

SUPPLEMENT DATED 20 FEBRUARY 2020
TO THE BASE PROSPECTUS DATED 9 APRIL 2019

LUMINOR BANK AS

(incorporated with limited liability in the Republic of Estonia)

EUR 3,000,000,000
Euro Medium Term Note and Covered Bond Programme

This supplement (the "**Base Prospectus Supplement**") to the Base Prospectus dated 9 April 2019 (as supplemented by the supplement dated 10 June 2019), (the "**Base Prospectus**") constitutes a base prospectus supplement for the purposes of Article 16 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**"). Terms defined in the Base Prospectus have the same meaning when used in this Base Prospectus Supplement.

This Base Prospectus Supplement is supplemental to and should be read in conjunction with the Base Prospectus prepared by Luminor Bank AS (the "**Issuer**") in connection with its EUR 3,000,000,000 Medium Term Note and Covered Bond Programme (the "**Programme**").

The purpose of the Base Prospectus Supplement is to:

- (a) incorporate by reference into the Base Prospectus the (i) unaudited condensed consolidated interim financial statements of the Issuer in respect of the six-month period ended 30 June 2019, (ii) unaudited condensed consolidated interim financial statements of the Issuer in respect of the nine-month period ended 30 September 2019 and (iii) the unaudited condensed consolidated interim financial statements of the Issuer in respect of the twelve-month period ended 31 December 2019;
- (b) add provisions for an automatic extension of the maturity of the Covered Bonds in certain circumstances to the terms and conditions, and make corresponding changes to the overview and risk factors sections to reflect this;
- (c) in preparation for the potential addition of Latvian and Lithuanian assets to the cover pool in respect of an issue of Covered Bonds, add a risk factor relating to the efficacy of ring-fencing of assets in Lithuania and Latvia, make corresponding changes to certain other risk factors and add disclosure on the Housing Mortgage Market in Latvia and Lithuania;
- (d) update the "*Description of the Issuer*" section to reflect new members added to the Management Board of the Issuer;
- (e) update the "*Potential Change of Ownership*" section to reflect the change of ownership of the Issuer; and
- (f) update the sub-section entitled "*Significant/Material Change*" under the section entitled "*General Information*" commencing on page 212 of the Base Prospectus.

This Base Prospectus Supplement has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive. The Central Bank only approves this Base Prospectus Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc, trading as Euronext Dublin or other regulated markets for the purposes of Directive 2014/65/EU (the "**Markets in Financial Instruments Directive**") or which are to be offered to the public in a Member State of the European Economic Area.

The Issuer accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the Issuer's knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus Supplement is in accordance with the facts and contains no omission likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Base Prospectus Supplement or any statement incorporated by reference into the Base Prospectus by this Base Prospectus Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statement in (a) above will prevail.

If any documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Base Prospectus Supplement or the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Base Prospectus Supplement.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus to which this Base Prospectus Supplement relates.

Save as disclosed in this Base Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme since the publication of the Base Prospectus. Any websites referred to within this Base Prospectus Supplement do not form part of this Base Prospectus Supplement.

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AMENDMENTS TO THE "INFORMATION INCORPORATED BY REFERENCE" SECTION

With effect from the date of this Base Prospectus Supplement, the following paragraphs are added to the section entitled "*Information Incorporated by Reference*" on page 43 of the Base Prospectus:

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10. ***Luminor Estonia 30 June 2019:*** the unaudited condensed consolidated interim financial statements (including the auditors' review report thereon) of the Issuer in respect of the six-month period ended 30 June 2019 prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("**IAS 34**") set out on pages 4 to 53 and 55 of the interim report of the Issuer); and
11. ***Luminor Estonia 30 September 2019:*** the unaudited condensed consolidated interim financial statements of the Issuer in respect of the nine-month period ended 30 September 2019 prepared in accordance with IAS 34 (set out on pages 4 to 48 of the interim report of the Issuer);
12. ***Luminor Estonia 31 December 2019:*** the unaudited condensed consolidated interim financial statements of the Issuer in respect of the twelve-month period ended 31 December 2019 prepared in accordance with IAS 34 (set out on pages 4 to 60 of the interim report of the Issuer);

Copies of the documents specified above as containing information incorporated by reference in the Base Prospectus may be inspected, free of charge, at Luminor Bank AS, Liivalaia 45, 10145, Tallinn, Estonia.

They are also available on Luminor Group's website:

Luminor Estonia:

https://www.luminor.ee/sites/default/files/documents/files/common/luminor_q4_2019_interim_report_en.pdf

https://www.luminor.lt/sites/default/files/documents/luminor_q3_2019_interim_report_en.pdf

https://www.luminor.ee/sites/default/files/documents/luminor_q2_2019_interim_report_eng.pdf

By virtue of this Base Prospectus Supplement, the financial statements listed above (together the "**Interim Financial Statements**") have been filed with the Central Bank and are incorporated in, and form part of, the Base Prospectus.

For the avoidance of doubt, any information, agreements, and/or documents expressed to be incorporated by reference in the Interim Financial Statements shall not be incorporated in or to form part of, the Base Prospectus. Any information, agreements and/or documents contained in the Interim Financial Statements which is not incorporated by reference in the Base Prospectus is either not relevant for an investor or is covered elsewhere in the Base Prospectus."

AMENDMENTS TO THE "RISK FACTORS" SECTION

With effect from the date of this Base Prospectus Supplement, the risk factor "*Risks associated with the Issuer getting a new majority shareholder*" on page 9 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Risks associated with the Issuer having a new majority shareholder

On 30 September 2019, Braavos Bidco Limited ("Braavos") acquired 60.1 per cent. of the shares of the Issuer from DNB Bank ASA ("DNB"), and Nordea Bank Abp (which became a shareholder of the Issuer on 1 October 2018, when it merged Nordea Bank AB (publ) into Nordea Bank Abp, hereafter "**Nordea**"). The ultimate shareholders of Braavos is a consortium led by private equity funds managed by Blackstone (the "**Braavos Consortium**") and includes a co-investment by Luxinva S.A. (a wholly owned subsidiary of the Abu Dhabi Investment Authority).

Unlike Nordea and DNB, the Braavos Consortium is a new entrant to the Baltic banking sector. Any differences of opinions and visions between Nordea, DNB and Braavos may have an impact on the Issuer."

With effect from the date of this Base Prospectus Supplement, the risk factor "*Risks associated with liquidity and dependence on funding on favourable terms*" on pages 9 and 10 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Risks associated with liquidity and dependence on external sources

The Issuer's business is reliant on its ability to finance its current operations at reasonable terms and meet its obligations as these arise. The Issuer's loan portfolio has, on average, a longer maturity than the Issuer's funding base. The Issuer considers that it has an appropriate funding structure to meet short-term and long-term requirements for liquidity management set by regulators.

The Issuer has credit lines with its minority shareholders, Nordea and DNB, who currently provide sufficient liquidity for the operations of the Issuer. Funding in amount of EUR 2,837,000,000 is available to the Issuer under a relevant funding agreement (the "**Facility Agreement**") before taking into account any mandatory cancellation resulting from the issuance of Notes (see "*Shareholder Support Mechanisms of the Issuer*"). The facility available under the Facility Agreement will reduce (accompanied, as the case may be, by a mandatory prepayment of a corresponding amount of the parent funding) as the Issuer seeks to raise new long-term funds from the money and capital markets, including the proceeds of a potential issuance of Notes under the Programme. In connection with the transfer to Braavos of a majority shareholding in the holding company of Luminor Holding AS, the terms and conditions of the Facility Agreement were changed (including, among other things, the maturity date being extended to a maximum of 5 years and the facility amount, applicable fees and interest rates being revised and collateral was established for the benefit of the lenders). The associated increase in cost of funding will have an impact on operating profit in the event that alternative financing is not obtained, as is currently intended, to refinance the Facility Agreement with a reduced cost of funding.

If the Issuer requires additional capitalisation beyond the current financing agreements, then the ability or willingness to provide such capital by the Braavos Consortium may not be the same as that of Nordea and DNB.

Furthermore, the Issuer may not be able to raise funds from money and/or capital markets on terms comparable with those previously available, which may have an adverse effect on the Issuer's business operations, its performance or its financial position. Access to, and the cost of, financing raised by the Issuer through money and capital markets are affected, among other things, by general interest rate levels, the situation on the financial markets, or a downturn in the performance of market participants and the Issuer's own capital adequacy and credit ratings.

The Issuer relies on deposits from retail and corporate customers in order to service some of its liquidity needs. The volume of such liquidity is, however, dependent on factors that are beyond the Issuer's control, such as changes in household savings ratios, the propensity to save by making bank deposits and changes in the tax regime applicable to bank deposits. The Issuer's liquidity position may also be affected negatively by a large unexpected outflow of deposits. The Issuer implements and maintains a short-term and long-term liquidity risk management strategy to maintain a low liquidity risk profile. However, failure to

refinance the loan portfolio funding on sufficiently favourable terms may have an adverse effect on the Issuer's business operations, its performance or its financial position.

The liquidity and funding plan of the Issuer is based on assumptions about client behaviour (the deposit base and durations of such deposits), especially with regard to the trend of short-term deposits. Even in critical, exceptional situations there is risk that the relevant behavioural assumptions used for the simulation scenarios prove to be incorrect, resulting in considerable unplanned liquidity outflows.

Any downgrade in the current credit rating of the Issuer may also increase its funding costs and limit the access to the money and/ or capital markets. This could lead to a deterioration in the Issuer's liquidity and make it more difficult for the Issuer to access refinancing and to comply with the liquidity requirements set out in applicable laws. Therefore, a reduction in a credit rating could adversely affect the Issuer's competitive position and, thus, have a material adverse effect on its business, financial condition and results of operations."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Risks associated with collaterals to be established for securing the Issuer's credit line from DNB and Nordea***" on pages 10 and 11 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Risks associated with collateral established for securing the Issuer's credit line from DNB and Nordea

The following collateral has been provided to secure the claims of DNB and Nordea under the Facility Agreement (see "***Risks associated with liquidity and dependence on external sources***" above): (i) a pledge over 100 per cent. of the shares of the Issuer; and (ii) a pledge over certain claims and receivables of the Issuer arising from existing and future residential mortgage backed loan agreements together with loans to corporates and SMEs and/or certain other assets, as may be amended from time to time (to the extent necessary to meet the minimum collateral value). The highest required minimum collateral value is claims having an aggregate nominal amount equal to EUR 2.25 billion (but this highest minimum collateral value will reduce as the facility size reduces below EUR 2.25 billion which may occur if more secured long-term debt is issued by the Issuer). The legal nature of each type of these agreed pledges varies between the relevant Baltic jurisdictions and the collateral provided from time to time may exceed the highest minimum collateral value as a consequence of this.

For the avoidance of doubt, the claims and receivables of the Issuer pledged in favour of DNB and Nordea shall not be used as cover assets in the Cover Pool for as long as such claims and receivables are subject to the pledge in favour of DNB and Nordea. Upon the release of such claims and receivables from the pledge in favour of DNB and Nordea, the Issuer may (but is not obliged to) include such claims and receivables to the Cover Pool, subject to such claims and receivables qualifying as Eligible Assets.

Any enforcement action with respect to the share pledge and/or assets pledge could bring about a change of shareholder of the Issuer and/or loss of assets of the Issuer, and thereby have a material adverse effect on the Issuer's business, financial condition and results of operations. Further, as the loans granted to the Issuer under the Facility Agreement (as defined in "***Risks associated with liquidity and dependence on external sources***" above) are secured, Nordea and DNB as the lenders would be preferred creditors in bankruptcy proceedings of the Issuer in respect to the assets pledged to Nordea and DNB and would have priority to satisfy their claims from the proceeds of the secured assets. This may have an adverse impact on the position of the Noteholders and reduce the possibility of the Noteholder to receive satisfaction of their claims from the Issuer.

With effect from the date of this Base Prospectus Supplement, the risk factor "***Risks associated with the transitional service agreements, concluded with DNB and Nordea***" on pages 11 and 12 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Risks associated with the transitional service agreements, concluded with DNB and Nordea

On closing the Merger on 1 October 2017, there were Transitional Services Agreements (each a "TSA") concluded with DNB and Nordea, in order to assure continuity of operations in the areas of banking and finance business (mainly payments) conducted by the Issuer, Luminor Latvia and Luminor Lithuania. The purpose of the TSAs was to regulate certain transitional services to be provided by DNB and Nordea to the Issuer, Luminor Latvia and Luminor Lithuania for a limited period of time following the Phase One Merger.

Initially it was agreed in the TSAs that the majority of the aforementioned transitional services would be provided by DNB and Nordea for 12 months following the Merger. However, it has been established that terms for certain transitional services (e.g., services enabling the Issuer, Luminor Latvia and Luminor Lithuania to perform SEPA payments, International payments, web file transfer services and transaction screenings) provided by Nordea need to be prolonged and the parties to the relevant TSAs have agreed to amendments prolonging the term of the relevant TSAs to June 2020. The parties to the TSAs intend the services to be reduced as soon as practically possible, in order for the Issuer to function as an independently operated group.

