| Total | Gross carrying amount | 4,139.2 | 387.6 | 57.8 | 4,584.6 |
| | Allowance for impairments | -15.6 | -11.9 | -18.5 | -46.0 |
| | Carrying amount | 4,123.6 | 375.7 | 39.3 | 4,538.6 |

### Deposits from customers, by customer type and country of registration, as at 30 September 2021

| €m | Total |
|---|---|
| Individual customers | 2,656.0 |
| Business customers | 2,050.1 |
| Financial institutions | 103.5 |
| Public sector | 1,733.9 |
| **Total** | **6,543.5** |

| % of deposits | Total |
|---|---|
| Lithuania | 97.1% |
| Other EU countries | 1.1% |
| Other countries | 1.8% |
| **Total** | **100.0%** |

## Statement of the Management Board

The interim report of Luminor Bank AS for the third quarter of 2021 consists of the following parts and reports:

- The Management Report;
- 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 2021 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, 2 November 2021

# INTERIM FINANCIAL STATEMENTS

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

| €m | Notes | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2020 | 2021 | 2020 |
| Interest income calculated using the effective interest method | 3 | 56.4 | 54.9 | 169.9 | 161.1 | 226.1 |
| Other similar income | 3 | 11.6 | 12.4 | 35.5 | 36.5 | 47.6 |
| Interest and similar expense | 3 | -9.9 | -9.4 | -35.6 | -22.8 | -46.8 |
| **Net interest and similar income** | | **58.1** | **57.9** | **169.8** | **174.8** | **226.9** |
| Fee and commission income | 4 | 25.0 | 25.0 | 71.1 | 72.7 | 95.8 |
| Fee and commission expense | 4 | -5.3 | -6.7 | -18.2 | -17.6 | -22.2 |
| **Net fee and commission income** | | **19.7** | **18.3** | **52.9** | **55.1** | **73.6** |
| Net other financial income | 5 | 6.8 | 4.9 | 21.5 | 14.8 | 27.7 |
| Other operating income | | 1.9 | 0.4 | 5.8 | 1.4 | 6.4 |
| Other operating expense | | -1.5 | -3.0 | -4.2 | -8.4 | -6.4 |
| **Net other operating income** | | **7.2** | **2.3** | **23.1** | **7.8** | **27.7** |
| **Total operating income** | | **85.0** | **78.5** | **245.8** | **237.7** | **328.2** |
| Salaries and other personnel expenses | | -23.1 | -22.6 | -72.1 | -72.2 | -100.2 |
| Other administrative expenses | 6 | -37.3 | -33.1 | -118.7 | -116.2 | -163.1 |
| Depreciation, amortization and impairment | | -3.0 | -3.0 | -8.9 | -9.0 | -12.1 |
| **Total operating expenses** | | **-63.4** | **-58.7** | **-199.7** | **-197.4** | **-275.4** |
| Share of profit from associates | | 0.4 | 0.4 | 1.0 | 1.4 | 1.0 |
| Credit loss allowance, excluding off-balance sheet commitments | 7 | 0.7 | 7.3 | -29.0 | 14.5 | -14.5 |
| Credit loss allowance on off-balance sheet commitments | 7 | -0.1 | 1.4 | -3.1 | 2.7 | -3.1 |
| Other non-operating expenses | | 0.0 | 0.0 | -0.1 | -0.3 | -0.4 |
| **Profit before tax** | | **22.6** | **28.9** | **14.9** | **58.6** | **35.8** |
| Tax expense | | -0.3 | -2.2 | -0.5 | -4.5 | -2.7 |
| **Profit for the period** | | **22.3** | **26.7** | **14.4** | **54.1** | **33.1** |
| **Total other comprehensive income** | | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Total comprehensive income** | | **22.3** | **26.7** | **14.4** | **54.1** | **33.1** |

## CONDENSED CONSOLIDATED BALANCE SHEET

| €m | Notes | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | | 4,926.5 | 3,600.8 | 3,712.0 |
| Due from other credit institutions | | 103.6 | 74.7 | 39.3 |
| Loans to customers | 7 | 9,430.8 | 9,641.0 | 9,831.5 |
| Debt securities | | 284.3 | 331.8 | 424.7 |
| Derivative financial instruments | 10 | 43.4 | 37.1 | 57.3 |
| Equity instruments | | 2.8 | 3.5 | 2.8 |
| Investments in associates | | 5.3 | 6.3 | 6.7 |
| Intangible assets | | 6.7 | 11.1 | 10.5 |
| Property, plant and equipment, etc. | | 56.6 | 49.1 | 46.2 |
| Investment properties | | 0.6 | 0.3 | 0.1 |
| Current tax assets | | 0.5 | 1.5 | 1.8 |
| Deferred tax assets | | 9.4 | 10.7 | 10.4 |
| Other assets | | 53.6 | 57.4 | 43.3 |
| **Total assets** | | **14,924.1** | **13,825.3** | **14,186.6** |
| **Liabilities** | | | | |
| Loans and deposits from credit institutions | | 47.3 | 64.0 | 57.5 |
| Deposits from customers | 8 | 11,821.7 | 10,632.5 | 10,958.8 |
| Debt securities issued | 9 | 1,201.2 | 1,199.9 | 1,269.1 |
| Derivative financial instruments | 10 | 50.6 | 29.4 | 48.3 |
| Tax liabilities | | 0.2 | 0.1 | 0.2 |
| Lease liabilities | | 49.7 | 44.2 | 42.7 |
| Other financial liabilities | | 14.7 | 91.9 | 31.0 |
| Other liabilities | | 64.2 | 63.7 | 55.5 |
| Provisions | | 9.3 | 8.0 | 5.2 |
| **Total liabilities** | | **13,258.9** | **12,133.7** | **12,468.3** |
| **Shareholders' equity** | | | | |
| Issued capital | | 34.9 | 34.9 | 34.9 |
| Share premium | | 1,412.2 | 1,412.2 | 1,412.2 |
| Retained earnings | | 215.1 | 241.5 | 268.2 |
| Other reserves | | 3.0 | 3.0 | 3.0 |
| **Total shareholders' equity** | | **1,665.2** | **1,691.6** | **1,718.3** |
| **Total liabilities and shareholders' equity** | | **14,924.1** | **13,825.3** | **14,186.6** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| €m | Share capital | Share premium | Retained earnings | Other reserves | Total equity |
|---|---|---|---|---|---|
| **Balance as at 31 December 2019** | **34.9** | **1,412.2** | **183.9** | **1.2** | **1,632.2** |
| Profit for the period | 0.0 | 0.0 | 14.4 | 0.0 | **14.4** |
| **Total comprehensive income** | **0.0** | **0.0** | **14.4** | **0.0** | **14.4** |
| Transfer to mandatory reserve | 0.0 | 0.0 | −1.8 | 1.8 | **0.0** |
| Other | 0.0 | 0.0 | 0.5 | 0.0 | **0.5** |
| **Balance as at 30 September 2020** | **34.9** | **1,412.2** | **197.0** | **3.0** | **1,647.1** |
| | | | | | |
| **Balance as at 31 December 2019** | **34.9** | **1,412.2** | **183.9** | **1.2** | **1,632.2** |
| Profit for the period | 0.0 | 0.0 | 33.1 | 0.0 | **33.1** |
| **Total comprehensive income** | **0.0** | **0.0** | **33.1** | **0.0** | **33.1** |
| Transfer to mandatory reserve | 0.0 | 0.0 | −1.8 | 1.8 | **0.0** |
| Other | 0.0 | 0.0 | −0.1 | 0.0 | **−0.1** |
| **Balance as at 31 December 2020** | **34.9** | **1,412.2** | **215.1** | **3.0** | **1,665.2** |
| | | | | | |
| **Balance as at 31 December 2020** | **34.9** | **1,412.2** | **215.1** | **3.0** | **1,665.2** |
| Profit for the period | 0.0 | 0.0 | 54.1 | 0.0 | **54.1** |
| **Total comprehensive income** | **0.0** | **0.0** | **54.1** | **0.0** | **54.1** |
| Dividends | 0.0 | 0.0 | −1.0 | 0.0 | **−1.0** |
| **Balance as at 30 September 2021** | **34.9** | **1,412.2** | **268.2** | **3.0** | **1,718.3** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| €m | Notes | 1 January to 30 September 2020 | 1 January to 31 December 2020 | 1 January to 30 September 2021 |
|---|---|---|---|---|
| Profit or loss before tax | | 14.9 | 35.8 | 58.6 |
| Adjustment for non-cash items: | | | | |
| Credit loss allowance | | 32.1 | 17.6 | -17.2 |
| Depreciation, amortisation, and impairment | | 8.9 | 12.1 | 9.0 |
| Other non-cash items | | -0.3 | -3.1 | -1.1 |
| Interest income | 3 | -205.4 | -273.6 | -197.6 |
| Interest expenses | 3 | 35.6 | 46.8 | 22.8 |
| Change in operating assets/liabilities: | | | | |
| Increase (-) / decrease (+) of lending to customers | | 569.0 | 763.8 | -388.9 |
| Increase (-) / decrease (+) of other assets | | -19.9 | -50.4 | -108.0 |
| Increase (+) / decrease (-) of client deposits | 8 | -21.3 | 658.2 | -851.2 |
| Increase (-) / decrease (+) of liabilities | | -37.7 | -35.8 | -11.1 |
| Interest received | | 200.6 | 285.0 | 202.1 |
| Interest paid | | -33.9 | -54.8 | -21.3 |
| Income tax paid | | -10.8 | -13.1 | -6.8 |
| Dividend income | | 0.0 | -0.1 | 0.0 |
| **Cash flow from operating activities** | | **531.8** | **1,388.4** | **-1,310.7** |
| Acquisition of property, equipment and intangible assets | | -2.3 | -3.0 | -2.2 |
| Proceeds from disposal of property, equipment and intangible assets | | 1.4 | 3.5 | 0.3 |
| Proceeds from disposal of investment property | | 1.2 | 1.5 | 0.0 |
| Dividend received | | 0.0 | 0.8 | 0.0 |
| **Cash flows from investing activities** | | **0.3** | **2.8** | **-1.9** |
| Debt securities issued | 9 | 503.5 | 802.8 | 300.0 |
| Debt securities bought back | | 0.0 | -254.9 | -228.5 |
| Payments of principal on leases | | -1.8 | -6.2 | -1.4 |
| Dividends paid | | 0.0 | 0.0 | -1.0 |
| **Cash flows from financing activities** | | **501.7** | **541.7** | **69.1** |
| **Net increase or decrease in cash and cash equivalents** | | **1,033.8** | **1,932.9** | **-1,243.5** |
| Cash and cash equivalents at the beginning of the period | | 2,948.7 | 2,948.7 | 4,884.7 |
| Effects of currency translation on cash and cash equivalents | | -0.7 | 3.1 | 0.0 |
| Net increase or decrease in cash and cash equivalents | | 1,033.8 | 1,932.9 | -1,243.5 |
| **Cash and cash equivalents at the end of the period** | | **3,981.8** | **4,884.7** | **3,641.2** |
| Cash and cash equivalents comprise: | | | | |
| Cash on hand | | 129.0 | 123.8 | 150.5 |
| Non-restricted current account with central bank | | 3,755.3 | 4,690.3 | 3,453.9 |
| Due from other credit institutions within three months | | 97.5 | 70.6 | 36.8 |
| **Total** | | **3,981.8** | **4,884.7** | **3,641.2** |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