The IT Transitional Service Agreements among Nordea, the Issuer, Luminor Latvia and Luminor Lithuania ("**IT TSA Nordea**") and DNB, the Issuer, Luminor Latvia and Luminor Lithuania ("**IT TSA DNB**") regulate certain IT services to be provided by Nordea or DNB to the Issuer, Luminor Latvia and Luminor Lithuania. The parties initially agreed that the term of the IT TSA Nordea will be amended to expire on 31 December 2019, and the IT TSA DNB to expire on June 30 2019. In 2019, Luminor took the option to extend the term of many of the IT services further: until 30 June 2020 in the case of IT TSA Nordea and until 31 December 2020 for some services under IT TSA DNB.

Thus, in relation to the operations on the ex-Nordea side, the Issuer's core platform is operated by Nordea under the IT TSA Nordea. In relation to the operations on ex-DNB side, the Issuer has acquired direct control of data centres (either operated by the Issuer or its direct contractor), and also core operational systems (either by owning the relevant intellectual property directly or owning the licence). Hence, the mid-term strategy of the Issuer is to fill the required gaps on ex-DNB systems, migrate all ex-Nordea customers to the ex-DNB platforms, and transition from all ex-Nordea IT platforms during 2020.

On 5 November 2019, the Issuer successfully completed the carve-out of Single Euro Payments Area ("**SEPA**") from Nordea and DNB and has since then become fully independent in processing SEPA payment flows.

The Issuer is already preparing to transfer IT systems to its own proprietary systems before the expiry of the relevant TSAs - the legacy systems from DNB and Nordea will be carved out from the Issuer and replaced with both new and ex-DNB systems as relevant.

Development of IT systems requires significant investments and workforce. Should the Issuer not be sufficiently successful or speedy in developing proprietary IT systems and in establishing and executing on a plan to migrate fully from the ex-Nordea IT platforms and the other transitional services by the end of the extended term of the applicable TSAs, it is not guaranteed that the Issuer will reach an agreement with these institutions on further extending the term of some or all of the TSAs so as to ensure that appropriate IT support is available to the Issuer.

The realisation of this risk may cause service disruptions, difficulties or risks and may severely negatively affect the Issuer's ability to conduct its business, manage risks effectively and fulfil legal requirements applicable to it, which could consequently have a significant adverse effect on the Issuer's business operations, its performance or its financial position."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Risks associated with the implementation of IT systems and the New Bank programme***" on page 12 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Risks associated with the implementation of IT systems and the New Bank programme

The Issuer's IT integration is a process aimed towards creating a common group-wide IT infrastructure and application portfolio supported by a common IT organisation.

The main focus of the Issuer in IT development is on compliance IT projects, the IT integration process and new business development to support digitalised service offerings for customers in the Baltic region, including common internet and mobile banking solutions.

To execute the technology transformation plan, the Issuer has established partnerships with several IT partners in the areas of payments, AML compliance, core system and channels. The selection of these vendors has been based on their ability to deliver industry standard solutions and provide support in implementation and integration. Use of third-party vendors brings about the risk of vendor dependency, which the Issuer aims to manage by implementing a modular architecture approach, whereby interfaces

between systems are built based on industry standard message exchange systems, implementation of widely used industry standard software solutions, and supported by long term support contracts. Still, regardless of such risk mitigating measures, it is possible that third-party contractors may fail to deliver the specific products and services on time and on the terms agreed with the Issuer.

A mid-term target architecture has been envisaged, which, if successfully implemented, will allow the Issuer to operate as a fully standalone bank and exit all major TSAs. This target architecture comprises mainly of the existing systems of the Issuer, and a few new components which are being developed. The focus for the first half of 2020 is to complete development and integration of new systems, to migrate customers to target platforms, and to become fully standalone as a result.

The migration to a new IT platform is essential in order for the Issuer to achieve more effective processes and lower IT-costs in the long term. The implementation of the action plan may turn out to be more costly and time-consuming than has been predicted. Due to its large scale and impact on the business operations, the implementation of the new IT systems is associated with significant operational risks. The most important risks that have been identified are (i) supplier risks when migrating from the current IT systems to new ones and (ii) personnel risks in connection with retaining competent and skilled employees for the project. If these risks are realised, it would lead to budget limits of the project being exceeded and to delays in cost reduction and in the migration to new IT-systems, all of which could have a significant adverse effect on the Issuer's business operations, its performance or its financial position."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Risks associated with the reputation of the Baltic countries***" on page 16 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Risks associated with the reputation of the Baltic countries

Being a pan-Baltic bank, the Issuer is impacted by the international reputation and perception of the Baltics and how companies (especially financial institutions) from Baltic countries are generally perceived in other regions.

In recent years, Baltic countries, and Baltic financial institutions specifically, have received substantial attention due to the emergence of several money laundering allegations. For instance, since 2018 allegations related to money laundering have been raised against several significant credit institutions in the Baltic states and based on publicly available information, various proceedings have been initiated by authorities in Estonia and abroad to investigate such allegations.

Furthermore, in 2018 the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("**MONEYVAL**") in its Fifth Round Mutual Evaluation Report regarding Latvia identified that large financial flows passing through Latvia as a regional financial centre pose a significant threat of money laundering and terrorist financing.

On 11 October 2018, the Latvian Cabinet of Ministers approved a plan for mitigating deficiencies brought out in MONEYVAL evaluation. The main focus activities of the plan are related to:

- strengthening a risk-based supervision and introduction of preventive measures;
- effective information exchange for facilitation of investigation, harmonizing approaches and guidelines;
- ensuring adequate human resources for supervisory, controlling and law enforcement authorities, increasing their analytical capacity and capability;
- introduction of information technologies solutions for timely and effective data management;
- enhancement of the targeted financial sanctions system, shaping uniform understanding of the cooperation partners regarding this system and the need for its functioning hereof.

On 30 August 2019 Latvia submitted a progress report to MONEYVAL.

On 22 January 2020, MONEYVAL issued the 1st Enhanced Follow-up Report on Latvia's AML/CFT measures which highlighted progress in addressing various deficiencies. However, MONEYVAL decided

that Latvia will remain in enhanced follow-up and will continue to report back to MONEYVAL on further progress to strengthen its implementation of AML/CFT measures.

In the context of Recommendation 19 of the Financial Action Task Force ("FATF"), any non-compliance with MONEYVAL's recommended actions may result in a formal public statement that Latvia has failed to comply sufficiently with MONEYVAL's reference documents and that the members of the global AML/CFT network are invited to take into account the risks posed by Latvia.

In early 2019 MONEYVAL issued a similar evaluation report on Lithuania. This report highlighted some threats related to money laundering – including increased corruption, significant share of shadow economy, evidence of organised crime and widespread use of cash. No elevated risks related to financing terrorism were identified. Lithuania has to provide a progress report by mid-2020. Evaluation of Estonia by MONEYVAL is expected to begin in early 2021.

No allegations related to money laundering have been made against the Issuer. However, even where the Issuer is not accused of any breach of anti-money laundering requirements, allegations regarding other Baltic financial institutions may still affect the Issuer, as far as these affect the reputation of the Baltics and Baltic financial institutions in general. This may pose the risk that the Issuer may not be able to raise funding from international markets or may only be able to raise funding on less favourable terms. There is also a risk that some of the Issuer's direct or indirect counterparties (e.g. correspondent banks) and/or customers may wish to terminate or limit the scope of their business relationships with Baltic financial institutions, including the Issuer, or subject Baltic financial institutions, including the Issuer, to more rigorous control. Furthermore, it is possible that the Issuer's business partners or public authorities (for example FATF and/or the European Commission) may apply mandatory enhanced due diligence measures against financial institutions established and/or operating in any or all of the Baltic countries, thus significantly affecting business operations of financial institutions belonging to the Luminor Group."

With effect from the date of this Base Prospectus Supplement, the risk factor "*Risks associated with the Notes*" on page 24 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Furthermore, the Conditions of the Notes provide that the Notes, the Conditions of the Notes and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error or to comply with any amendments, updates and/or modifications to the ECBA or any other applicable legislation passed after the date hereof by or on behalf of the Republic of Estonia or any political subdivision thereof or any authority therein or thereof having power to make such amendment, update and/or modification, which impacts the Issuer's obligations in relation to the Notes or the Covered Bond Portfolio. The Issuer cannot foresee, as at the date of this Base Prospectus Supplement, what such changes may entail, however, any changes made will be binding on Noteholders.

In addition, pursuant to Condition 8(l)(i), the Issuer may amend, by a notice to the Covered Bondholders, the circumstances in which such automatic extension can apply if it determines that such circumstances qualify as permitted conditions for automatic extension of maturity under the ECBA (as in force at the relevant time). See the risk factor entitled "*Extended Maturity of the Covered Bonds*" for further information. "

With effect from the date of this Base Prospectus Supplement, the following risk factor shall be added under "*Risks related to the Covered Bonds*" on page 35 of the Base Prospectus:

"Extended Maturity of the Covered Bonds

If an insolvency, winding-up or similar event (as more fully described in Condition 8(l)(ii)(b)) has occurred in respect of the Issuer and, as a result of such an event the Covered Bonds are not redeemed in full on the Maturity Date at their Final Redemption Amount or within three Business Days thereafter, the maturity of the outstanding principal amount of such Covered Bonds on the Maturity Date will be automatically extended to the Extended Maturity Date in accordance with Condition 8(l) (*Redemption and Purchase* –

Extension of maturity to Extended Maturity Date) and notification of such shall be delivered to the relevant Covered Bondholders and to the Paying Agents. In the event of such extension, the Issuer shall redeem the outstanding principal amount of such Covered Bonds at their Final Redemption Amount on the Extended Maturity Date. In addition, all or any part of the outstanding principal amount of such Covered Bonds may be redeemed on any extended Interest Payment Date, occurring during the period up to and including the Extended Maturity Date. The terms and conditions of the Covered Bonds do not provide for events of default entitling Covered Bondholders to demand immediate redemption and do not include a cross-default or cross-acceleration provision (see further – *Risk Factors - Risks related to the Covered Bonds - No Events of Default*). The extension of the maturity of the outstanding principal amount of the Covered Bonds to the Extended Maturity Date will not result in any right of the Covered Bondholders to accelerate payments on such Covered Bonds and no payment will be payable to the Covered Bondholders in that event other than as set out in the Conditions.

Furthermore, pursuant to Condition 8(l)(i), the Issuer may amend, by a notice to the Covered Bondholders, the circumstances in which such automatic extension can apply if it determines that such circumstances qualify as permitted conditions for automatic extension of maturity under the ECBA (as in force at the relevant time). By virtue of this Condition the Issuer is entitled to unilaterally specify other circumstances that are not known at the date of this Base Prospectus Supplement in which the maturity of the outstanding principal amount of the Covered Bonds will be automatically extended to the Extended Maturity Date in accordance with Condition 8(l) (*Redemption and Purchase – Extension of maturity to Extended Maturity Date*), provided that the addition of such other circumstances are permitted by the ECBA as then in force.

Under Estonian law, after the separation of the Covered Bond Portfolio from the Issuer's assets which may arise due to, amongst other things, a declaration of bankruptcy or a moratorium in respect of the Issuer; commencement of crisis resolution proceedings in respect of the Issuer; the passing of a court ruling providing for compulsory dissolution of the Issuer; or where the EFSA resolves that the Covered Bond Portfolio should be separated from the Issuer's assets on the grounds that the Issuer is likely to become insolvent in the near future, the Issuer will then not be permitted to make any transactions with the assets in the Covered Bond Portfolio. As such, unlike the period prior to occurrence of such events (see further – *Risk Factors - Risks associated with the legal and regulatory environment - Limited Description of the Cover Pool*) the Covered Bond Portfolio will not be dynamic and, as such, no enhancement of the credit quality of the assets in the Cover Pool can be expected."

With effect from the date of this Base Prospectus Supplement, the following risk factor shall be added under "**Risks related to the Covered Bonds**" on page 35 of the Base Prospectus:

"Risks associated with the insufficient legal framework in Latvia and Lithuania for covered bonds issued under the laws of Estonia and covered by Latvian and Lithuanian assets

At the time of issuing the Covered Bonds, the Cover Pool will not include any Mortgage Loans secured by mortgages over Properties located in Latvia or Lithuania. However, the Issuer may choose to add such Mortgage Loans, which are governed by Latvian and Lithuanian laws, respectively, to the Cover Pool at a later date. After such addition, the relevant provisions of Latvian and Lithuanian laws then in effect may affect the rights of the Covered Bondholders.

As at the date of this Base Prospectus Supplement, the laws of Latvia and Lithuania do not expressly regulate the situation where Latvian or Lithuanian (as applicable) assets form part of the cover pool of covered bonds issued under the laws of another jurisdiction nor do they expressly provide for the recognition of the protection afforded to such assets by the laws of that jurisdiction. The lack of such express recognition primarily affects the rights of the Covered Bondholders before the time at which bankruptcy or other winding-up proceedings are commenced against the Issuer. Bankruptcy and other winding-up proceedings in respect of the Issuer will be governed (in accordance with the provisions of Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions, as transposed into Estonian, Latvian and Lithuanian laws) by the laws of Estonia, which shall, among other things, determine the effect of the bankruptcy and winding-up proceedings on proceedings brought by individual creditors and as such, would allow the application of the ringfencing regime set out in the ECBA with respect to the assets included in the Cover Pool which are located in Latvia and Lithuania.

Unless legislative changes are made in Latvia and Lithuania governing the inclusion of Latvian and Lithuanian assets (as applicable) in the cover pool of covered bonds issued under the laws of other

jurisdictions (including Estonia) and affording similar protection as is provided by the ECBA upon the entry of Lithuanian and Latvian assets in the Cover Pool, the Latvian and Lithuanian assets in the Cover Pool may not always be subject to the same level of ringfencing prior to any bankruptcy and winding-up proceedings in respect of the Issuer and the rights of Covered Bondholders in respect of Latvian and Lithuanian assets may not always be subject to the same regime as is provided under the ECBA, and the enforcement of such rights may be uncertain due to a lack of relevant precedents. Furthermore, the exercise of certain rights related to separation, administration and enforcement of the Covered Bond Portfolio in Latvia and Lithuania may be subject to additional formalities and requirements.

The main risks relating to the addition of Latvian and Lithuanian assets to the Cover Pool arising from the laws of Latvia and Lithuania in force as at the date of this Base Prospectus Supplement, are the following:

- (i) currently there are no express provisions under Latvian or Lithuanian laws that would restrict third-party creditors having a claim against the Issuer from enforcing that claim against the Latvian and/or Lithuanian assets included in the Cover Pool or recognising the provisions of the ECBA restricting such third party creditor's enforcement claims, including after the separation of the Cover Pool from the Issuer's other assets in accordance with the ECBA, other than in the event where bankruptcy or winding up proceedings are carried out in respect of the Issuer (where bankruptcy or winding up proceedings are carried out in respect of the Issuer, Estonian laws and consequently, the ringfencing regime set out in the ECBA, would apply, as explained in more detail above). In such circumstances, it cannot be excluded that Latvian and Lithuanian assets included in the Cover Pool may be sold to discharge the Issuer's obligations to third party creditors and/or become subject to various provisional measures with respect to third-party claims, including the possibility that they could be seized or attached, or restrictions may be established by Latvian or Lithuanian courts (as applicable) for the collection or enforcement, or otherwise dealing with such assets.

If any third-party enforcement claim is made before the separation of the Covered Bond Portfolio, the Issuer will be under a continuous obligation to top up the Cover Pool or to replace the affected assets so as to maintain compliance with the requirements of the ECBA.

However, if third party creditor's enforcement action is taken before the commencement of the Issuer's bankruptcy or winding up proceedings, but after the Covered Bond Portfolio is separated from the Issuer (which may be due to reasons other than the bankruptcy or winding-up of the Issuer, which have been described in subsection "*Separation of the covered bond portfolio*" in the section titled "*Overview of Estonian regulation regarding covered bonds*"), the Issuer would no longer be permitted to deal with the Cover Pool, and may not be able to add any additional assets to the Cover Pool and this could result in the reduction of the Cover Pool and its value, and affect the proceeds Covered Bondholders receive from the Cover Pool. Furthermore, bailiffs conducting enforcement proceedings in Latvia and Lithuania, other than in the course of any bankruptcy or winding up proceedings in respect of the Issuer, may disregard the order of distribution of the enforcement proceeds stipulated in the ECBA and the priority of the Covered Bondholders in respect of such proceeds.

- (ii) Pursuant to the ECBA, if after the separation of the Covered Bond Portfolio it becomes evident that the Cover Pool or proceeds therefrom are insufficient to discharge all liabilities arising from the Covered Bonds and Derivative Instruments recorded in the cover register and such situation is not temporary or the present value of the Cover Pool does not cover the present value of the relevant liabilities, the Covered Bond Portfolio will be deemed insolvent and the EFSA may apply to court for the initiation of bankruptcy proceedings with respect to the Covered Bond Portfolio. Such bankruptcy proceedings may not necessarily always run in parallel with the bankruptcy proceedings against the Issuer. However, neither Latvian nor Lithuanian law provide legal grounds to recognise bankruptcy proceedings commenced with respect to the Covered Bond Portfolio in Estonia as insolvency proceedings in the meaning of local laws. As a consequence, if the bankruptcy proceedings are commenced in respect of the Covered Bond Portfolio in Estonia, Latvian and Lithuanian bailiffs conducting enforcement proceedings against Latvian and Lithuanian assets included in the Cover Pool could reject the Covered Bond Portfolio bankruptcy administrator's request to terminate the enforcement proceedings due to such ongoing bankruptcy proceedings of the Covered Bond Portfolio in Estonia, unless bankruptcy or winding-up proceedings are carried out in respect of the Issuer;

- (iii) Latvian and Lithuanian courts and authorities could refuse to start proceedings or take another action requested by the administrator of the separated Cover Pool or by the bankruptcy administrator appointed with respect to the insolvent Covered Bond Portfolio, unless they recognise the power and capacity of a person to take the relevant action on behalf of the Cover Pool or Covered Bond Portfolio. Furthermore, certain authorities and third parties may require a power of attorney from the Issuer or its Latvian or Lithuanian branch (as applicable) to accept the authorisation of the Cover Pool administrator or bankruptcy administrator; and
- (iv) the statutory waivers of the notification or consent obligations provided in the ECBA would not be effective in Latvia and Lithuania, and therefore, the separation of the Cover Pool and the Covered Bond Portfolio from the Issuer and the possible transfer of the Covered Bond Portfolio as a whole (which, pursuant to the ECBA, could be carried out by the Cover Pool administrator upon the consent of the EFSA) would be subject to all contractual and statutory consent and notification obligations required under Latvian and/or Lithuanian law (as applicable). In particular, there might be certain obstacles which would prevent the entire Covered Bond Portfolio and the Latvian and Lithuanian Mortgage Loans forming part thereof from being transferred to another credit institution without the consent of other parties (e.g. the debtor or a third-party collateral provider) or local financial supervisory authorities.

With effect from the date of this Base Prospectus Supplement, the risk factor "***Set-off by debtors of claims included in the Cover Pool***" on page 36 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Set-off by debtors of claims included in the Cover Pool

Depending on the specific agreements entered into with the debtors of the claims which form part of the assets in the Cover Pool, the debtors may have a right to offset their claims against the Issuer against their obligations under the Mortgage Loans. Furthermore, even if the relevant agreements prohibit such set-off, it is possible that such restriction may be considered void by a court, on the grounds that such restriction is an unfair standard term or contradict mandatorily applicable contract and consumer protection laws.

In addition to the above, mandatorily applicable Estonian, Latvian and Lithuanian laws prohibit precluding or restricting a consumer's right to plead defences arising from a consumer credit contract against third parties to whom the obligee assigns the claims arising from the consumer credit contract. This means that if the Covered Bond Portfolio or claims belonging to the Cover Pool are transferred to a third-party buyer, the debtors of claims which form part of the assets in the Cover Pool may be entitled to offset the relevant claims so transferred to the third-party buyer against their claims against the Issuer. A set-off by the borrower against the Issuer before the separation of the Covered Bond Portfolio from the Issuer would require the Issuer to add additional assets to the Cover Pool, unless the Cover Pool satisfies the requirements of the ECBA regardless of the set-off. If such set-off is carried out by the borrower after the separation of the Covered Bond Portfolio from the Issuer, then the Issuer may no longer be permitted to add assets to the Cover Pool but shall be under obligation to transfer any proceeds or assets received (including by way of set-off) on account of the performance of any Mortgage Loans included in the Cover Pool to the disposal of the Cover Pool administrator (except in the case of crisis resolution proceedings). Should the Issuer be unable to fulfil such obligations, a set-off by debtors of claims which form part of the assets in the Cover Pool may reduce the amounts receivable from the assets in the Cover Pool, which may reduce the amounts receivable by the Covered Bondholders."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Default of Issuer's Assets or a lack of Eligible Assets to add to the Cover Pool***" on page 36 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Default of Issuer's Assets or an inability to supplement the Cover Pool with Eligible Assets

Default of the Issuer's assets (in particular assets in the Cover Pool) or an inability to supplement the Cover Pool with Eligible Assets could jeopardise the Issuer's ability to make payments on the Covered Bonds in full or on a timely basis.

Under the ECBA, to comply with the statutory requirements, the Issuer must ensure that the present value of the total amount of the Cover Pool continuously exceeds the present value of the combined payment obligations arising from Covered Bonds and from the Derivative Instruments entered in the cover register

by at least two per cent. In case of defaults of the Issuer's assets or a lack of Eligible Assets due to any other reason, the Issuer may not have sufficient assets to add to the Cover Pool to meet such referred statutory requirement. Furthermore, after the separation of the Covered Bond Portfolio from the Issuer's assets, the Issuer is not permitted under the ECBA to make any transactions with the assets in the Covered Bond Portfolio and therefore, no addition of assets to the Cover Pool can be expected following the occurrence of a separation event which may occur due to, among other things, a declaration of bankruptcy or a moratorium in respect of the Issuer; commencement of crisis resolution proceedings in respect of the Issuer; termination of the validity of the credit institution licence or additional authorisation for issuing covered bonds held by the Issuer; the passing of a court ruling providing for compulsory dissolution of the Issuer; receiving an authorisation from the EFSA for voluntary dissolution or discontinuation of the issuance of Covered Bonds; or where the EFSA resolves that Covered Bond Portfolio should be separated from the Issuer's assets on the grounds provided in the ECBA.

If: (i) the present value of the Cover Pool does not cover the present value of the liabilities arising from Covered Bonds and from the Derivative Instruments entered in the cover register and the expenses of management of the Covered Bond Portfolio or (ii) the Cover Pool or the income receivable from the Cover Pool is not sufficient to settle a rightful claim of at least one Covered Bondholder or at least one counterparty to a Derivative Instrument entered in the cover register and the situation is not temporary due to the financial standing of the Covered Bond Portfolio, the Covered Bond portfolio will be deemed insolvent and the EFSA may apply to court for the initiation of bankruptcy proceedings with respect to the Covered Bond Portfolio. To the extent that claims of the Covered Bondholders in respect of the Covered Bonds and counterparties to the Derivative Instruments included in the Cover Pool are not met out of the Cover Pool in the bankruptcy proceedings carried out in respect of the Covered Bond Portfolio, the Covered Bondholders and counterparties to the Derivative Instruments included in the Cover Pool may submit their claims arising from the Covered Bonds and Derivative Instruments against the Issuer or its bankruptcy estate, but such residual claims of the Covered Bondholders and counterparties to the Derivative Instruments included in the Cover Pool will not be preferred claims, will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application) and may thus not be satisfied in full."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Collection of Mortgage Loans and Default by Borrowers***" on page 38 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Collection of Mortgage Loans and Default by Borrowers

The Mortgage Loans which secure the Covered Bonds will comprise of loans secured on Property. The Issuer will be under an obligation to substitute any assets that are, for any reason, no longer eligible for collateral with eligible assets in accordance with the ECBA. If the Issuer does not have sufficient assets to be added to the Cover Pool, the Issuer would breach its statutory obligations as stipulated by the provisions of the ECBA. This could lead to the separation of the Covered Bond Portfolio and possibly to bankruptcy proceedings being initiated in respect of the Covered Bond Portfolio.