### CORPORATE INFORMATION

Luminor Bank AS is a pan-Baltic credit institution whose headquarters are in Tallinn. Luminor Bank AS is owned by Luminor Holding AS, which is ultimately controlled by BCP VII, an investment fund managed by an affiliate of Blackstone Group Inc. Other shareholders of Luminor Holding AS – Nordea Bank Abp and DNB BANK ASA – are also considered to have significant influence over Luminor Holding AS.

### BASIS OF PRESENTATION

The condensed consolidated interim financial information of Luminor Bank AS was prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial information does not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of Luminor Bank AS for the year ended 31 December 2020.

The accounting policies adopted in the preparation of these condensed consolidated interim financial information are consistent with those followed in the preparation of the Luminor Bank AS annual financial statements for the year ended 31 December 2020 (Annual Report 2020), except for the adoption of new standards effective as of 1 January 2021. Several amendments and interpretations are effective for the first time in 2021, 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.

The financial information in this interim report is presented in the same format as in the Luminor Bank AS Annual Report 2020, except for several changes in classification as described below.

**Change in presentation**

Content of the Statement of Profit or Loss and Other Comprehensive Income, the Balance Sheet and the Statement of Cashflows were reviewed during2021. As a result, reclassifications have been made for better presentation of the financial information. Furthermore, to facilitate the presentation of the financial statements and provide additional insight on the comparative period, full results for the year ended 31 December 2020 were added. The full year results are not directly comparable to quarterly or half-year periods.

**Reclassification of consolidated statements**

Reclassification impacted the following Statement of Profit or Loss and Other Comprehensive Income items:

| €m | 3rd Quarter 2020 | | | Jan-Sep 2020 | | |
|---|---|---|---|---|---|---|
| | As restated | Change | As previously reported | As restated | Change | As previously reported |
| Dividend income | 0.0 | 0.3 | -0.3 | 0.0 | 0.0 | 0.0 |
| Other operating income | 1.9 | -0.3 | 2.2 | 5.8 | 0.0 | 5.8 |

To enhance the presentation of the primary financial statements certain positions related to other net income from Luminor's financial assets/liabilities have been consolidated into “Net other financial income” position as is shown below:

| €m | 3rd Quarter 2020 | Jan-Sep 2020 | FY 2020 |
|---|---|---|---|
| Net gain on financial assets and liabilities designated at fair value through profit or loss | 0.1 | -0.1 | 0.0 |
| Net gain on debt securities at fair value through profit or loss | 3.3 | 6.6 | 8.4 |
| Net gain on financial assets and liabilities held for trading | 1.3 | 3.5 | 4.8 |
| Net gain from financial derivatives | -9.6 | -4.8 | -9.6 |
| Net gains (-loss) from foreign currency operations | 11.7 | 16.3 | 24.1 |
| **Net other financial income** | **6.8** | **21.5** | **27.7** |

Reclassification impacted the following Balance Sheet items:

| €m | 31 December 2020 | | |
|---|---|---|---|
| | As restated | Change | As previously reported |
| Debt securities | 284.3 | 284.3 | 0.0 |
| Equity instruments | 2.8 | 2.8 | 0.0 |
| Financial assets held for trading | 0.0 | -2.9 | 2.9 |
| Financial assets at fair value through profit or loss | 0.0 | -284.1 | 284.1 |
| Financial assets at fair value through other comprehensive income | 0.0 | -0.1 | 0.1 |

Luminor's investments in debt and equity securities were previously presented on the face of Balance Sheet based on the accounting treatment as Financial assets held for trading, Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income. This changed to presentation by type of investment (Debt securities and Equity securities) with further details being disclosed in the notes. Reclassification impacted the following Statement of Cashflows items:

| €m | 1 January to 30 September 2020 | | |
|---|---|---|---|
| | As restated | Change | As previously reported |
| Cash and cash equivalents at the beginning of the period | 2,948.7 | -4.2 | 2,952.9 |
| Increase (-)/decrease (+) of other assets | -19.9 | +4.2 | -24.1 |
| Net increase/(-decrease) in cash and cash equivalents | 1,033.8 | +4.2 | 1,029.6 |

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Luminor makes estimates and applies assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities. Estimates and judgements are continuously evaluated and are based on management's experience and expectations of future events. Consistent with Luminor's financial statements for the year ended 31 December 2020 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 2020 except as noted further. For more detailed information on the impairment policies, please, refer to the Note 5 'General Risk Management Policies' of the Luminor Bank AS Annual Report 2020.

The applied Expected Credit Loss (the ECL) model was not changed in the first 9 months of 2021. However, as part of Luminor's roll-out of revised credit risk models and to prepare to apply to use in the medium term the advanced internal ratings-based approach to measure risk weights, rather than the standardized approach, the internal model landscape was revised and the first of several incremental rating model updates were introduced. The newly developed rating systems for classifying credit exposures apply to Luminor's internal models that provide ratings and estimates for the key risk parameters of probability of default, loss given default and exposure at default. These models are being applied in both application ratings and regular re-ratings and their output is used in a broad range of business and risk management processes, including the downstream system of IFRS 9 provisioning. The models provide an improved risk differentiation capability and higher predictive power than the models used previously, and they have been subjected to independent validation.

A management overlay adjustment introduced in the fourth quarter of 2020 was also applied in the first 9 months of 2021 to adjust the standard ECL model output for the potential credit losses due to COVID-19 related uncertainties. Please, refer to the Note 2, Impairment policies section for more details on the management overlay.

**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 2020. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from the active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. For the fair value of financial assets and liabilities, please, refer to the Note 13.

## 2. GENERAL RISK MANAGEMENT POLICIES

### CREDIT RISK

#### COVID-19

Luminor's credit risk management and approach to address COVID-19 are described in detail in the Note 5 'General Risk Management Policies' of the Luminor Bank AS Annual Report 2020. During the first 9 months of 2021, the approach remained unchanged.

#### Impairment policies

Luminor recognises credit losses in accordance with the requirements of IFRS 9, which applies a forward-looking ECL approach. For more detailed information on the impairment policies, please, refer to the Note 5 'General Risk Management Policies' of the Luminor Bank AS Annual Report 2020. During the first 9 months of 2021, the impairment calculation model remained unchanged.

The three stages model is followed. For Stage 1 financial assets, loss allowances equal 12-month ECL and interest revenue is calculated on the instrument's gross carrying amount, using the effective interest rate method. For Stage 2 (including non-defaulted Purchased or Originated Credit Impaired (POCI) assets) loss allowances for ECL are calculated at an amount equal to lifetime ECL and the calculation of interest revenue is the same as for Stage 1. Also, for Stage 3 (including defaulted POCI assets) financial assets, lifetime ECL is calculated, interest revenue is calculated based on the instrument's amortised cost (that is, the gross carrying amount less the loss allowance). For Stage 3 financial assets which are classified as material, loss allowances are calculated on an individual basis.

A collective assessment of impairment is performed for all financial assets that are not defaulted as at the reporting date, i.e., are classified to either Stage 1 or Stage 2 or are non-defaulted POCI assets. The expected loss is calculated as the probability weighted average of losses expected in different macroeconomic scenarios. The expected loss in the concrete macroeconomic scenario is calculated as the multiple of PD, LGD, EAD and cumulative prepayment rate and is discounted using a discount rate.