A borrower may default on its obligations under its Mortgage Loan. Defaults may occur for a variety of reasons. Defaults under Mortgage Loans are subject to credit, liquidity and interest rate risks and rental yield reduction (in the case of investment Properties). Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in borrowers' individual, personal or financial circumstances may affect the ability of the borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce, weakening of financial conditions or results of business operations and other similar factors may lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. In addition, an individual's obligation to repay a Mortgage Loan may in certain circumstances be discharged in part in his/her personal bankruptcy proceedings if the value of the collateral does not cover the entire loan and the borrower does not have sufficient other assets and earnings to discharge in the relevant procedure. In addition, the ability of a borrower to sell a Property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Value of Security over Property***" on page 38 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Value of Security over Property

The security for a Mortgage Loan included in the Cover Pool consists of, amongst other things, the Issuer's interest in security over a Property. The value of such security and, accordingly, the level of recoveries on an enforcement of such security, may be affected by, among other things, a decline in the value of Property and the priority of such security. No assurance can be given that the values of relevant Properties will not decline or have not declined since the Mortgage Loan was originated. Although Estonian and Lithuanian laws, in conjunction with the Estonian and Lithuanian mortgage agreements, allow the mortgagee to commence enforcement of the mortgage without having to obtain a court ruling for such purpose, it is still possible that depending on the circumstances, the enforcement of the security may require obtaining a court decision or may be affected by court proceedings initiated by the debtor or the pledgor to delay or restrict the enforcement of the security. In the case of Latvian mortgage agreements, a court decision is always required to commence enforcement of the mortgage. The ability of the Issuer to enforce a security interest, including disposal of a Property will depend on, *inter alia*: (i) the potential need to obtain a court ruling for the enforcement process and the specifics of the relevant court proceedings; (ii) the housing market or commercial property market conditions at the relevant time; (iii) the availability of buyers for the relevant Property; and (iv) the results of the specific enforcement process."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Limited Description of the Cover Pool***" on page 40 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

"Limited Description of the Cover Pool

Covered Bondholders will not receive detailed statistics or information in relation to the Mortgage Loans and other Eligible Assets covering the Covered Bonds as it is expected that the composition of the portfolio of such Mortgage Loans and other Eligible Assets may change from time to time due to, for example, the inclusion and removal of Mortgage Loans to the Cover Pool from time to time. The Issuer does, however, have an obligation under the ECBA to publish certain prescribed information set out in the ECBA every quarter on its website relating to, *inter alia*, (i) the nominal value and present value of outstanding covered bonds and of the cover pool; (ii) the maturity structure of the covered bonds and the cover pool; (iii) the percentage of fixed-interest assets in the cover pool and the percentage of fixed-interest covered bonds in the liabilities of the covered bond portfolio; (iv) the graduated breakdown of the interest rates on fixed-interest and non-fixed-interest assets; (v) the percentage of assets denominated in a foreign currency in the cover pool and the percentage of covered bonds denominated in a foreign currency in the liabilities of the covered bond portfolio; (vi) the distribution of substitute collateral, in terms of its value, between the types specified in subsection 20 (1) of the ECBA; (vii) the level of the liquidity buffer; and (viii) the percentage of the amount of substitute collateral, which has been in default for over 90 days or which the issuer estimates to be doubtful, in the cover pool.

As the composition of the Cover Pool may change from time to time, there are no assurances that the credit quality of the assets in the Cover Pool will remain the same as at the date of this Base Prospectus Supplement or on or after the issue date of any Covered Bonds. "

With effect from the date of this Base Prospectus Supplement, the risk factor "***Reliance on Derivative Transaction providers***" on page 40 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Reliance on Derivative Transaction Providers

The Issuer may from time to time enter into one or more Derivative Instruments in order to hedge against risks relating to the Covered Bonds or Mortgage Loans or other Eligible Assets placed as collateral for such Covered Bonds.

To provide a hedge against possible variances in the rates of interest receivable on the Mortgage Loans and other Eligible Assets from time to time included in the Cover Pool as cover assets for the Covered Bonds (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or interest rate caps or collars) and the interest rate(s) under the Covered Bonds, the Issuer may from time

to time enter into one or more interest rate derivative transactions, and to provide a hedge against possible variances in the currency in which payments will be made to the Issuer in respect of the Mortgage Loans and other assets from time to time held by the Issuer as collateral for the Covered Bonds and the currencies in which the Issuer will be required to make payments in respect of the Covered Bonds, the Issuer may from time to time enter into currency swap transactions. If the Issuer enters into a relevant Derivative Transaction at the time of an issuance of Covered Bonds, the Issuer shall disclose in the Final Terms the nature of the hedge (for example, an interest rate swap transaction or a currency swap transaction) and the identity of the Derivative Transaction counterparty.

If the Issuer does not enter into any relevant Derivative Transaction or any Derivative Transaction counterparty defaults on its obligations to make payments in the relevant currency and/or at the relevant rate of interest under the relevant Derivative Transaction, the Issuer will be exposed to changes in the relevant rates of interest and/or the relevant currency exchange rates. Unless one or more new or replacement Derivative Instruments are entered into, the Issuer may not have sufficient funds to make payments under all Covered Bonds then outstanding."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Concentration of Location of Properties***" on page 39 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Concentration of Location of Properties

All Mortgage Loans contained in the Cover Pool will be secured on Property located or incorporated in Estonia, and potentially also Latvia and/or Lithuania. The value of the Cover Pool may decline sharply and rapidly in the event of a general downturn in the value of Property in Estonia, Latvia and/or Lithuania. Any such downturn may hence have an adverse effect on the Issuer's ability to satisfy its obligations under the Covered Bonds and/or the price or value of the Covered Bonds."

With effect from the date of this Base Prospectus Supplement, the risk factor "***Estonian Covered Bond Legislation Untested and May be Modified***" on page 40 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Covered Bond Legislation Untested and May be Modified

The ECBA was adopted on 13 February 2019 and came into effect on 1 March 2019. The protection afforded to the holders of the Covered Bonds by means of a preference on the Cover Pool is based only on the ECBA. There is currently no practical experience in relation to the operation of the ECBA and its interpretation by Estonian courts. Furthermore, the provisions of the ECBA may be modified from time to time after the Issue Date of the Covered Bonds.

At this time, the laws of Latvia and Lithuania (including the LVMBL and the LTMBL) do not contain any specific provisions on the inclusion of Latvian or Lithuanian assets to the cover pool of covered bonds issued under the laws of another jurisdiction nor on the recognition in Latvia or Lithuania of the protection afforded to such assets by the laws of other jurisdiction (see further – *Risks associated with the insufficient legal framework in Latvia and Lithuania for covered bonds issued under the laws of Estonia and covered by Latvian and Lithuanian assets*). In addition, there is a possibility that any new legislation in Latvia and Lithuania, or any change to the existing legislation, may have an additional negative impact on the Covered Bonds, the treatment of Latvian and Lithuanian assets in the Cover Pool and the rights of Covered Bondholders in respect of Latvian and Lithuanian assets, as well as the potential to add Latvian and/or Lithuanian assets to the Cover Pool.

To the knowledge of the Issuer, the relevant ministries of Latvia and Lithuania are working and consulting market participants on the legislative intent to adopt new covered bond laws in Latvia and Lithuania. Such legislative intents are currently in an early phase of discussion and to the knowledge of the Issuer, it is not yet clear whether the new covered bond laws of Latvia and Lithuania, if and when adopted, will eliminate or change the impact of the issues described under *Risks associated with the insufficient legal framework in Latvia and Lithuania for covered bonds issued under the laws of Estonia and covered by Latvian and Lithuanian assets*."

AMENDMENTS TO THE "OVERVIEW" SECTION

With effect from the date of this Base Prospectus Supplement, the following shall be added to the '*Overview of the Programme*' on page 6 of the Base Prospectus after 'Early Redemption':

"Extended Maturity Date: The relevant Final Terms or Drawdown Prospectus, as the case may be, may provide that an Extended Maturity Date applies to the Covered Bonds.

If:

- (a) an Extended Maturity Date is specified in the relevant Final Terms;
- (b) an insolvency, winding-up or similar event (as more fully described in Condition 8(1)(i)(b)) has occurred in respect of the Issuer; and
- (c) as a result of such an event, the Covered Bonds are not redeemed in full on the Maturity Date at their Final Redemption Amount or within three Business Days thereafter,

the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of the Terms and Conditions will be automatically extended to the Extended Maturity Date, subject as otherwise specified in the relevant Final Terms. In that event, the Issuer shall redeem the outstanding principal amount of such Covered Bonds at their Final Redemption Amount on the Extended Maturity Date. In addition, all or any part of the principal amount outstanding of the Covered Bonds may be redeemed on any Interest Payment Date falling after the Maturity Date up to and including the Extended Maturity Date or as otherwise specified in the relevant Final Terms. In each of the above scenarios, the Issuer shall give notice to the Covered Bondholders and to the Paying Agents in accordance with Condition 8(1)(c).

If an Extended Maturity Date is specified in the relevant Final Terms and, as a result of any of the events specified in Condition 8(1) (*Extension of maturity to Extended Maturity Date*) the Covered Bonds are not redeemed in full on the Maturity Date at their Final Redemption Amount or within three Business Days thereafter, the Covered Bonds will bear interest on the principal amount outstanding of such Covered Bonds from (and including) the Maturity Date to (but excluding) the date on which the Covered Bonds are redeemed and will be payable in arrear or as otherwise provided for in the relevant Final Terms on each Interest Payment Date after the Maturity Date at the rate specified in the relevant Final Terms.

In the case of Covered Bonds with an Extended Maturity Date, those Covered Bonds may be issued as fixed rate, floating rate, or zero coupon in respect of the period from (and including) the Issue Date to (but excluding) the Maturity Date and issued as fixed rate or floating rate in respect of the period from (and including) the Maturity Date to (but excluding) the Extended Maturity Date as set out in the relevant Final Terms.

In the case of Covered Bonds which are non-interest bearing to the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the Issuer but unpaid on the applicable Covered Bonds on the Maturity Date.

Asset Monitor:

KPMG Baltics OÜ has been appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Covered Bond Portfolio.

AMENDMENTS TO THE TERMS AND CONDITIONS OF THE NOTES

With effect from the date of this Base Prospectus Supplement, the following shall be added to the Terms and Conditions of the Notes:

1. Condition 1(e) is deleted in its entirety and replaced with the following on page 52 of the Base Prospectus:

"The Notes: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Notes may be Senior Notes, Subordinated Notes or Covered Bonds, as specified in the relevant Final Terms. Copies of the relevant Final Terms are available for viewing and copies may be obtained from Luminor Bank AS, at Liivalaia 45, Tallinn 10145, Estonia."

2. To be added to Condition 2 (*Interpretation*) in alphabetical order on page 54 of the Base Prospectus:

"Covered Bonds" means the Notes specified in the relevant Final Terms as Covered Bonds;"

3. To be added to Condition 2 (*Interpretation*) in alphabetical order on page 57 of the Base Prospectus:

"Extended Maturity Date" has the meaning given in the relevant Final Terms;"

4. To be added to Condition 2 (*Interpretation*) in alphabetical order on page 57 of the Base Prospectus:

"Mandatory Provision of Law" means any amendments, updates and/or modifications to the ECBA or any other applicable legislation passed after the date hereof by or on behalf of the Republic of Estonia or any political subdivision thereof or any authority therein or thereof having power to make such amendment, update and/or modification, which impacts the Issuer's obligations in relation to the Notes or the Covered Bond Portfolio;"

5. To be added to Condition 2 (*Interpretation*) in alphabetical order on page 65 of the Base Prospectus:

"Zero Coupon Covered Bond" means a Covered Bond specified as Zero Coupon in the relevant Final Terms."

6. The first paragraph of Condition 4(c) (*Status – Status of the Covered Bonds*) shall be deleted in its entirety and replaced with the following on page 68 of the Base Prospectus:

Covered Bonds constitute unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds are obligations issued in accordance with the Estonian Covered Bond Act, "ECBA" and rank *pari passu* among themselves and with Derivative Instruments entered into the Cover Pool in accordance with the ECBA. On declaration of the Issuer's bankruptcy and in certain other events stipulated in the ECBA, the Covered Bond Portfolio will be separated from other assets and liabilities of the Issuer and form an independent pool of designated assets to be managed in accordance with the ECBA and to be used solely to satisfy the claims of Covered Bondholders and of the counterparties to the Derivative Instrument and to cover the expenses related to the management of the Covered Bond Portfolio.

Pursuant to the ECBA, the separation of the Covered Bond Portfolio will not affect the liability of the Issuer for the claims arising from the Covered Bonds. If the Covered Bond Portfolio becomes insolvent, to the extent that claims of the Covered Bondholders in relation to the Covered Bonds are not satisfied in the course of the bankruptcy proceedings of the Covered Bond Portfolio, the residual claims of the Covered Bondholders will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

7. The first sentence of Condition 5(b) (*Fixed Rate Note Provisions – Accrual of Interest*) shall be deleted in its entirety and replaced with the following on page 68 of the Base Prospectus:

"Accrual of interest: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 6(j) (*Extended Maturity Date*) and Condition 9 (*Payments – Bearer Notes*)."

8. Condition 6(a) (*Floating Rate Note Provisions – Application*) shall be deleted in its entirety and replaced with the following on page 70 of the Base Prospectus:

"Application: This Condition 6 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable, save that Condition 6(j) is always applicable to Covered Bonds (to which, for the avoidance of doubt, Condition 5 (*Fixed Rate Note Provisions*) may also be applicable) where an Extended Maturity Date is specified in the relevant Final Terms."

9. The first sentence of Condition 6(b) (*Floating Rate Note Provisions – Accrual of Interest*) shall be deleted in its entirety and replaced with the following on page 68 of the Base Prospectus:

"Accrual of interest: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 6(j) (*Extended Maturity Date*) and Condition 9 (*Payments – Bearer Notes*)."

10. The following Condition 6(j) shall be added to the end of Condition 6 (*Floating Rate Note Provisions*) of the terms and conditions on page 75 of the Base Prospectus:

"(j) Extended Maturity Date: If an Extended Maturity Date is specified in the relevant Final Terms and the maturity of the Covered Bonds is extended beyond the Maturity Date in accordance with Condition 8(l) (*Redemption and Purchase - Extension of maturity to Extended Maturity Date*) then:

- (i) such Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full and the Extended Maturity Date. Interest shall be payable on such Covered Bonds at the rate specified in the relevant Final Terms on the principal amount outstanding of the Covered Bonds in arrear on each monthly Interest Payment Date after the Maturity Date in respect of the interest period beginning on (and including) the Maturity Date and ending on (but excluding) the first Interest Payment Date after the Maturity Date and each subsequent interest period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. The final Interest Payment Date shall fall no later than the Extended Maturity Date;
- (ii) the rate of interest payable from time to time under Condition 6(j)(i) will be as specified in the relevant Final Terms and, where applicable, determined by the Calculation Agent, three Business Days after the Maturity Date in respect of the first such interest period and thereafter as specified in the relevant Final Terms; and
- (iii) in the case of Zero Coupon Covered Bonds to (and including) the Maturity Date, for the purposes of this Condition 6(j) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

11. Condition 7 (*Zero Coupon Note Provisions*) on page 75 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

"7. Zero Coupon Note Provisions and Zero Coupon Covered Bond Provisions

- (a) **Application:** This Condition 7 (*Zero Coupon Note Provisions and Zero Coupon Covered Bond Provisions*) is (i) applicable to the Senior Notes and Subordinated Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable, and (ii) applicable to the Covered Bonds only if the Zero Coupon Covered Bond Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note or any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment)."
12. Condition 8(a) (*Scheduled redemption*) on page 76 of the Base Prospectus shall be deleted in its entirety and replaced with the following:
- "(a) ***Scheduled redemption***: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject (i) as provided in Condition 9 (*Payments – Bearer Notes*) and (ii), in respect of Covered Bonds only, Condition 8(l) (*Extension of maturity to Extended Maturity Date*)."
13. Condition 8(h) (*Early redemption of Zero Coupon Notes*) on page 79 of the Base Prospectus shall be deleted in its entirety and replaced with the following:
- "(h) ***Early redemption of Zero Coupon Notes or Zero Coupon Covered Bonds***: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note or a Zero Coupon Covered Bond at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.
- Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(h) or, if none is so specified, a Day Count Fraction of 30E/360."
14. The following Condition 8(l) shall be added to the end of Condition 8 (*Redemption and Purchase*) of the terms and conditions on page 80 of the Base Prospectus:
- "(l) **Extension of maturity to Extended Maturity Date:**
- (i) In respect of Covered Bonds only, if:
 - (A) an Extended Maturity Date is specified in the relevant Final Terms as being applicable; and
 - (B) any of the following events has occurred:
 - (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due;
 - (ii) an administrator or liquidator is appointed in respect of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer;
 - (iii) the Issuer is declared bankrupt or a moratorium is declared in respect of the Issuer;
 - (iv) an order is made, or an effective resolution is passed, for the involuntary or compulsory winding up, liquidation or dissolution of the Issuer;
 - (v) crisis resolution proceedings are commenced with respect to the Issuer; or
 - (vi) the EFSA resolves the separation of the Covered Bond Portfolio from the Issuer on the ground that the Issuer is likely to become insolvent in the near future, and

- (C) as a result of such an event the Covered Bonds are not redeemed in full on the Maturity Date at their Final Redemption Amount or within three Business Days thereafter, then the maturity of the Covered Bonds and the date on which the Covered Bonds will be due and repayable for the purposes of these Conditions will be automatically extended to the Extended Maturity Date.

The Issuer may impose restrictions (which restrictions shall be effective upon notice being given to the Covered Bondholders as described below) on the circumstances in which such automatic extension can apply if it determines that such restrictions are required to ensure that the relevant Covered Bonds remain compliant with the ECBA. If the Issuer imposes restrictions on the circumstances in which such automatic extension can apply as described above, the Issuer shall give notice (which notice shall be irrevocable) to the Covered Bondholders (in accordance with Condition 18 (*Notices*)) and the Paying Agents as soon as reasonably practicable and, in any event, at least five Business Days prior to the Maturity Date.

In addition, the Issuer may amend (which amendments shall be effective upon notice being given to the Covered Bondholders as described below) the circumstances in which such automatic extension can apply if it determines that such circumstances qualify as permitted conditions for automatic extension of maturity under the ECBA (as in force at the relevant time). If the Issuer amends the circumstances in which such automatic extension can apply as described above, the Issuer shall give notice (which notice shall be irrevocable) to the Covered Bondholders (in accordance with Condition 18 (*Notices*)) and the Paying Agents as soon as reasonably practicable.

In the event the maturity of the Covered Bonds is extended, the Issuer shall redeem the outstanding principal amount of such Covered Bonds at their Final Redemption Amount on the Extended Maturity Date. The Issuer shall give notice to the Covered Bondholders in accordance with Condition 18 (*Notices*) and the Paying Agents as soon as reasonably practicable stating the basis on which an event under this sub-paragraph (b) above has occurred, and confirming that the Maturity Date has been extended to the Extended Maturity Date (subject to the expiry of the three Business Day period mentioned in paragraph (c) above). In addition, all or any part of the principal amount outstanding of such Covered Bonds may be redeemed on an Interest Payment Date falling after the Maturity Date to and including the Extended Maturity Date. In such a scenario, the Issuer shall give notice to the Covered Bondholders (in accordance with Condition 18 (*Notices*)) and the Paying Agents stating its intention to redeem all or any of the principal amount outstanding of the Covered Bonds at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or, as applicable, the Extended Maturity Date, or give rise to rights to any such person.

- (ii) In the case of a Zero Coupon Covered Bonds to (and including) the Maturity Date to which an Extended Maturity Date is specified in the relevant Final Terms as being applicable, for the purposes of this Condition 8(l) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (iii) Any extension of the maturity of the Covered Bonds under this Condition 8(l) shall be irrevocable. Where this Condition 8(l) applies, any failure to redeem the relevant Covered Bonds on the Maturity Date or any extension of the maturity of such Covered Bonds under this Condition 8(l), shall not constitute a default, an event of default or acceleration of payment or other similar condition or event (however described) for any purpose or give any Covered Bondholder any right to receive any payment of interest, principal or otherwise on the Covered Bonds other than as expressly set out in these Conditions.
- (iv) In the event of the extension of the maturity of the Covered Bonds under this Condition 8(l), rates of interest, interest periods and interest payment dates on such Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the relevant Final Terms and Condition 6(j) (*Floating Rate Note Provisions - Extended Maturity Date*).
- (v) If the Issuer redeems part and not all of the principal amount outstanding of the Covered Bonds on any Interest Payment Date falling after the Maturity Date, the redemption

proceeds shall be applied rateably across such Covered Bonds and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.

- (vi) If the maturity of the Covered Bonds is extended to the Extended Maturity Date in accordance with this Condition 8(l) for so long as any of those Covered Bonds remains outstanding, the Issuer shall not issue any further Series of Covered Bonds, unless the proceeds of issue of such further Series of Covered Bonds are applied by the Issuer on issue to redeem in whole or in part the relevant Covered Bonds in accordance with the terms hereof."

- 15. The following Condition 13 shall be added after Condition 12 (*Events of Default*) of the terms and conditions on page 85 of the Base Prospectus and the Conditions thereafter shall be renumbered accordingly:

"13. Undertaking of the Issuer

This Condition applies in respect of Covered Bonds only.

On declaration of the Issuer's bankruptcy and in certain other events stipulated in the ECBA, the Covered Bond Portfolio will be separated from other assets and liabilities of the Issuer and form an independent pool of designated assets to be managed in accordance with the ECBA and to be used solely to satisfy the claims of Covered Bondholders and of the counterparties to the Derivative Instrument and to cover the expenses related to the management of the Covered Bond Portfolio. In such a scenario, the Issuer undertakes to fully co-operate with the Cover Pool Administrator or the bankruptcy administrator appointed with respect to the insolvent Covered Bond Portfolio ("**Relevant Authority**") to facilitate such Relevant Authority's ability to carry out its rights and obligations under the ECBA in Latvia and Lithuania, including the providing of any powers of attorney in the form required by such Relevant Authority (and procuring that the Latvian and Lithuanian branches of the Issuer provide the same, whenever required) in such Relevant Authority's favour authorising such Relevant Authority to act on behalf of the Issuer.

- 16. The first paragraph only of Condition 16(d) on page 87 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

"In addition to the modification provisions set out at (a) and (b) above and in Condition 8(l), the Issuer may without the consent of any of the Covered Bondholders or Couponholders of any Series at any time make:"

AMENDMENTS TO THE FORM OF FINAL TERMS

With effect from the date of this Base Prospectus Supplement:

1. Paragraph 8 of the form of Final Terms on page 96 of the Base Prospectus shall be deleted and replaced with the following:
 8. (i) Maturity Date: [•]
 - (ii) Extended Maturity Date: [•]/[Not Applicable]¹
2. Paragraph 9 of the form of Final Terms on page 96 of the Base Prospectus shall be deleted and replaced with the following:
 9. Interest Basis: [In respect of the period from (and including) the Interest Commencement Date to (but excluding) the Maturity Date:]

[•] per cent. Fixed Rate

[CIBOR/EURIBOR/LIBOR/NIBOR/STIBOR] [+/-] [•]
per cent. Floating Rate

[Zero Coupon]

[Reset Notes]

(see paragraph 14/15/16/17 below)

[In respect of the period from (and including) the Maturity Date to (but excluding) the Extended Maturity Date (if applicable):

[•] per cent. Fixed Rate

[CIBOR/EURIBOR/LIBOR/NIBOR/STIBOR] [+/-] [•]
per cent. Floating Rate

[Zero Coupon]

[Reset Notes]

(see paragraph 18/19 below)
3. Paragraph 11 of the form of Final Terms on page 97 of the Base Prospectus shall be deleted and replaced with the following:
 11. Change of Interest or Redemption/Payment Basis: [Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14, 15, 18 and 19 below and identify there]/[Not Applicable]
4. Paragraph 12 of the form of Final Terms on page 97 of the Base Prospectus shall be deleted and replaced with the following:
 12. Put/Call Options: [Investor Put]

[Issuer Call]

(See paragraph 21/22/23 below)

¹ Only applies to Covered Bonds

5. The following paragraphs 17, 18 and 19 are added to the form of Final Terms under the heading "Provisions Relating to Interest (If any) Payable", after paragraph 16 on page 99 of the Base Prospectus, and the subsequent paragraphs shall be renumbered consecutively thereafter:

- 17 Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•] in each year
- (iii) Day Count Fraction in relation to Early Redemption Amount: [30/360] / [Actual/Actual(ICMA/ISDA/other)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FROM THE MATURITY DATE TO THE EXTENDED MATURITY DATE

18. Fixed Rate Covered Bond Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360] / [Actual]/[Actual (ICMA/ISDA)]
19. Floating Rate Covered Bond Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period: [•]
- (ii) Specified Interest Payment Dates: [•]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (v) Additional Business Centre(s): [[•]/Not Applicable]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [[•]/Calculation Agent/Not Applicable]

- (viii) Screen Rate Determination:
 - Reference Rate:
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]
 - Relevant Time: [•]
 - Relevant Financial Centre: [•]
 - (ix) ISDA Determination:
 - Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
 - ISDA Definitions: [2006]
 - (x) Linear interpolation [Not Applicable/ Applicable - the rate of interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]
 - (xi) Margin(s): [+/-][•] per cent. per annum
 - (xii) Minimum Rate of Interest: [•] per cent. per annum
 - (xiii) Maximum Rate of Interest: [•] per cent. per annum
 - (xiv) Day Count Fraction: [•]
 - (xv) Party responsible for calculating the amount of interest payable for any interest period following any Rate Adjustment: The [Fiscal Agent/other] shall be the Calculation Agent.
6. Paragraph 17 of the form of Final Terms on pages 99-100 of the Base Prospectus shall be deleted and replaced with the following:
20. **Reset Note Provisions** [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Initial Rate of Interest: [•] per cent. per annum payable in arrear [on each Interest Payment Date]
 - (ii) First Margin: [±][•] per cent. per annum
 - (iii) Subsequent Margin: [[±][•] per cent. per annum] / [Not Applicable]
 - (iv) Interest Payment Date(s): [•] [and [•]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 20(xv)]
 - (v) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[•] per Calculation Amount] / [Not Applicable]