Three macroeconomic variables – the annual change in real GDP, the rate of unemployment and the annual change of residential real estate prices – are included in the modelling for the individual customers' segment. Two of them – the annual change in real GDP together with the unemployment rate – are used in the modelling for the business customers' segment.

Separate forecasts of macroeconomic variables with projections and assumptions over three years are prepared for each of the Baltic countries. The most recent review of the forecasts of macroeconomic variables over three years was performed in the second quarter of 2021. The following tables show the parameters that were used for macroeconomic modelling. Luminor assumes a 30% probability for the optimistic scenario, 60% for the baseline and 10% for the pessimistic scenario. Previous macroeconomic variables with projections and assumptions have been presented in the Luminor Bank AS Annual Report 2020.

| **Estonia** | **2020a** | **Scenarios** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Measure, %** | | **Optimistic** | | | | **Baseline** | | | | **Pessimistic** | | | |
| | | **2021f** | **2022f** | **2023f** | **2024f** | **2021f** | **2022f** | **2023f** | **2024f** | **2021f** | **2022f** | **2023f** | **2024f** |
| Real GDP[1] | -2.9 | 4.7 | 5.7 | 3.8 | 3.0 | 3.0 | 5.0 | 3.7 | 3.2 | 0.6 | 2.6 | 4.2 | 3.4 |
| Unemployment rate | 6.8 | 6.8 | 5.3 | 4.7 | 4.5 | 7.4 | 5.7 | 5.4 | 5.2 | 8.0 | 8.1 | 7.0 | 6.4 |
| Residential Real Estate price[1] | 6.0 | 9.4 | 9.3 | 8.4 | 4.7 | 7.4 | 8.0 | 6.7 | 5.6 | 3.2 | 0.5 | 6.2 | 6.9 |

| **Latvia** | **2020a** | **Scenarios** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Measure, %** | | **Optimistic** | | | | **Baseline** | | | | **Pessimistic** | | | |
| | | **2021f** | **2022f** | **2023f** | **2024f** | **2021f** | **2022f** | **2023f** | **2024f** | **2021f** | **2022f** | **2023f** | **2024f** |
| Real GDP[1] | -3.6 | 4.2 | 7.6 | 5.6 | 2.8 | 2.8 | 6.2 | 4.9 | 2.8 | 0.1 | 3.7 | 5.0 | 2.5 |
| Unemployment rate | 8.1 | 7.0 | 5.7 | 4.9 | 4.8 | 7.5 | 6.8 | 5.8 | 5.4 | 8.6 | 9.4 | 7.4 | 6.4 |
| Residential Real Estate price[1] | 3.8 | 5.1 | 8.4 | 10.7 | 9.4 | 4.5 | 5.6 | 5.4 | 5.8 | 2.3 | -1.9 | 5.8 | 5.5 |

| **Lithuania** | **2020a** | **Scenarios** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Measure, %** | | **Optimistic** | | | | **Baseline** | | | | **Pessimistic** | | | |
| | | **2021f** | **2022f** | **2023f** | **2024f** | **2021f** | **2022f** | **2023f** | **2024f** | **2021f** | **2022f** | **2023f** | **2024f** |
| Real GDP[1] | -0.8 | 6.0 | 5.7 | 4.9 | 3.0 | 4.6 | 4.2 | 4.0 | 2.9 | 0.9 | 1.9 | 3.6 | 2.6 |
| Unemployment rate | 8.5 | 7.4 | 5.3 | 5.3 | 5.6 | 8.4 | 6.9 | 6.3 | 6.0 | 9.7 | 9.3 | 7.7 | 6.8 |
| Residential Real Estate price[1] | 7.3 | 14.0 | 10.0 | 7.8 | 17.8 | 12.3 | 8.0 | 5.5 | 5.0 | 8.0 | 0.0 | 4.3 | 5.0 |

1. Annual change

The forecasts of macroeconomic variables over three years were reviewed in the second quarter of 2021 to reflect the outlook due to COVID-19. These, together with a review of historically observed default frequency levels performed at the same time, indicated additional reversals of ECLs as compared to the end of 2020.

However, given the unprecedented uncertainty caused by COVID-19, based on further analysis performed by the management Luminor decided to maintain a management overlay. The underlying reasons for the overlay, presented in the Luminor Bank AS Annual Report 2020, remained relevant. The decision to maintain the overlay was based on the concerns with regard to the spread of the delta variant, uncertainty over the efficacy of vaccines towards new variants, and new lockdown restrictions being applied. Luminor's decision to maintain the overlay was also supported by the relative lack of effective early indicators to predict credit quality developments in the current crisis, no clear trend of customers' post grace period behaviour, difficulties to reach herd immunity, and risks of inflation.

Material exposures are reviewed regularly. The regularity and deepness of the assessment are based on the risk level and size of the exposure. The aim of the follow-up is to identify a potential worsening of the situation and start early actions to improve the Luminor's position, and to identify the occurrence of unlikeliness to pay criteria. Credit-impaired large exposures that are above materiality thresholds are reviewed every quarter or more frequently when individual circumstances require this. The valuation is updated when there are significant changes in cash flows, otherwise it is performed at least once a year.

For Stage 3 financial asset exposures (or defaulted POCI assets), which are classified as material, Luminor evaluates the impairment amount on an individual basis (individual assessment) under the discounted cash flows method, where both future cash flows from the customer's operations and cash flows from collateral realization are considered. As a rule, two scenarios – base case and risk case – with certain probability weights are used. For exceptional cases one scenario can be used where only cash flow from collateral realization without any cash flow from operating activities is considered. The circumstances in which only one scenario may be acceptable could be a workout case.

For Stage 3 financial asset exposures (or defaulted POCI assets), which are classified as immaterial, Luminor evaluates the impairment amount on a collective basis (collective assessment defined by asset type). Impairment is calculated by applying the provision rate for the unsecured part. The unsecured part for impairment purposes is calculated using the collateral value capped to the exposure amount and afterwards discounted, eliminating situations when overcollateralized loans have an entirely secured part and result in zero impairment. Different provision rates for the unsecured part are applied for three homogeneous groups distinguished by Luminor, i.e., mortgage loans and other loans with real estate collateral issued to individual customers, consumer loans and other loans to individual customers (including leasing), and loans to business customers.

Note 7 provides a summary of changes in the credit loss allowances and gross carrying amounts for loans to customers.

## MARKET RISK

Luminor has a low appetite for market risk. Based on internal risk self-assessment, the most significant parts of the market risk for Luminor are interest rate risk and credit spread risk - both stayed within internal Risk Appetite Framework and lower-level limits during the third quarter of 2021, while the exposures were at similar levels as they were during the previous reporting quarter. The significance of other risks is lower as Luminor does not have any open positions in equity instruments for trading, customer related foreign exchange flow is managed through daily hedging activities, and all derivative deals with customers are hedged with back-to-back transactions.

## LIQUIDITY RISK

Liquidity risk is managed to ensure a constant ability to settle contractual obligations. Luminor has developed a set of early warning indicators, limits for a timely identification of liquidity issues, as well as business and funding contingency plans to manage Luminor's liquidity during market disruptions. The liquidity risk management strategy is reviewed at least annually or after any significant change in the internal or external environment in which Luminor operates.

Liquidity risk management is focused on short term obligations and more structural long-term liquidity risk applying different internal and external metrics. Luminor uses a range of liquidity metrics for measuring, monitoring, and controlling liquidity risk including the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), internal liquidity limits for funding concentration, and the survival horizon metric as a part of the liquidity stress testing. Luminor's liquidity position, despite the outflow of deposits due to deposit base optimization activities (e.g. introduction of negative rates on additional corporate deposits), has remained strong during the first nine months of the year. Liquidity metrics stayed within internal and external limits during the third quarter of 2021.

## 3. NET INTEREST AND SIMILAR INCOME

| €m | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 |
| Loans and advances to customers at amortised cost | 56.3 | 54.7 | 169.2 | 160.8 | 225.4 |
| Deposits with other banks | 0.1 | 0.2 | 0.7 | 0.3 | 0.7 |
| **Interest income calculated using effective interest method** | **56.4** | **54.9** | **169.9** | **161.1** | **226.1** |
| Finance leases | 11.5 | 10.5 | 35.2 | 30.9 | 46.5 |
| Other interest[1] | 0.1 | 1.9 | 0.3 | 5.6 | 1.1 |
| **Other similar income** | **11.6** | **12.4** | **35.5** | **36.5** | **47.6** |
| **Interest and similar income** | **68.0** | **67.3** | **205.4** | **197.6** | **273.7** |
| Loans and deposits from credit institutions[2] | -3.1 | -3.5 | -10.4 | -12.0 | -15.0 |
| Deposits from customers | -1.5 | -0.2 | -7.1 | -1.1 | -8.2 |
| Impact of hedging activities | 0.6 | -3.1 | 1.2 | -1.6 | -0.5 |
| Debt securities issued | -2.3 | -2.1 | -7.5 | -6.2 | -9.8 |
| Other[3] | -3.6 | -0.5 | -11.8 | -1.9 | -13.3 |
| **Interest expense** | **-9.9** | **-9.4** | **-35.6** | **-22.8** | **-46.8** |
| **Net interest and similar income** | **58.1** | **57.9** | **169.8** | **174.8** | **226.9** |
| [1] Of which income from negative interest on deposits | 0.0 | 1.7 | 0.0 | 4.9 | 0.5 |
| [2] Of which interest paid on cash balances at central bank | -3.6 | -3.5 | -9.1 | -11.9 | -12.1 |
| [3] Of which former parent funding loan commitment interest expense | -2.7 | 0.0 | -9.5 | -1.2 | -10.6 |

| Interest and similar income by country of income generation | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2020 | 2021 | 2020 | 2021 | 2020 |
| Estonia | 17.0 | 16.2 | 52.3 | 49.0 | 69.5 |
| Latvia | 22.0 | 21.7 | 65.3 | 63.2 | 86.8 |
| Lithuania | 29.0 | 29.4 | 87.8 | 85.4 | 117.4 |
| **Total** | **68.0** | **67.3** | **205.4** | **197.6** | **273.7** |