(vi)	Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / [Not Applicable]
(vii)	First Reset Date:	[•] [subject to adjustment in accordance with paragraph 20(xv)]
(viii)	Second Reset Date:	[Not Applicable] / [•] [subject to adjustment in accordance with paragraph 20(xv)]
(ix)	Subsequent Reset Date(s):	[Not Applicable] / [•] [and [•]] [subject to adjustment in accordance with paragraph 20(xv)]
(x)	Relevant Screen Page:	[•]
(xi)	Mid-Swap Rate:	[Single Mid-Swap Rate] / [Mean Mid-Swap Rate] / [Not Applicable]
(xii)	Mid-Swap Maturity:	[•]
(xiii)	Reference Banks:	[•]
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)] / [Actual/Actual (ISDA)] / [Actual/365 (Fixed)] / [Actual/360] / [30/360] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)]
(xv)	Reset Determination Dates:	[•] in each year] / [The provisions in the Conditions apply]
(xvi)	Reset Determination Time:	[•]
(xvii)	Business Day Convention:	[Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [No Adjustment]
(xviii)	Relevant Financial Centre:	[•]
(xix)	Determination Agent:	[•]
(xx)	Mid-Swap Floating Leg Benchmark Rate:	[LIBOR / EURIBOR / CIBOR / NIBOR / STIBOR]
(xxi)	Other terms relating to Reset Notes:	Not Applicable / [•]

7. Paragraph 24 of the form of Final Terms on page 102 of the Base Prospectus shall be deleted and replaced with the following:

27. **Additional Financial Centre(s) or other special provisions relating to payment dates:** [Not Applicable]/[give details].
- Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(v) and 19(v) relate*

AMENDMENTS TO THE DESCRIPTION OF THE ISSUER

Due to the change in shareholders' ownership and the fact that a new version of Articles of Association has been approved, with effect from the date of this Base Prospectus Supplement, the description provided under section "**Background of the Issuer**" on pages 140 and 141 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Background of the Issuer

The Issuer is operating as a pan-Baltic financial institution, comprising of the Issuer, a credit institution established under the laws of Estonia, its branches in Latvia and Lithuania (the "**Branches**") and its subsidiaries in Estonia, Latvia and Lithuania. The Issuer's current legal structure has been formed as a result of two mergers: (i) the Phase One Merger, whereby the Baltic operations of Nordea Bank AB (publ) (which thereafter merged with Nordea Bank Abp, Finnish Business ID 2858394-9; hereafter referred to as "**Nordea**") and DNB Bank ASA, Org. No. 984 851-006 ("**DNB**"), which were carried out through their Baltic branches and subsidiaries, were merged; and (ii) the Phase Two Merger, whereby Luminor Latvia and Luminor Lithuania were merged with the Issuer.

At the date hereof, all the shares of the Issuer are held by the holding company Luminor Holding AS, which has been established under the laws of Estonia. The majority of the shares of Luminor Holding AS are held by Braavos. A minority of the shares are held by Nordea Baltic AB (fully owned by Nordea) and DNB Baltic Invest AB (fully owned by DNB).

The history of the Issuer dates back to the 1990s, when Nordea (then Merita Bank Finland Plc) established its operations in the Baltic countries. The Estonian branch was opened in Tallinn in 1995, through which services were offered to corporate customers. The same year, Merita Bank became the only shareholder of a Latvian bank (former Latvian Investment Bank) and in 2000, Merita's Lithuanian Branch received permission to start operations in Lithuania. Over the years, Merita Bank's branches and subsidiaries in the Baltic countries actively grew their business in corporate, leasing and retail markets, and provided a full range of banking services. Nordea's banking group and brand was established in 2001, after the mergers of Merita Bank Finland and Nordbanken (Sweden) with Unidanmark/Unibank (Denmark) and Christiania Bank og Kredietkasse (Norway).

DNB group started its banking and leasing business via a subsidiary in Estonia in 2006. A joint venture between German Nord/LB, which was already present in the Baltic region since 1990s, and Norwegian DNB Nor Bank was established, renaming the bank to DnB Nord and later to DNB. DNB Pank was part of DNB ASA banking group.

A legal predecessor of the Issuer, AS DnB NORD Liising was established in Estonia on 16 November 2006 and renamed AS DNB Liising in 2011. AS DNB Liising was subsequently renamed Aktsiaselts DNB Pank upon receiving a credit institution licence from the Estonian Financial Supervision Authority on 1 August 2012. On 29 August 2017 Aktsiaselts DNB Pank received a supplementary licence from the Estonian Financial Supervision Authority to provide investment services specified in clauses 43(1)1) - 43(1)7) of the Estonian Securities Market Act and ancillary services specified in section 44 of the Estonian Securities Market Act.

Following the completion of the Phase One Merger, Aktsiaselts DNB Pank changed its legal name to Luminor Bank AS (for further information on the activity undertaken on this date, please refer to the section "**The Phase One Merger**" below). This change of name was registered in the Estonian Commercial Register on 4 October 2017.

The Issuer is incorporated under the laws of Estonia, in accordance with the requirements of the Estonian Commercial Code and is registered in the Estonian Commercial Register with registration number 11315936. The registered address of the Issuer is Liivalaia 45, 10145 Tallinn, Estonia, and its telephone number is +372 628 3300.

Luminor Latvia and Luminor Lithuania were also created by merging Nordea's and DNB's groups' operations in Latvia and Lithuania respectively. Luminor Latvia and Luminor Lithuania operated as independent legal entities under Latvian and Lithuanian laws respectively until the completion of the Phase Two Merger on 2 January 2019. For an overview of the Issuer's current legal structure, refer to the chart under "**Legal Structure of the Issuer**" below.

The objective of the Issuer can be found in article 3 of its Articles of Association. The main business activities of the Issuer include: (i) deposit transactions for the receipt of deposits and other repayable funds from the public; (ii) borrowing and lending operations; (iii) leasing transactions; and (iv) the provision of all other financial services within the meaning of the Estonian Credit Institutions Act. The Issuer may perform any other transactions or operations which are necessary for carrying out its main business activities, unless otherwise provided by law. The current version of the Issuer's Articles of Association was approved on 1 July 2019 and took effect from 24 September 2019.

The Issuer paid out dividends in 2017 in the amount of EUR 6.39 per share, constituting a total dividend payment of EUR 5,989.4 thousand. The key precondition for the payment of dividends by the Issuer in the future is that the Issuer satisfies applicable capital requirements and meets all other recommendations of the European Central Bank at all times."

Due to the amendments made to the Transitional Service Agreements, the first sentence of the seventh paragraph under the heading "Phase One Merger", with effect from the date of this Base Prospectus on page 141 of the Base Prospectus, shall be deemed to be deleted and replaced with the following:

"It is currently envisaged that the transitional services still being provided by Nordea will be terminated in 2020".

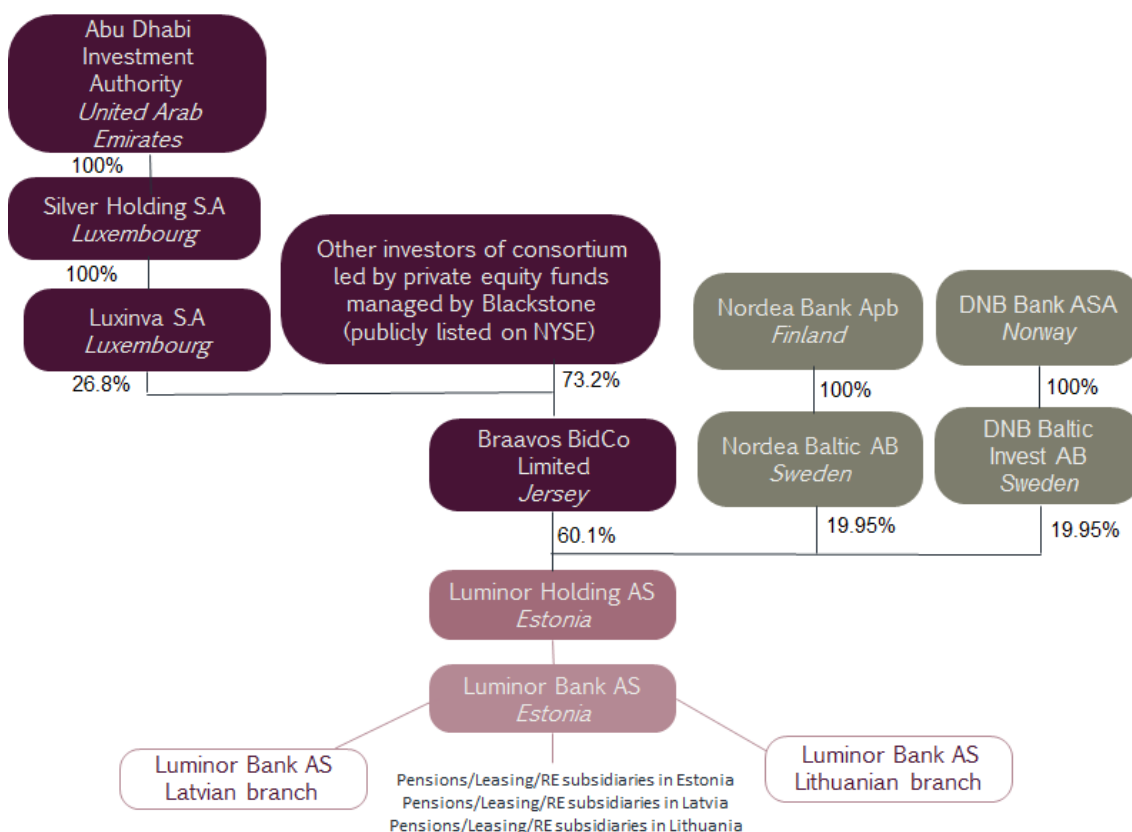
With effect from the date of this Base Prospectus Supplement, the ninth paragraph under the section "***The Phase One Merger***" on page 142 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"During 2019, the Issuer continued to focus on the following main initiatives: post-merger integration projects, customer support and strengthening of current business positions; right-sizing activities and New Bank programme developments (for more details please see the "*New Bank*" below) including planning new digital platforms; and new products and offerings for Issuer's target customers. The intention is to further consolidate the operations of the Issuer and its branches."

Due to the change in shareholders' ownership and with effect from the date of this Base Prospectus Supplement, the description provided under the section "***Legal structure of the Issuer***" on page 143 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Legal structure of the Issuer"

After the completion of the Phase Two Merger on 2 January 2019 and the acquisition of the majority of the shares of the Issuer by Braavos, the legal structure of the Issuer is the following:



With effect from the date of this Base Prospectus Supplement, the first paragraph of the subsection "**DNB ASA**" under section "**Parent Shareholders of the Issuer**" on page 143 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"DNB ASA

The direct shareholder of the Issuer, DNB Baltic Invest AB is a fully owned subsidiary of DNB Bank ASA. DNB Bank ASA is the largest subsidiary of DNB ASA. DNB ASA is the sole shareholder of DNB Bank ASA and the parent company of the DNB Group.

With effect from the date of this Base Prospectus Supplement, the subsection "**Luminor MiCom AB**" under the section "**Parent Shareholders of the Issuer**" on page 144 of the Base Prospectus shall be deemed to be deleted and replaced with the following subsection "**Braavos BidCo Limited**":

"Braavos BidCo Limited

The majority of the Issuer's shares are owned by Braavos BidCo Limited whose shareholders belong to a consortium led by private equity funds managed by Blackstone. 26.8 per cent. of the shares of Braavos BidCo Limited belong to Luxinva S.A, which is a fully-owned subsidiary of Abu Dhabi Investment Authority (via Silver Holding S.A). The rest of the shares of Braavos BidCo Limited (73.2 per cent.) belong to other investors of a consortium led by private equity funds managed by Blackstone Group Inc. which is publicly listed on the New York Stock Exchange. No ultimate beneficial owner holds 10 per cent. or greater interest in Braavos BidCo Limited."

With effect from the date of this Base Prospectus Supplement, the first paragraph of the subsection **"Nordea Bank Abp"** under the section **"Parent Shareholders of the Issuer"** on page 144 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Nordea Bank Abp"

The direct shareholder of the Issuer, Nordea Baltic AB, is a fully owned subsidiary of Nordea Bank Abp. Nordea Bank Abp is a company established in the Republic of Finland (Finnish business ID 2858394-9) and is the parent company of the Nordea group. Nordea Bank Abp became the parent company of the Nordea group on 1 October 2018, when the cross-border merger of Nordea Bank AB (publ) (the former parent company of the Nordea group) and Nordea Bank Abp took effect.