## 4. NET FEE AND COMMISSION INCOME

| €m | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 |
| Cards | 9.2 | 9.6 | 24.7 | 24.6 | 32.4 |
| Credit products | 1.2 | 1.1 | 4.2 | 3.6 | 5.4 |
| Daily banking plans | 3.5 | 3.8 | 10.1 | 11.6 | 14.2 |
| Deposit products and cash management | 4.0 | 4.2 | 12.1 | 12.6 | 16.3 |
| Insurance | 1.1 | 1.0 | 3.2 | 2.9 | 4.2 |
| Investments | 1.5 | 0.7 | 2.8 | 3.3 | 3.9 |
| Pensions | 2.2 | 2.1 | 6.9 | 7.1 | 9.8 |
| Trade finance | 2.0 | 2.2 | 6.2 | 6.4 | 8.3 |
| Other fee and commission income | 0.3 | 0.3 | 0.9 | 0.6 | 1.3 |
| **Fee and commission income** | **25.0** | **25.0** | **71.1** | **72.7** | **95.8** |
| Cards | -3.9 | -4.9 | -14.6 | -12.8 | -17.2 |
| Credit products | 0.1 | -0.2 | -0.2 | -0.5 | -0.2 |
| Deposit products and cash management | -0.7 | -1.0 | -1.9 | -2.5 | -2.5 |
| Investments | -0.6 | -0.3 | -1.0 | -1.1 | -1.2 |
| Pensions | -0.2 | -0.2 | -0.4 | -0.5 | -0.6 |
| Other fee and commission expense | 0.0 | -0.1 | -0.1 | -0.2 | -0.5 |
| **Fee and commission expense** | **-5.3** | **-6.7** | **-18.2** | **-17.6** | **-22.2** |
| **Net fee and commission income** | **19.7** | **18.3** | **52.9** | **55.1** | **73.6** |

| Fee and commission income by country of income generation | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| €m | 2020 | 2021 | 2020 | 2021 | 2020 |
| Estonia | 3.7 | 3.3 | 11.6 | 11.2 | 15.3 |
| Latvia | 7.6 | 7.9 | 21.4 | 22.2 | 28.9 |
| Lithuania | 13.7 | 13.8 | 38.1 | 39.3 | 51.6 |
| **Total** | **25.0** | **25.0** | **71.1** | **72.7** | **95.8** |

### Fee and commission income by products and type of revenue recognition

| €m | 3rd Quarter | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2021 | | |
| | Over time | Point in time | Total | Over time | Point in time | Total |
| Cards | 2.7 | 6.5 | 9.2 | 2.8 | 6.8 | 9.6 |
| Credit products | 0.6 | 0.6 | 1.2 | 0.3 | 0.8 | 1.1 |
| Daily banking plans | 3.5 | 0.0 | 3.5 | 3.8 | 0.0 | 3.8 |
| Deposit products and cash management | 0.7 | 3.3 | 4.0 | 0.7 | 3.5 | 4.2 |
| Insurance | 0.0 | 1.1 | 1.1 | 0.0 | 1.0 | 1.0 |
| Investments | 0.6 | 0.9 | 1.5 | 0.4 | 0.3 | 0.7 |
| Pensions | 2.2 | 0.0 | 2.2 | 2.1 | 0.0 | 2.1 |
| Trade finance | 1.8 | 0.2 | 2.0 | 2.0 | 0.2 | 2.2 |
| Other fee and commission income | 0.1 | 0.2 | 0.3 | 0.0 | 0.3 | 0.3 |
| **Total** | **12.2** | **12.8** | **25.0** | **12.1** | **12.9** | **25.0** |

| €m | Jan-Sep | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2021 | | |
| | Over time | Point in time | Total | Over time | Point in time | Total |
| Cards | 6.9 | 17.8 | 24.7 | 6.8 | 17.8 | 24.6 |
| Credit products | 2.2 | 2.0 | 4.2 | 1.2 | 2.4 | 3.6 |
| Daily banking plans | 10.1 | 0.0 | 10.1 | 11.6 | 0.0 | 11.6 |
| Deposit products and cash management | 2.4 | 9.7 | 12.1 | 2.3 | 10.3 | 12.6 |
| Insurance | 0.0 | 3.2 | 3.2 | 0.0 | 2.9 | 2.9 |
| Investments | 1.3 | 1.5 | 2.8 | 1.5 | 1.8 | 3.3 |
| Pensions | 6.9 | 0.0 | 6.9 | 7.1 | 0.0 | 7.1 |
| Trade finance | 5.6 | 0.6 | 6.2 | 5.8 | 0.6 | 6.4 |
| Other fee and commission income | 0.2 | 0.7 | 0.9 | 0.0 | 0.6 | 0.6 |
| **Total** | **35.6** | **35.5** | **71.1** | **36.3** | **36.4** | **72.7** |

| €m | FY 2020 | | |
|---|---|---|---|
| | Over time | Point in time | Total |
| Cards | 8.9 | 23.5 | **32.4** |
| Credit products | 2.8 | 2.6 | **5.4** |
| Daily banking plans | 14.2 | 0.0 | **14.2** |
| Deposit products and cash management | 3.1 | 13.2 | **16.3** |
| Insurance | 0.0 | 4.2 | **4.2** |
| Investments | 1.7 | 2.2 | **3.9** |
| Pensions | 9.8 | 0.0 | **9.8** |
| Trade finance | 7.4 | 0.9 | **8.3** |
| Other fee and commission income | 0.2 | 1.1 | **1.3** |
| **Total** | **48.1** | **47.7** | **95.8** |

## 5. NET OTHER FINANCIAL INCOME

| €m | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net gain (-loss) on financial assets and liabilities at fair value through profit or loss | 0.1 | 0.0 | -0.1 | 0.2 | 0.0 |
| Net gain (-loss) on debt securities designated at fair value through profit or loss | 3.3 | 0.0 | 6.6 | -0.4 | 8.4 |
| Net gain on financial assets and liabilities held for trading | 1.3 | 1.8 | 3.5 | 4.9 | 4.8 |
| Net gain (-loss) from financial derivatives | -9.6 | 5.8 | -4.8 | 16.8 | -9.6 |
| Net gain (-loss) from foreign currency operations | 11.7 | -2.7 | 16.3 | -6.7 | 24.1 |
| **Total** | **6.8** | **4.9** | **21.5** | **14.8** | **27.7** |

The Net loss from foreign currency operations reflects mainly the revaluation of foreign currency customer liabilities and was offset by the positive revaluation of derivatives, with which we hedge these customer liabilities.

## 6. OTHER ADMINISTRATIVE EXPENSES

| €m | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 |
| IT related expenses | -23.7 | -21.1 | -80.6 | -72.4 | -106.4 |
| Consulting and professional services | -4.2 | -5.2 | -10.8 | -23.1 | -19.9 |
| Advertising and marketing expenses | -0.8 | -2.4 | -1.7 | -3.9 | -3.0 |
| Real estate expenses | -1.2 | -0.8 | -3.9 | -2.8 | -5.2 |
| Taxes and duties | -1.7 | -1.0 | -5.6 | -3.2 | -8.1 |
| Other expenses | -5.7 | -2.6 | -16.1 | -10.8 | -20.5 |
| **Total** | **-37.3** | **-33.1** | **-118.7** | **-116.2** | **-163.1** |
| of which Exceptional costs | -16.8 | -11.7 | -65.8 | -58.3 | -89.6 |

## 7. LOANS TO CUSTOMERS

| €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Individual customers | 5,391.5 | 5,483.5 | 5,545.4 |
| Business customers | 3,768.8 | 3,832.7 | 3,965.9 |
| Financial institutions | 131.9 | 156.1 | 154.2 |
| Public sector | 138.6 | 168.7 | 166.0 |
| **Total** | **9,430.8** | **9,641.0** | **9,831.5** |
| of which Pledged loans (as shown below) | 887.7 | 585.5 | 582.4 |

| **Pledged loans** €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Former parent committed funding facility | 292.8 | 0.0 | 0.0 |
| Covered bond | 548.5 | 548.5 | 548.5 |
| Other | 46.4 | 37.0 | 33.9 |
| **Total** | **887.7** | **585.5** | **582.4** |

| **Loans to customers by country of registration** €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Estonia, Latvia, and Lithuania | 9,188.3 | 9,370.9 | 9,567.9 |
| Other EU countries | 175.6 | 186.1 | 174.8 |
| Other countries | 66.9 | 84.0 | 88.8 |
| **Total** | **9,430.8** | **9,641.0** | **9,831.5** |

| **Loans to Business customers by economic sectors** €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Real estate activities | 1,161.6 | 1,144.4 | 1,135.7 |
| Wholesale and retail trade | 705.8 | 678.9 | 800.3 |
| Manufacturing | 456.2 | 510.6 | 519.9 |
| Transport and storage | 308.3 | 309.0 | 319.4 |
| Agriculture, forestry, and fishing | 272.3 | 292.8 | 303.2 |
| Construction | 151.6 | 194.5 | 199.5 |
| Professional, scientific, and technical activities | 179.8 | 183.6 | 142.2 |
| Administrative and support service activities | 190.0 | 177.8 | 178.9 |
| Electricity, gas, steam, and air conditioning supply | 117.9 | 89.2 | 85.2 |
| Other sectors | 225.3 | 251.9 | 281.6 |
| **Total** | **3,768.8** | **3,832.7** | **3,965.9** |