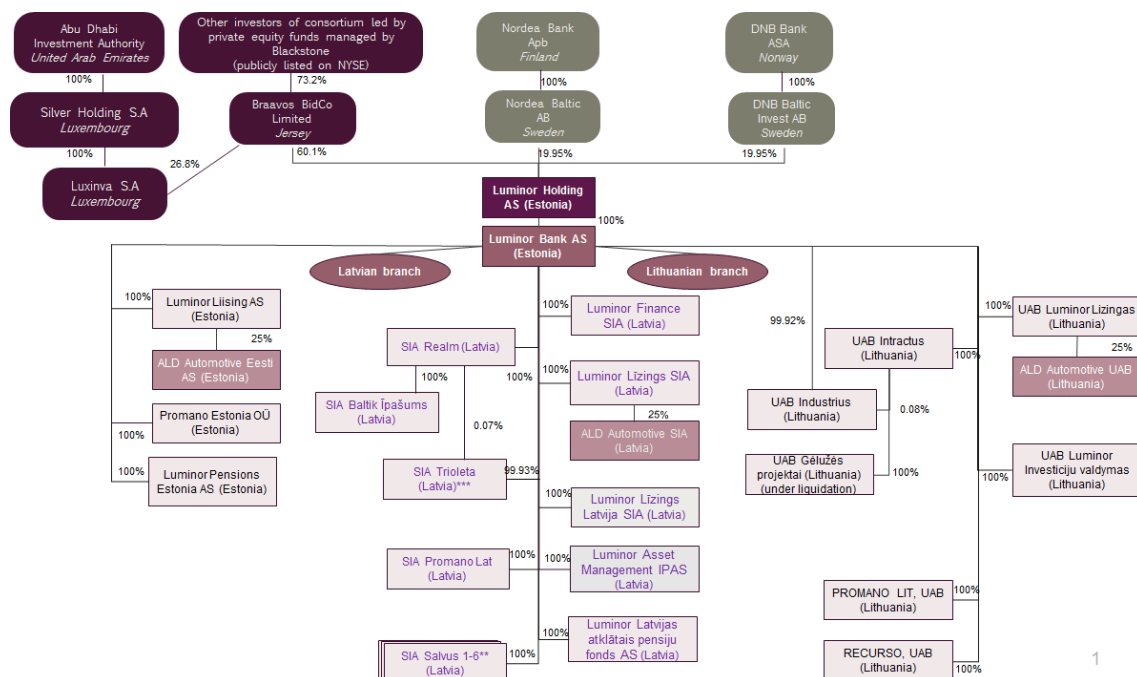
With effect from the date of this Base Prospectus Supplement, the description provided under the section **"Legal structure of the Issuer"** on page 146 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Legal Structure of the Issuer"

The Issuer's operations in the Baltic countries are structured under Luminor Bank AS. The Issuer owns several subsidiaries, including pension fund management companies, leasing companies, special purpose entities which own repossessed assets, an insurance broker and a real estate broker company.

Luminor Holding AS and Luminor Bank AS will be a significant supervised group within the meaning of point (22) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank, subject to ECB supervision, as of 2020. Luminor Holding AS is considered to be the entity at the highest level of prudential consolidation within the supervised group.

The following chart indicates the corporate group structure of the Issuer and its branches and subsidiaries, as well as its shareholders as of the date of this Base Prospectus.



With effect from the date of this Base Prospectus Supplement, the description provided under the section **"Share capital and shareholders of the Issuer"** on page 146 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Share capital and shareholders of the Issuer"

According to the Issuer's Articles of Association, the share capital of the Issuer shall not be less than EUR 30,000,000 and not more than EUR 120,000,000 and may be increased or reduced within such limits without amendment to the Articles of Association. Under Estonian law, the share capital of the Issuer may

be increased by supplementary monetary contributions or, without supplementary contributions, out of the retained profits or share premium accounts of the bank (bonus issue) or by the conversion of convertible bonds to shares or by the settlement of a financial claim arising out of a subordinated debt agreement and the issue price of the shares. If the share capital is increased in the course of merger of banks, the shares of the Issuer may also be paid for with non-monetary contributions, if so decided by the general meeting of shareholders.

As of the date of this Base Prospectus, the Issuer's share capital is EUR 34,912,230.

The shareholding structure of the Issuer can be seen in the chart above."

Due to the fact that new Members of the Supervisory Council, namely Johan Lilliehöök, Jerome Mourgue d'Algue and Nadim Diaa El Din El Gabbani, were elected, who also replaced former members Nadine Faruque and Ari Kaperi, the table under the heading "**Supervisory Council**" listing the members of the Supervisory Council on page 148 of the Base Prospectus shall be deemed deleted and replaced with the following:

" Name	Supervisory Council member since	Position
Nils Melngailis	2 January 2019	Chairman
Bjørn Erik Naess	2 January 2019	Member
Jørgen Christian Andersen	2 January 2019	Member
Michael Richard Jackson	2 January 2019	Member
Trygve Young	2 January 2019	Member
Johan Lilliehöök	29 September 2019	Member
Jerome Mourgue d'Algue	29 September 2019	Member
Nadim Diaa El Din El Gabbani	29 September 2019	Member "

The paragraph following the table under the heading "**Supervisory Council**", listing the members of the Supervisory Council on page 148 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"For the Issuer to comply with good practices set for a credit institution having its registered office in European Economic Area, sufficient number of members independent from the Issuer and its executive management are elected to the Supervisory Council, to ensure that the interests of all internal and external stakeholders are considered, and that independent judgment is exercised where there is an actual or potential conflict of interest. Out of eight, two of the Supervisory Council members are independent: Nils Melngailis and Michael Jackson."

Further, the paragraphs under the headings "*Nadine Faruque, Member of the Supervisory Council*" and "*Ari Kaperi, Member of the Supervisory Council*" shall be deleted and replaced by the following paragraphs which shall be inserted as the last paragraphs under the heading "**Supervisory Council**" on page 149 of the Base Prospectus:

"Johan Lilliehöök, Member of the Supervisory Council

Johan Lilliehöök is a Managing Director in the Private Equity Group of Blackstone. He has over 10 years of private equity experience across Europe and Asia Pacific.

Jerome Mourgue d'Algue, Member of the Supervisory Council

Jerome Mourgue d'Algue is the Head of EMEA in the Private Equity Department at the Abu Dhabi Investment Authority. He is also in charge of the financial services sector globally and a Member of the Private Equity Executive Committee.

Nadim Daa El Din El Gabbani, Member of the Supervisory Council

Nadim El Gabbani is a Senior Managing Director in the Private Equity Group of Blackstone. He has over 10 years of experience within the financial services industry through broad experience in private equity across multiple sectors in Europe and Asia Pacific."

Due to the fact that new Members of the Management Board, namely Ilja Sovetov, Georg Jürgen Kaltenbrunner, Marilin Pikaro and Indrek Heinloo, have been elected by the Supervisory Council, and Hannu Saksala has resigned as of 31 October 2019, the table under the heading "**Management Board of the Issuer (the "Management Board")**", listing the members of the Management Board on page 149 of the Base Prospectus shall be deemed deleted and replaced with the following:

"	Name	Board member since	Position	
	Erkki Raasuke	2 January 2019	Chairman	
	Kristina Siimar	2 January 2019	Member	
	Kerli Gabrilovica	2 January 2019	Member	
	Andrius Načajus	12 November 2018	Member	
	Jonas Filip Eriksson	1 May 2019	Member	
	Ilja Sovetov	2 September 2019	Member	
	Marilin Pikaro	10 October 2019	Member	
	Indrek Heinloo	10 October 2019	Member	
	Georg Jürgen Kaltenbrunner	1 November 2019	Member	"

Further, the following paragraphs shall be inserted as the last paragraphs under the heading "**Management Board of the Issuer (the "Management Board")**" on page 150 of the Base Prospectus:

"Ilja Sovetov, Head of technology, Member of the Management Board

Ilja Sovetov has more than 20 years of global IT leadership experience from 10 different countries, including providing services to financial institutions. Before joining Luminor, Ilja Sovetov worked in a global IT services and consulting company T-Systems, where he acted as a Vice President of Account Management. Before that he held various positions in Hewlett-Packard, including acting as the General Manager of Scandinavia Enterprise Services, and was a Vice President of Client Management and Service Integration in KMD.

Marilin Pikaro, Chief Compliance Officer, Member of the Management Board

Marilin Pikaro has more than 15 years of experience in investigations, compliance, operational risk audit and AML & CTF related areas including strong top management advisory, project management and talent management roles in the Baltic and Nordic regions.

Indrek Heinloo, Head of Programme Office, Member of the Management Board

Indrek Heinloo has more than 15 years of experience acting as a business consultant and business executive in Europe, Asia and Africa. Before joining Luminor, Indrek Heinloo worked in various executive roles in e-Commerce and logistics in Africa and he has counselled banks in various countries as a consultant with McKinsey & Company in the firm's Stockholm, London, and Lagos offices. Earlier Indrek Heinloo worked as Head of the Financial Control and Business Information Department in Hansabank (currently Swedbank).

Georg Jürgen Kaltenbrunner, Chief Risk Officer, Member of the Management Board

Georg Jürgen Kaltenbrunner has nearly 20 years of experience in the banking sector, with a focus on bank management and steering, as well as risk management. He has served as Nordea's Chief Operational Risk

Officer and Chief Operating Officer of the Group Finance and Treasury, where he was responsible for strategy and planning, transformation, key strategic projects and operational management. He was also a Member of the Board of Directors of Nordea Funds Ltd, the largest fund management company of the Nordics with EUR 100 billion assets under management."

With effect from the date of this Base Prospectus Supplement, the description provided under the section "**Parental support mechanisms of the Issuer**" on page 160 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Shareholder support mechanisms of the Issuer

Currently the Issuer is party to a EUR 2,837,000,000 Facility Agreement dated 27 September 2017 as amended, supplemented and, in connection with the transfer to Braavos of a majority shareholding in the holding company of Luminor Holding AS, as restated. The Issuer is a party to the Facility Agreement as a borrower and Nordea and DNB as lenders (subject to customary transfer/assignment rights set out therein). Under the Facility Agreement, the Issuer must use the net proceeds of any covered bond programme and/or other external capital market funding (in each case having a final maturity of more than 12 months and not being used to refinance existing capital markets debt) raised by the Issuer to prepay the outstanding facility, and the facility commitments shall be cancelled in the amount of the prepayment. In addition, the Issuer has the option to reduce the Facility amounts voluntarily.

The Issuer shall use all amounts borrowed under the Facility Agreement towards financing the lending activities of the Issuer's Group, the Issue's Group liquidity buffers and other funding needs

The Facility is committed for 3 years as of 30 September 2019 with two options to extend the termination date by up to a further 12 months on each request. The Issuer can draw loans with maturity date between 1 and 3 years.

Payment obligations under the Facility Agreement rank at least *pari passu* with the claims of all of the Issuer's other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally. The loan is secured as specified above under "Risks associated with collateral established for securing the Issuer's credit line from DNB and Nordea".

The applicable fees were revised and margins were increased in September 2019. This increase in cost of funding could have an impact on operating profit in the event that alternative financing is not obtained, as is currently intended, to refinance the Facility Agreement with a reduced cost of funding.

In addition, further capitalisation of the Issuer may be sought from the shareholders of the Issuer, Luminor Group AB may issue shares to its shareholders, taking into consideration the Luminor Group companies' capital requirements and the on-going business capital needs of the Luminor Group companies."

With effect from the date of this Base Prospectus Supplement, the description provided under the section "**Issued Capital**" on page 161 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Issued Capital

As of the date of this Base Prospectus Supplement, 100 per cent. of the Issuer's shares were held by Luminor Holding AS registered in Estonia. All issued shares are authorised and fully paid.

In 2019 mandatory reserve capital was allocated from retained earnings in the amount of EUR 937,653 in Luminor Estonia.

In 2019, Luminor Group did not pay out any dividends. The key precondition for dividend payment is that the Issuer satisfies the applicable capital requirements including internal at all times and also meets all other recommendations of the European Central Bank.

As at the date of this Base Prospectus, the share premium of the Issuer amounts to EUR 1,412,242,600.25 (as at 31 December 2018 – EUR 402,141,466, as at 31 December 2017 – EUR 402,141,466 and as at 31 December 2016 – EUR 92,505,000).

The most recent change in share premium occurred on 28 May 2019, when Luminor Group AB as the former sole shareholder of Luminor Bank AS, made a decision to approve Luminor Bank AS to carry out a capital reduction by converting EUR 216,030,920 of its share premium to share capital via a bonus share issuance, followed by a share capital reduction in the same amount to effect the distribution.

With effect from the date of this Base Prospectus Supplement, the following paragraphs will be inserted to the Base Prospectus, preceding the heading "Operational risk management" on page 169 of the Base Prospectus.

Credit Risk Process

The Issuer aims to maintain a private individuals segment credit process as efficient and common across the Baltic countries as possible. The Issuer's focus is on harmonization process across the three countries. After core system migration finalization, the Issuer plans to develop one common workflow system.

Customers' credit approvals are normally based on the principle of "two pairs of eyes". This means that one person makes the recommendation (credit proposal) and another one approves it. Credit proposals with high limits and/or not in line with requirements of applicable internal credit procedures require additional approval from the Credit Officer. Currently all credit decisions are done by individuals (no automated decisions). Credit decisions made are valid for 3 months.

Retail mortgage lending origination and underwriting principles

In order to ensure good credit quality, the Issuer's origination and underwriting process is built upon the following principles: the customer relationship is based on a thorough knowledge of the customer as well as on trust of the customer's willingness and ability to meet its liabilities. It is essential for the Issuer to understand the customer's financial needs through interaction with them.