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

| 31 December 2020<br>€m | Gross carrying amount | Allowance for impairment | Net carrying amount |
|---|---|---|---|
| Mortgage loans | 4,614.2 | -44.2 | 4,570.0 |
| Leasing | 454.3 | -4.1 | 450.2 |
| Consumer and card loans | 106.3 | -1.1 | 105.2 |
| Other loans | 275.0 | -8.9 | 266.1 |
| **Individual customers** | **5,449.8** | **-58.3** | **5,391.5** |
| Loans | 2,823.1 | -61.7 | 2,761.4 |
| Leasing | 843.0 | -14.3 | 828.7 |
| Factoring | 180.8 | -2.1 | 178.7 |
| **Business customers** | **3,846.9** | **-78.1** | **3,768.8** |
| **Financial institutions** | **132.4** | **-0.5** | **131.9** |
| **Public sector** | **138.6** | **0.0** | **138.6** |
| **Total** | **9,567.7** | **-136.9** | **9,430.8** |

| 30 June 2021<br>€m | Gross carrying amount | Allowance for impairment | Net carrying amount |
|---|---|---|---|
| Mortgage loans | 4,681.6 | -36.7 | 4,644.9 |
| Leasing | 445.0 | -3.4 | 441.6 |
| Consumer and card loans | 104.2 | -0.8 | 103.4 |
| Other loans | 299.5 | -5.9 | 293.6 |
| **Individual customers** | **5,530.3** | **-46.8** | **5,483.5** |
| Loans | 2,790.4 | -51.9 | 2,738.5 |
| Leasing | 868.0 | -14.0 | 854.0 |
| Factoring | 241.7 | -1.5 | 240.2 |
| **Business customers** | **3,900.1** | **-67.4** | **3,832.7** |
| **Financial institutions** | **156.8** | **-0.7** | **156.1** |
| **Public sector** | **168.7** | **0.0** | **168.7** |
| **Total** | **9,755.9** | **-114.9** | **9,641.0** |

| 30 September 2021<br>€m | Gross carrying amount | Allowance for impairment | Net carrying amount |
|---|---|---|---|
| Mortgage loans | 4,738.0 | -40.0 | 4,698.0 |
| Leasing | 454.6 | -3.7 | 450.9 |
| Consumer and card loans | 107.9 | -1.7 | 106.2 |
| Other loans | 296.9 | -6.6 | 290.3 |
| **Individual customers** | **5,597.4** | **-52.0** | **5,545.4** |
| Loans | 2,868.5 | -43.3 | 2,825.2 |
| Leasing | 892.7 | -10.7 | 882.0 |
| Factoring | 260.3 | -1.6 | 258.7 |
| **Business customers** | **4,021.5** | **-55.6** | **3,965.9** |
| **Financial institutions** | **154.8** | **-0.6** | **154.2** |
| **Public sector** | **166.0** | **0.0** | **166.0** |
| **Total** | **9,939.7** | **-108.2** | **9,831.5** |

### Loans to customers by risk category and stage

The credit quality of loans to customers is disclosed in the tables below according to our internal risk scale and methodology, the details of which have been disclosed in the Luminor Bank AS Annual Report 2020.

| 31 December 2020, €m | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Low risk | 5,091.2 | 63.7 | 0.0 | 3.5 | **5,158.4** |
| Moderate risk | 2,721.0 | 868.2 | 0.0 | 12.6 | **3,601.8** |
| High risk | 146.1 | 334.3 | 0.0 | 21.7 | **502.1** |
| Default | 0.0 | 0.0 | 288.2 | 17.2 | **305.4** |
| **Gross carrying amount** | **7,958.3** | **1,266.2** | **288.2** | **55.0** | **9,567.7** |
| Allowance for impairment | −21.3 | −23.1 | −89.1 | −3.4 | **−136.9** |
| **Net carrying amount** | **7,937.0** | **1,243.1** | **199.1** | **51.6** | **9,430.8** |

| 30 June 2021, €m | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Low risk | 5,234.5 | 66.3 | 0.0 | 3.6 | **5,304.4** |
| Moderate risk | 3,228.2 | 544.4 | 0.0 | 12.7 | **3,785.3** |
| High risk | 132.9 | 255.9 | 0.0 | 21.0 | **409.8** |
| Default | 0.0 | 0.0 | 243.0 | 13.4 | **256.4** |
| **Gross carrying amount** | **8,595.6** | **866.6** | **243.0** | **50.7** | **9,755.9** |
| Allowance for impairment | −18.8 | −26.4 | −65.9 | −3.8 | **−114.9** |
| **Net carrying amount** | **8,576.8** | **840.2** | **177.1** | **46.9** | **9,641.0** |

| 30 September 2021, €m | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Low risk | 5,826.7 | 85.6 | 0 | 3.2 | **5,915.5** |
| Moderate risk | 2,719.4 | 451.5 | 0 | 2.2 | **3,173.1** |
| High risk | 218.0 | 375.0 | 0 | 28.0 | **621.0** |
| Default | 0.0 | 0.0 | 218.3 | 11.8 | **230.1** |
| **Gross carrying amount** | **8,764.1** | **912.1** | **218.3** | **45.2** | **9,939.7** |
| Allowance for impairment | −25.2 | −23.6 | −55.9 | −3.5 | **−108.2** |
| **Net carrying amount** | **8,738.9** | **888.5** | **162.4** | **41.7** | **9,831.5** |

### Information about credit loss allowances

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

| €m | Credit loss allowance | | | | | Gross carrying amount | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| **As at 31 December 2019** | **-16.5** | **-25.9** | **-138.9** | **-4.4** | **-185.7** | **9,131.1** | **846.1** | **364.9** | **66.1** | **10,408.2** |
| Movements with impact on credit loss allowances | | | | | | | | | | |
| Transfers within Stages: | | | | | | | | | | |
| to Stage 1 | -7.8 | 6.4 | 1.4 | 0.0 | **0.0** | 195.2 | -181.0 | -14.2 | 0.0 | **0.0** |
| to Stage 2 | 4.2 | -7.0 | 2.8 | 0.0 | **0.0** | -907.2 | 924.3 | -17.1 | 0.0 | **0.0** |
| to Stage 3 | 2.4 | 3.5 | -5.9 | 0.0 | **0.0** | -62.8 | -74.5 | 137.3 | 0.0 | **0.0** |
| Originated or purchased | -11.6 | 0.0 | 0.0 | 0.0 | **-11.6** | 1,504.7 | 0.0 | 0.0 | 0.3 | **1,505.0** |
| Derecognised and repaid | 3.4 | 4.0 | 11.3 | 0.2 | **18.9** | -1,902.7 | -248.7 | -121.2 | -9.6 | **-2,282.2** |
| Changes to ECL model assumptions and effect from changes in Stages | 17.1 | 4.3 | -21.3 | -0.9 | **-0.8** | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| Management overlay adjustment | -12.5 | -8.4 | 0.0 | -0.1 | **-21.0** | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| **Total** | **-4.8** | **2.8** | **-11.7** | **-0.8** | **-14.5** | **-1,172.8** | **420.1** | **-15.2** | **-9.3** | **-777.2** |
| Movements without impact on credit loss allowances | | | | | | | | | | |
| Write-offs | 0.0 | 0.0 | 61.5 | 1.8 | **63.3** | 0.0 | 0.0 | -61.5 | -1.8 | **-63.3** |
| **As at 31 December 2020[1]** | **-21.3** | **-23.1** | **-89.1** | **-3.4** | **-136.9** | **7,958.3** | **1,266.2** | **288.2** | **55.0** | **9,567.7** |

[1] Out of total POCI loans credit loss allowances -0.2 million EUR is in non-credit-impaired and -3.3 million EUR is in credit-impaired, gross carrying amount 37.8 million EUR is in non-credit-impaired and 17.2 million EUR in credit-impaired.

| €m | Credit loss allowance | | | | | Gross carrying amount | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| **As at 31 December 2020** | **-21.3** | **-23.1** | **-89.1** | **-3.4** | **-136.9** | **7,958.3** | **1,266.2** | **288.2** | **55.0** | **9,567.7** |
| Movements with impact on credit loss allowances | | | | | | | | | | |
| Transfers within Stages: | | | | | | | | | | |
| to Stage 1 | -7.7 | 5.9 | 1.8 | 0.0 | **0.0** | 314.8 | -302.7 | -12.1 | 0.0 | **0.0** |
| to Stage 2 | 1.2 | -5.8 | 4.6 | 0.0 | **0.0** | -181.0 | 216.8 | -35.8 | 0.0 | **0.0** |
| to Stage 3 | 2.5 | 1.2 | -3.7 | 0.0 | **0.0** | -23.0 | -56.3 | 79.3 | 0.0 | **0.0** |
| Originated or purchased | -9.6 | 0.0 | 0.0 | 0.0 | **-9.6** | 1,152.0 | 0.0 | 0.0 | 5.8 | **1,157.8** |
| Derecognised and repaid | 1.1 | 1.7 | 20.7 | 0.0 | **23.5** | -625.5 | -257.4 | -62.1 | -9.8 | **-954.8** |
| Changes to ECL model assumptions and effect from changes in Stages | 15.1 | 0.7 | -14.6 | -0.7 | **0.5** | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| Management overlay adjustment | -0.1 | -7.0 | 0.0 | 0.0 | **-7.1** | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| **Total** | **2.5** | **-3.3** | **8.8** | **-0.7** | **7.3** | **637.3** | **-399.6** | **-30.7** | **-4.0** | **203.0** |
| Movements without impact on credit loss allowances | | | | | | | | | | |
| Write-offs | 0.0 | 0.0 | 14.4 | 0.3 | **14.7** | 0.0 | 0.0 | -14.5 | -0.3 | **-14.8** |
| **As at 30 June 2021[1]** | **-18.8** | **-26.4** | **-65.9** | **-3.8** | **-114.9** | **8,595.6** | **866.6** | **243.0** | **50.7** | **9,755.9** |

[1] Out of total POCI loans credit loss allowances -0.6 million EUR is in non-credit-impaired and -3.2 million EUR is in credit-impaired, gross carrying amount 37.2 million EUR is in non-credit-impaired and 13.5 million EUR in credit-impaired.

| €m | Credit loss allowance | | | | | Gross carrying amount | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
| **As at 31 December 2020** | **-21.3** | **-23.1** | **-89.1** | **-3.4** | **-136.9** | **7,958.3** | **1,266.2** | **288.2** | **55.0** | **9,567.7** |
| Movements with impact on credit loss allowances | | | | | | | | | | |
| Transfers within Stages: | | | | | | | | | | |
| to Stage 1 | -15.8 | 12.9 | 2.9 | 0.0 | **0.0** | 642.3 | -621.8 | -20.50 | 0.0 | **0.0** |
| to Stage 2 | 2.1 | -13.1 | 11.0 | 0.0 | **0.0** | -402.9 | 486.7 | -83.8 | 0.0 | **0.0** |
| to Stage 3 | 1.9 | 1.9 | -3.8 | 0.0 | **0.0** | -38.8 | -85.6 | 124.4 | 0.0 | **0.0** |
| Originated or purchased | -13.0 | 0.0 | 0.0 | 0.0 | **-13.0** | 1,905.7 | 0.0 | 0.0 | 6.7 | **1,912.4** |
| Derecognised and repaid | 3.9 | 5.4 | 47.6 | 0.2 | **57.1** | -1,300.5 | -133.4 | -76.1 | -16.3 | **-1,526.3** |
| Changes to ECL model assumptions and effect from changes in Stages | 14.6 | -4.4 | -38.5 | -0.5 | **-28.8** | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| Management overlay adjustment | 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** | **805.8** | **-354.1** | **-56.0** | **-9.6** | **386.1** |
| Movements without impact on credit loss allowances | | | | | | | | | | |
| Write-offs | 0.0 | 0.0 | 14.0 | 0.2 | **14.1** | 0.0 | 0.0 | -13.9 | -0.2 | **-14.1** |
| **As at 30 September 2021**[1] | **-25.2** | **-23.6** | **-55.9** | **-3.5** | **-108.2** | **8,764.1** | **912.1** | **218.3** | **45.2** | **9,939.7** |

[1] Out of total POCI loans credit loss allowances -0.3 million EUR is in non-credit-impaired and -3.2 million EUR is in credit-impaired, gross carrying amount 33.4 million EUR is in non-credit-impaired and 11.8 million EUR in credit-impaired.

## 8. DEPOSITS FROM CUSTOMERS

| €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Term deposits | 1,087.0 | 898.5 | 825.8 |
| Demand deposits | 10,734.7 | 9,734.0 | 10,133.0 |
| **Total** | **11,821.7** | **10,632.5** | **10,958.8** |

| Deposits from customers by type of customers €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Individual customers | 4,509.4 | 4,534.6 | 4,581.8 |
| Business customers | 4,272.9 | 3,929.3 | 3,990.6 |
| Financial institutions | 345.0 | 243.3 | 245.9 |
| Public sector | 2,694.4 | 1,925.3 | 2,140.5 |
| **Total** | **11,821.7** | **10,632.5** | **10,958.8** |

| Deposits from customers by country of registration €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Estonia, Latvia, and Lithuania | 11,614.2 | 10,414.8 | 10,698.8 |
| Other EU countries | 110.5 | 95.1 | 90.4 |
| Other countries | 97.0 | 122.6 | 169.6 |
| **Total** | **11,821.7** | **10,632.5** | **10,958.8** |

## 9. DEBT SECURITIES ISSUED

| €m | First call date | Maturity date | Nominal amount | Carrying amount | | |
|---|---|---|---|---|---|---|
| | | | | 31 December 2020 | 30 June 2021 | 30 September 2021 |
| 1.5% senior bond | | October 2021 | 99.2 | 100.1 | 100.4 | 100.7 |
| 1.375% senior bond | | October 2022 | 71.5 | 301.6 | 303.5 | 72.5 |
| 0.01% covered bond | | March 2025 | 500.0 | 502.0 | 498.2 | 497.7 |
| 0.792% senior bond | December 2023 | December 2024 | 300.0 | 297.5 | 297.8 | 299.4 |
| 0.539% senior bond | September 2025 | September 2026 | 300.0 | 0.0 | 0.0 | 298.8 |
| **Total** | | | **1,270.7** | **1,201.2** | **1,199.9** | **1,269.1** |

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

| 31 December 2020 | Notional | Fair values | |
|---|---|---|---|
| €m | amounts | Assets | Liabilities |
| Interest rate-related contracts | 2,879.4 | 13.1 | 11.5 |
| Currency-related contracts | 1,147.1 | 28.8 | 37.6 |
| Commodity-related contracts | 12.8 | 1.5 | 1.5 |
| **Total** | **4,039.3** | **43.4** | **50.6** |

| 30 June 2021 | Notional | Fair values | |
|---|---|---|---|
| €m | amounts | Assets | Liabilities |
| Interest rate-related contracts | 2,578.1 | 10.9 | 7.2 |
| Currency-related contracts | 1,072.5 | 20.9 | 17.1 |
| Commodity-related contracts | 20.2 | 5.3 | 5.1 |
| **Total** | **3,670.8** | **37.1** | **29.4** |

| 30 September 2021 | Notional | Fair values | |
|---|---|---|---|
| €m | amounts | Assets | Liabilities |
| Interest rate-related contracts | 2,192.8 | 6.5 | 5.8 |
| Currency-related contracts | 1,201.3 | 25.5 | 17.4 |
| Commodity-related contracts | 150.5 | 25.3 | 25.1 |
| **Total** | **3,544.6** | **57.3** | **48.3** |

### Hedge accounting

Luminor applies hedge accounting only to fair value hedges of issued debt securities. To test hedge effectiveness, Luminor uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in the fair value of the hedged item attributable to the hedged risk. Ineffectiveness was clearly immaterial as at 31 December 2020, 30 June 2021, and 30 September 2021. The carrying amount of the derivatives is included in line item 'Assets: Derivative financial instruments' in the statement of financial position. The notional and fair value of hedging instruments are:

| Interest rate swaps<br>€m | 31 December<br>2020 | 30 June<br>2021 | 30 September<br>2021 |
|---|---|---|---|
| Notional amount | 1,100.0 | 1,100.0 | 800.0 |
| Carrying amount | 5.3 | 4.5 | 0.9 |

## 11. CONTINGENT LIABILITIES

| €m | 31 December<br>2020 | 30 June<br>2021 | 30 September<br>2021 |
|---|---|---|---|
| Undrawn loan commitments given | 1,199.1 | 1,096.7 | 1,195.5 |
| Financial guarantees given | 433.5 | 500.4 | 502.5 |
| Performance guarantees | 147.1 | 167.6 | 169.7 |
| **Total** | **1,779.7** | **1,764.7** | **1,867.7** |

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

## 12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The valuation techniques along with the selection of relevant inputs have not changed in the reporting period. For detailed information on the valuation techniques and inputs, please, refer to the Luminor Bank AS Annual Report 2020.

| 31 December 2020, €m | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets at amortised cost for which fair values are disclosed** | | | | |
| Cash on hand | 123.8 | 0.0 | 0.0 | **123.8** |
| Balances with central banks | 0.0 | 4,802.7 | 0.0 | **4,802.7** |
| Due from other credit institutions | 0.0 | 103.6 | 0.0 | **103.6** |
| Loans to customers | 0.0 | 0.0 | 9,107.0 | **9,107.0** |
| Other financial assets | 0.0 | 0.0 | 10.2 | **10.2** |
| **Financial assets at fair value** | | | | |
| **Financial assets held for trading** | | | | |
| Debt securities | 2.9 | 0.0 | 0.0 | **2.9** |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity instruments | 0.0 | 2.7 | 0.0 | **2.7** |
| Debt securities | | | | |
| Governments | 251.1 | 0.0 | 0.0 | **251.1** |
| Credit institutions | 24.1 | 0.0 | 0.0 | **24.1** |
| Other financial corporations | 0.0 | 0.0 | 6.2 | **6.2** |
| Derivative financial instruments | 0.0 | 42.7 | 0.7 | **43.4** |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Equity instruments | 0.0 | 0.0 | 0.1 | **0.1** |
| **Total** | **401.9** | **4,951.7** | **9,124.2** | **14,477.8** |

| | | | | |
|---|---|---|---|---|
| **Liabilities at amortised cost for which fair values are disclosed** | | | | |
| Loans and deposits from credit institutions | 0.0 | 47.3 | 0.0 | **47.3** |
| Deposits from customers | 0.0 | 10,734.7 | 1,087.0 | **11,821.7** |
| Debt securities issued | 499.2 | 701.0 | 0.0 | **1,200.2** |
| Other financial liabilities | 0.0 | 0.0 | 14.7 | **14.7** |
| **Financial liabilities at fair value** | | | | |
| Derivative financial instruments | 0.0 | 49.3 | 1.3 | **50.6** |
| **Total** | **499.2** | **11,532.3** | **1,103.0** | **13,134.5** |

| 30 June 2021, €m | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets at amortised cost for which fair values are disclosed** | | | | |
| Cash on hand | 149.3 | 0.0 | 0.0 | **149.3** |
| Balances with central banks | 0.0 | 3,451.5 | 0.0 | **3,451.5** |
| Due from other credit institutions | 0.0 | 74.7 | 0.0 | **74.7** |
| Loans to customers | 0.0 | 0.0 | 9,424.7 | **9,424.7** |
| Debt securities | 44.2 | 0.0 | 0.0 | **44.2** |
| Other financial assets | 0.0 | 13.6 | 0.0 | **13.6** |
| **Financial assets at fair value** | | | | |
| **Financial assets held for trading** | | | | |
| Debt securities | 11.6 | 0.0 | 0.0 | **11.6** |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity instruments | 0.0 | 3.4 | 0.0 | **3.4** |
| Debt securities | | | | |
| Governments | 244.5 | 0.0 | 0.0 | **244.5** |
| Credit institutions | 23.9 | 0.0 | 0.0 | **23.9** |
| Other financial corporations | 0.0 | 0.0 | 7.0 | **7.0** |
| Derivative financial instruments | 0.0 | 36.6 | 0.5 | **37.1** |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Equity instruments | 0.0 | 0.0 | 0.1 | **0.1** |
| **Total** | **473.5** | **3,579.8** | **9,432.3** | **13,485.6** |
| | | | | |
| **Liabilities at amortised cost for which fair values are disclosed** | | | | |
| Loans and deposits from credit institutions | 0.0 | 64.0 | 0.0 | **64.0** |
| Deposits from customers | 0.0 | 9,734.0 | 898.5 | **10,632.5** |
| Debt securities issued | 0.0 | 1,214.8 | 0.0 | **1,214.8** |
| Other financial liabilities | 0.0 | 91.9 | 0.0 | **91.9** |
| **Financial liabilities at fair value** | | | | |
| Derivative financial instruments | 0.0 | 28.7 | 0.7 | **29.4** |
| **Total** | **0.0** | **11,133.4** | **899.2** | **12,032.6** |

| 30 September 2021, €m | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets at amortised cost for which fair values are disclosed** | | | | |
| Cash on hand | 150.5 | 0.0 | 0.0 | **150.5** |
| Balances with central banks | 0.0 | 3,561.5 | 0.0 | **3,561.5** |
| Due from other credit institutions | 0.0 | 39.3 | 0.0 | **39.3** |
| Loans to customers | 0.0 | 0.0 | 9,697.6 | **9,697.6** |
| Debt securities | 146.1 | 0.0 | 0.0 | **146.1** |
| Other financial assets | 0.0 | 13.9 | 0.0 | **13.9** |
| **Financial assets at fair value** | | | | |
| **Financial assets held for trading** | | | | |
| Debt securities | 11.6 | 0.0 | 0.0 | **11.6** |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity instruments | 0.0 | 2.8 | 0.0 | **2.8** |
| Debt securities | | | | |
| Governments | 244.5 | 0.0 | 0.0 | **244.5** |
| Credit institutions | 23.9 | 0.0 | 0.0 | **23.9** |
| Other financial corporations | 0.0 | 0.0 | 7.1 | **7.1** |
| Derivative financial instruments | 0.0 | 57.1 | 0.2 | **57.3** |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Debt instruments | 0.8 | 0.0 | 0.0 | **0.8** |
| Equity instruments | 0.0 | 0.0 | 0.1 | **0.1** |
| **Total** | **577.4** | **3,674.6** | **9,705.0** | **13,957.0** |
| | | | | |
| **Liabilities at amortised cost for which fair values are disclosed** | | | | |
| Loans and deposits from credit institutions | 0.0 | 57.5 | 0.0 | **57.5** |
| Deposits from customers | 0.0 | 10,133.0 | 825.8 | **10,958.8** |
| Debt securities issued | 0.0 | 1,281.2 | 0.0 | **1,281.2** |
| Other financial liabilities | 0.0 | 31.0 | 0.0 | **31.0** |
| **Financial liabilities at fair value** | | | | |
| Derivative financial instruments | 0.0 | 48.3 | 0.0 | **48.3** |
| **Total** | **0.0** | **11,551.0** | **825.8** | **12,376.8** |

| Change in debt securities in Level 3<br>€m | Full year<br>2020 | Jan–Jun<br>2021 | Jan–Sep<br>2021 |
|---|---|---|---|
| **Opening balance** | **12.9** | **6.2** | **6.2** |
| Additions or disposals | -7.2 | 0.0 | 0.0 |
| Unrealised gains for assets held at the end of the reporting period | 0.5 | 0.8 | 0.9 |
| **Closing balance** | **6.2** | **7.0** | **7.1** |

## 13. RELATED PARTIES

Related parties are defined as shareholders with significant influence, control, or joint control; members of the Supervisory Council and the Management Board as key management personnel, their close relatives, and companies in which they have a controlling interest; and associated companies. A number of banking transactions are entered into with related parties in the normal course of business, as follows:

### Shareholders with significant influence

| €m | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 |
| Interest expenses | -3.8 | -0.3 | -11.8 | -4.7 | -11.1 |
| Net commission and fee income | 0.0 | -0.1 | -0.1 | -0.2 | -0.1 |
| Net other financial income | -16.7 | 7.9 | -15.7 | 22.8 | -26.8 |
| Other administrative expenses | -6.6 | -0.1 | -13.1 | -4.0 | -14.4 |
| Other income and expenses | -0.6 | 0.0 | -2.0 | 0.3 | -1.4 |
| **Total** | **-27.7** | **7.4** | **-42.7** | **14.2** | **-53.8** |

| €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Due from other credit institutions | 55.9 | 7.8 | 8.1 |
| Derivative instruments | 18.7 | 18.2 | 35.3 |
| Other assets | 0.1 | 6.8 | 0.0 |
| **Total assets** | **74.7** | **32.8** | **43.4** |
| Due to credit institutions | 3.1 | 6.4 | 15.8 |
| Derivative instruments | 41.3 | 19.5 | 19.4 |
| Other liabilities | 4.4 | 3.4 | 11.6 |
| **Total liabilities** | **48.8** | **29.3** | **46.8** |

### Key management personnel

| €m | 3rd Quarter | | Jan-Sep | | FY |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 |
| Payments of fixed and variable remuneration | -0.6 | -0.4 | -1.9 | -1.4 | -2.8 |

| €m | 30 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Loans to customers | 1.0 | 0.1 | 0.1 |
| Deposits from customers | 1.1 | 0.5 | 0.5 |

### Associated companies

| ALD Automotive (3 entities) €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| Loans to Customers | 11.2 | 8.3 | 6.7 |
| Deposits from customers | 0.8 | 0.9 | 0.2 |

## 14. SEGMENT REPORTING

| €m | 3rd Quarter | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2021 | | | |
| | Retail | Corporate | Other | Total | Retail | Corporate | Other | Total |
| Net interest and similar income | 27.6 | 29.3 | 1.2 | **58.1** | 27.9 | 32.5 | -2.5 | **57.9** |
| Net fee and commission income | 13.1 | 6.2 | 0.4 | **19.7** | 12.2 | 5.8 | 0.3 | **18.3** |
| Net other financial income | 1.5 | 2.4 | 2.9 | **6.8** | 2.0 | 2.2 | 0.7 | **4.9** |
| Other income | 0.2 | 0.3 | -0.1 | **0.4** | 0.0 | -0.1 | -2.5 | **-2.6** |
| **Total operating income** | **42.4** | **38.2** | **4.4** | **85.0** | **42.1** | **40.4** | **-4.0** | **78.5** |
| Total operating expenses | -40.5 | -19.7 | -3.2 | **-63.4** | -37.9 | -20.1 | -0.7 | **-58.7** |
| Credit loss allowance | 4.4 | -4.3 | 0.5 | **0.6** | -4.4 | 12.6 | 0.5 | **8.7** |
| Other | 0.0 | 0.0 | 0.4 | **0.4** | 0.0 | 0.4 | 0.0 | **0.4** |
| **Profit (-loss) before tax** | **6.3** | **14.2** | **2.1** | **22.6** | **-0.2** | **33.3** | **-4.2** | **28.9** |

| €m | Jan-Sep | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2021 | | | |
| | Retail | Corporate | Other | Total | Retail | Corporate | Other | Total |
| Net interest and similar income | 85.7 | 89.8 | -5.7 | **169.8** | 82.0 | 93.1 | -0.3 | **174.8** |
| Net fee and commission income | 35.2 | 17.8 | -0.1 | **52.9** | 37.2 | 17.2 | 0.7 | **55.1** |
| Net other financial income | 4.4 | 6.7 | 10.4 | **21.5** | 5.4 | 6.5 | 2.9 | **14.8** |
| Other income | 0.6 | 0.8 | 0.2 | **1.6** | 0.3 | 0.3 | -7.6 | **-7.0** |
| **Total operating income** | **125.9** | **115.1** | **4.8** | **245.8** | **124.9** | **117.1** | **-4.3** | **237.7** |
| Total operating expenses | -129.1 | -65.7 | -4.9 | **-199.7** | -129.2 | -66.1 | -2.1 | **-197.4** |
| Credit loss allowance | -0.3 | -32.6 | 0.8 | **-32.1** | 2.8 | 13.7 | 0.7 | **17.2** |
| Other | 0.0 | 0.1 | 0.8 | **0.9** | -0.1 | 1.2 | 0.0 | **1.1** |
| **Profit (-loss) before tax** | **-3.5** | **16.9** | **1.5** | **14.9** | **-1.6** | **65.9** | **-5.7** | **58.6** |

| €m | FY 2020 | | | |
|---|---|---|---|---|
| | Retail | Corporate | Other | Total |
| Net interest and similar income | 114.2 | 123.2 | -10.5 | **226.9** |
| Net fee and commission income | 49.2 | 24.3 | 0.1 | **73.6** |
| Net other financial income | 6.1 | 8.0 | 13.6 | **27.7** |
| Other income | 0.9 | 0.9 | -1.8 | **0.0** |
| **Total operating income** | **170.4** | **156.4** | **1.4** | **328.2** |
| Total operating expenses | -173.7 | -96.1 | -5.6 | **-275.4** |
| Credit loss allowance | 5.4 | -24.0 | 1.0 | **-17.6** |
| Other | 0.1 | 0.1 | 0.4 | **0.6** |
| **Profit (-loss) before tax** | **2.2** | **36.4** | **-2.8** | **35.8** |

### Fee and commission income by segment

| €m | 3rd Quarter | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2021 | | | |
| | Retail | Corporate | Other | Total | Retail | Corporate | Other | Total |
| Cards | 7.8 | 1.5 | 0.0 | **9.3** | 8.1 | 1.5 | 0.0 | **9.6** |
| Credit products | 0.1 | 1.2 | -0.1 | **1.2** | 0.0 | 1.1 | 0.0 | **1.1** |
| Daily banking plans | 3.4 | 0.1 | 0.0 | **3.5** | 3.8 | 0.1 | 0.0 | **3.9** |
| Deposit products and cash management | 2.0 | 1.8 | 0.1 | **3.9** | 2.0 | 1.8 | 0.3 | **4.1** |
| Insurance | 0.7 | 0.3 | 0.1 | **1.1** | 0.8 | 0.2 | 0.0 | **1.0** |
| Investments | 0.7 | 0.3 | 0.5 | **1.5** | 0.2 | 0.1 | 0.4 | **0.7** |
| Pensions | 2.2 | 0.0 | 0.0 | **2.2** | 2.1 | 0.0 | 0.0 | **2.1** |
| Trade finance | 0.0 | 2.0 | 0.0 | **2.0** | 0.0 | 2.2 | 0.0 | **2.2** |
| Other fee and commission income | 0.2 | 0.1 | 0.0 | **0.3** | 0.1 | 0.2 | 0.0 | **0.3** |
| **Total** | **17.1** | **7.3** | **0.6** | **25.0** | **17.1** | **7.2** | **0.7** | **25.0** |

| €m | Jan-Sep | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2021 | | | |
| | Retail | Corporate | Other | Total | Retail | Corporate | Other | Total |
| Cards | 20.8 | 3.9 | 0.0 | **24.7** | 20.9 | 3.7 | 0.0 | **24.6** |
| Credit products | 0.8 | 3.5 | -0.1 | **4.2** | 0.4 | 3.1 | 0.1 | **3.6** |
| Daily banking plans | 9.9 | 0.2 | 0.0 | **10.1** | 11.4 | 0.2 | 0.0 | **11.6** |
| Deposit products and cash management | 6.3 | 5.5 | 0.3 | **12.1** | 6.3 | 5.5 | 0.8 | **12.6** |
| Insurance | 2.1 | 0.9 | 0.2 | **3.2** | 2.2 | 0.7 | 0.0 | **2.9** |
| Investments | 1.5 | 0.7 | 0.6 | **2.8** | 1.8 | 0.7 | 0.8 | **3.3** |
| Pensions | 6.8 | 0.0 | 0.1 | **6.9** | 6.9 | 0.1 | 0.1 | **7.1** |
| Trade finance | 0.1 | 6.1 | 0.0 | **6.2** | 0.1 | 6.3 | 0.0 | **6.4** |
| Other fee and commission income | 0.6 | 0.3 | 0.0 | **0.9** | 0.3 | 0.3 | 0.0 | **0.6** |
| **Total** | **48.9** | **21.1** | **1.1** | **71.1** | **50.3** | **20.6** | **1.8** | **72.7** |

| €m | FY 2020 | | | |
|---|---|---|---|---|
| | Retail | Corporate | Other | Total |
| Cards | 27.4 | 5.0 | 0.0 | **32.4** |
| Credit products | 0.9 | 4.6 | -0.1 | **5.4** |
| Daily banking plans | 13.9 | 0.2 | 0.1 | **14.2** |
| Deposit products and cash management | 8.3 | 7.4 | 0.6 | **16.3** |
| Insurance | 2.9 | 1.2 | 0.1 | **4.2** |
| Investments | 1.9 | 1.1 | 0.9 | **3.9** |
| Pensions | 9.7 | 0.0 | 0.1 | **9.8** |
| Trade finance | 0.1 | 8.0 | 0.2 | **8.3** |
| Other fee and commission income | 0.7 | 0.5 | 0.1 | **1.3** |
| **Total** | **65.8** | **28.0** | **2.0** | **95.8** |

| 31 December 2020, €m | Retail | Corporate | Other | Total |
|---|---|---|---|---|
| Loans to customers[1] | 5,251.8 | 4,307.8 | 31.9 | **9,591.5** |
| Deposits from customers | 5,743.1 | 6,024.8 | 53.8 | **11,821.7** |

| 30 June 2021, €m | Retail | Corporate | Other | Total |
|---|---|---|---|---|
| Loans to customers[1] | 5,290.6 | 4,481.7 | 11.3 | **9,783.6** |
| Deposits from customers | 5,790.1 | 4,803.6 | 38.8 | **10,632.5** |

| 30 September 2021, €m | Retail | Corporate | Other | Total |
|---|---|---|---|---|
| Loans to customers[1] | 5,353.0 | 4,598.0 | 18.7 | **9,969.7** |
| Deposits from customers | 5,842.0 | 5,085.8 | 31.0 | **10,958.8** |

[1] Amounts in Segment reporting do not include allowances and accumulated interests.

The table below shows reconciliation between the total amount of loans and receivables presented under reportable segments above to the net carrying amount from Luminor's Balance Sheet:

| €m | 31 December 2020 | 30 June 2021 | 30 September 2021 |
|---|---|---|---|
| **Total under segment reporting** | **9,591.5** | **9,783.6** | **9,969.7** |
| Accrued interest | 20.5 | 20.6 | 14.6 |
| Allowance | −136.9 | −114.9 | −108.2 |
| Initial impairment | −18.7 | −21.8 | −16.8 |
| Amortized fee | −25.6 | −26.5 | −27.8 |
| **Net carrying amount** | **9,430.8** | **9,641.0** | **9,831.5** |

# GLOSSARY

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

**Cost/income ratio excluding exceptional costs**
Total operating expenses, less exceptional costs, as a percentage of total operating income.

**Exceptional costs**
Costs which relate to specific projects which are temporary in nature and are approved by the Supervisory Council as part of our financial plan. These include investments into IT operations as part of our digital transformation, credit risk analytics, and business development.

**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 Equity excluding exceptional costs**
Profit for the period (annualized), excluding tax-adjusted exceptional costs, in relation to average shareholder's equity for that period.

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

**Common Equity Tier 1 ratio**
Shareholders' equity subject to regulatory adjustments as a percentage of total risk exposure amounts.

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

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

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

# INFORMATION ABOUT LUMINOR

## Luminor Bank AS

| | |
|---|---|
| **Location and address** | Liivalaia 45 |
| | 10145 Tallinn |
| | Estonia |
| **Registered country** | The Republic of Estonia |
| **Main activity:** | Credit institution |
| **Commercial Register code** | 11315936 |
| **Telephone** | +372 628 3300 |
| **SWIFT/BIC** | RIKOEE22 |
| **E-mail** | info@luminor.ee |
| **Investor relations** | ir@luminorgroup.com |
| **Balance sheet date** | 30 September 2021 |
| **Reporting period** | 1 January to 30 September 2021 |
| **Reporting currency** | Euro |


Luminor