The Issuer expects any new loans to have a low to medium risk profile.

The Issuer has defined origination criteria for mortgage loans, which may be amended from time to time. Applicable origination criteria as at the date of this Base Prospectus include, without limitation, the following:

1. Customer
 - Local (Baltic) residents
 - Non-citizen might be accepted if there is an undoubted connection with the country where a loan is requested Currency
 - Almost only EUR. Exceptions can be made, if customer's income is in another currency
2. Currency
 - Usually only EUR. Exceptions can be made, if customer's income is in another currency
3. Loan to Value (LTV)
 - Maximum LTV 85 per cent. (exceptions possible using state support programs)
 - Financing amount is calculated from the lowest from transaction price or valuations reports from accepted independent certified external valuers or Luminor's internal valuation
4. Collateral
 - Residential houses and apartments located in areas with a liquid property market
 - First priority pledge on the property that is being financed, as a main rule

- Evaluation not older than 12 months (or shorter if negative tendencies in the market are observed)
5. Indexation of residential collateral values
- Frequency: at least once a year
 - Geographical segmentation is implemented in Lithuania and Latvia, planned to be implemented in Estonia as well
6. Maturity
- Maximum maturity of mortgage loans: 30 years

The Issuer's main assessment criterion in relation to mortgage loans is the customer's repayment (debt servicing) capacity and primarily it is based on the customer's cash flow. Income must be permanent, long-term, regular, predictable and proved according to the income type. In addition, the Issuer collects information from public authorities and/or customer's account statements. Debt to Income ratio (DTI) should be below 40 per cent, tests of positive liquidity, interest rate sensitivity and positive net wealth are applied. The Issuer evaluates the customer's behaviour (credit history) during their relationship with the Issuer and based on all available external databases taken into account for the new credit proposals.

The Issuer has established a credit origination and approval process with the following steps.

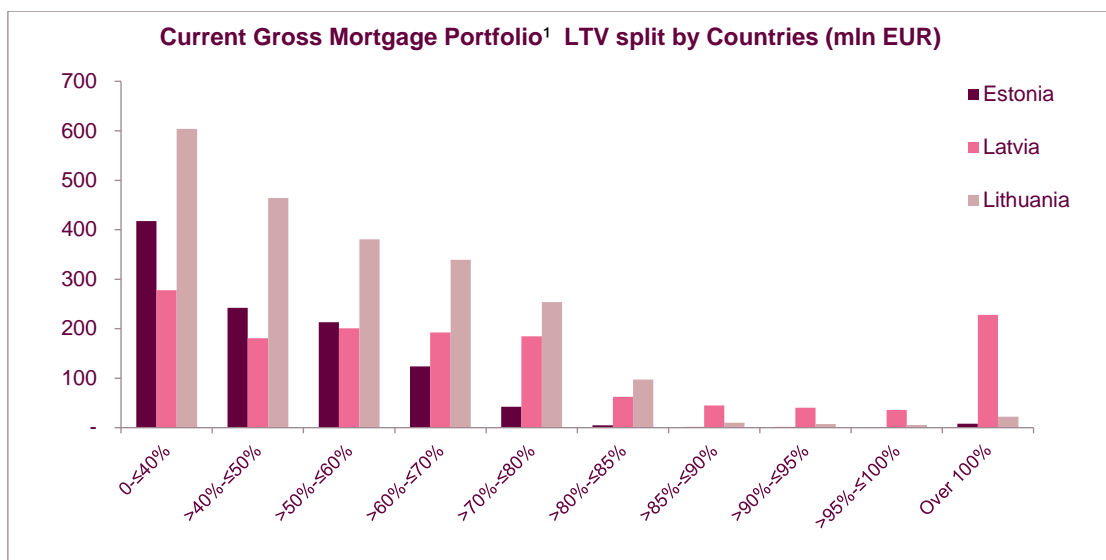
1. Consultation: the customer submits an application and other required documents using the channels offered via Customer Service Centres (CSC) to identify the customer and initiate internal workflow.
2. Information and document-gathering to identify the customer and initiate internal workflow.
3. Assessment and memo preparation: Lending Competence Centre (LCC) employee obtains, analyses and summarises information about the customer, which is essential for adoption of the credit decision and prepares the credit memo.
4. Decisions shall be made in Lending Competence Centre (LCC) according to the decision matrix, described in the Issuer's internal procedures.
5. Contract and disbursement:
 - contract is signed by the Issuer and the customer
 - deal information is recorded in the bank system
 - Financing is disbursed to the customer

Retail mortgage lending authorisation process

All credit decisions are made by relevant employee of the Issuer, based on the "two pairs of eyes" principle. Powers to act are granted based on the competence of the employee and signed off by Issuer's risk organisation (2nd Line of Defence).

Dependent on the size of the potential exposure, the Issuer has internally defined which decision making body is authorised to approve the respective exposure.

As at the end of 2019 weighted average Loan-to-Value Ratios (LTV) and amounts per each country for all retail mortgage loans are as follows:



¹ - Gross amounts Q4 2019

LTV Ratios (LTV) are calculated by dividing the loan amount by the current collateral value allocated to the particular loan. Collateral value includes also indexed valuations. Indexation is performed at least annually. If the same collateral covers more than one loan, then only the relevant part of the collateral value is used to calculate LTV for a particular loan.

The Issuer is in the process of establishing a pan-Baltic Cover Pool, but the initial issuance shortly after the date of this Base Prospectus Supplement will be based on a Cover Pool containing Estonian retail mortgage assets only.

Retail mortgage lending credit monitoring process

Monitoring activities for credit exposures are performed on a continuous basis throughout the credit agreement lifecycle with the purpose of recognising any developments in customer risk profile at an early stage and securing timely and appropriate actions for mitigation in case of negative findings. Credit exposure monitoring consists of overdue management, collateral insurance monitoring and early warning signals (for exposures above certain thresholds).

Overdue management process is performed on a regular basis for debt recognition with activities for mitigation to minimise potential loss.

Collateral insurance monitoring is performed on a regular basis, to detect and mitigate potential loss arising from unforeseen events occurring with collaterals without insurance.

Restructuring of retail mortgage loans and management of Non-Performing Loans (NPLs)

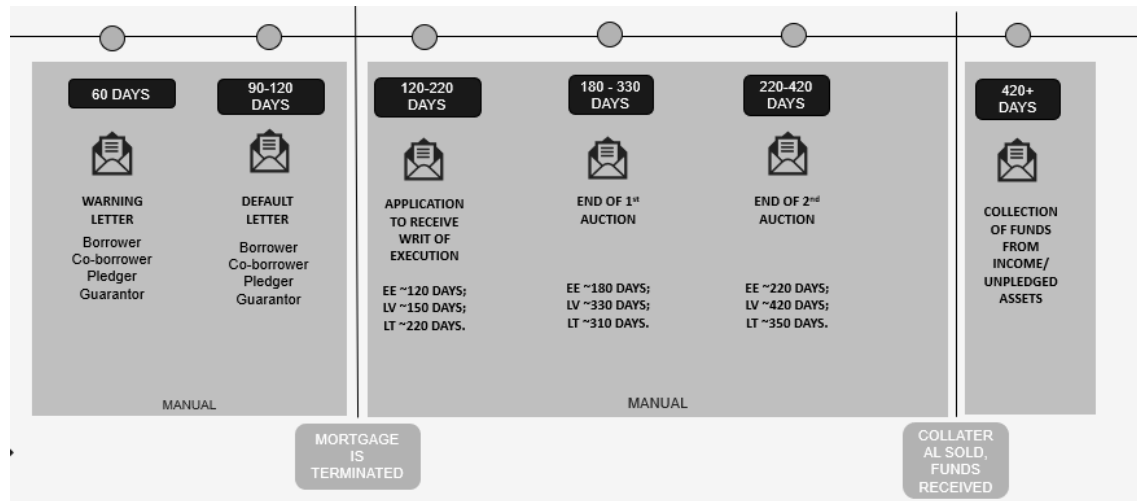
The Issuer has set the >30 days overdue criterion for identifying distressed mortgage customers. Certain other indicators are also monitored for non-performing customers.

The Issuer's strategy towards private individual mortgage exposure is determined based on three main criteria:

- collaboration (customers' active cooperation with Luminor to seek solution(s));
- ability to absorb repricing (customer's willingness and ability to absorb repricing, assessment based on customer's unique financial position); and
- viability of restructuring (e.g. multiple consecutive restructuring measures).

Enforcement of collateral

The current NPL enforcement process is depicted below, including: warning letters being served to the customer, collateral sale at 2nd auction and no legal disputes or insolvency of the borrower at any stage of enforcement.



With effect from the date of this Base Prospectus Supplement, the two paragraphs under the heading "**Intellectual Property**" on page 171 of the Base Prospectus shall be deleted and replaced by the following paragraph:

"Intellectual Property

The Issuer has taken over from its former parent company Luminor Group AB the ownership of the following trademarks (and all respective rights related thereto) mainly relating to the Luminor brand: 12 national level trademarks registered in Estonia; 12 national level trademarks registered in Latvia; 12 national level trademarks registered in Lithuania; 3 national level trademarks registered in Finland; 20 trademarks registered as European Union trademarks (having European Union-wide protection); and one international trademark registered under the Madrid System (designated countries being Norway and Russia). As a result of the Phase Two Merger, the Issuer acquired 22 trademarks previously owned by Luminor Lithuania and registered in Lithuania as national level trademarks before 2013 (as a result, the trademarks are not related to Luminor brand)."

AMENDMENTS TO THE "POTENTIAL CHANGE OF OWNERSHIP" SECTION

With effect from the date of this Base Prospectus Supplement, the whole section "*Potential Change of Ownership*" on pages 176 and 177 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"CHANGE OF OWNERSHIP"

On 13 September 2018, DNB, Nordea, Luminor Group AB and Braavos signed a Share Sale and Purchase Agreement for acquisition by Braavos of 60.1 per cent. of the shares in the Issuer. The ultimate shareholders of Braavos are the Braavos Consortium. In connection with this transaction, a number of other agreements were also signed or agreed on (with the parties to these agreements varying), for regulating the legal relationships of the Issuer, Braavos, Luminor Group, DNB and Nordea going forward.

Acquisition of the majority shareholding by the Braavos Consortium in Luminor Holding AS was completed on 30 September 2019. After completion of the transaction, Braavos acquired a 60.1 per cent. majority stake in the Issuer, owning 60.1 per cent. of the shares of Luminor Holding AS, which is the sole shareholder of the Issuer. DNB and Nordea retained a 19.95 per cent. stake in Luminor Holding AS through separate holding companies DNB Baltic Invest AB and Nordea Baltic AB, which were established by a demerger of the Issuer's previous sole shareholder, Luminor Group AB.

Among other things, the terms and conditions of credit provided to the Issuer by Nordea and DNB (see "*Risks associated with liquidity and dependence on external sources*" and "*Shareholder support mechanisms of the Issuer*") have been changed to reflect the diminished shareholding and control of the lenders over the Luminor Group (among others, the facility fees were revised and interest rates increased, and certain collateral was established for the benefit of the lenders). The agreed collaterals include: (i) a pledge over 100 per cent. of the shares in the Issuer; and (ii) a pledge over certain claims and receivables of the Issuer arising from existing and future residential mortgage backed loan agreements, together with loans to corporates and SMEs and/or certain other assets agreed from time to time (to the extent necessary to meet the minimum collateral value). The highest required minimum collateral value is claims having an aggregate nominal amount equal to EUR 2.25bn (but this highest minimum collateral value will reduce as the facility size reduces below EUR2.25bn and/or if more secured long term debt is issued by the Issuer). The legal nature of each type of these agreed pledges varies from jurisdiction to jurisdiction. The pledges were established simultaneously with completion of acquisition by Braavos Consortium of majority shareholding in a holding company.

For the avoidance of doubt, the claims and receivables of the Issuer pledged in favour of DNB and Nordea shall not be used as cover assets in the Cover Pool for as long as such claims and receivables are subject to the pledge in favour of DNB and Nordea. Upon the release of such claims and receivables from the pledge in favour of DNB and Nordea, the Issuer may (but is not obliged to) include such claims and receivables to the Cover Pool, subject to such claims and receivables qualifying as Eligible Assets.

Nordea, Luminor Group AB and Braavos have additionally entered into a Forward Sale Agreement, whereby the Braavos BidCo Limited would acquire over a period of time, at one or several occasions (on terms and conditions set forth in that agreement) the shares in the newly established holding company of the Issuer that represent Nordea's remaining indirect interest in the Issuer. Upon full completion of the share transfers envisaged by the Forward Sale Agreement, Nordea group would no longer hold any equity in the Issuer's group, and the Braavos Consortium's (indirect) shareholding in the Issuer would increase to approximately 80 per cent.

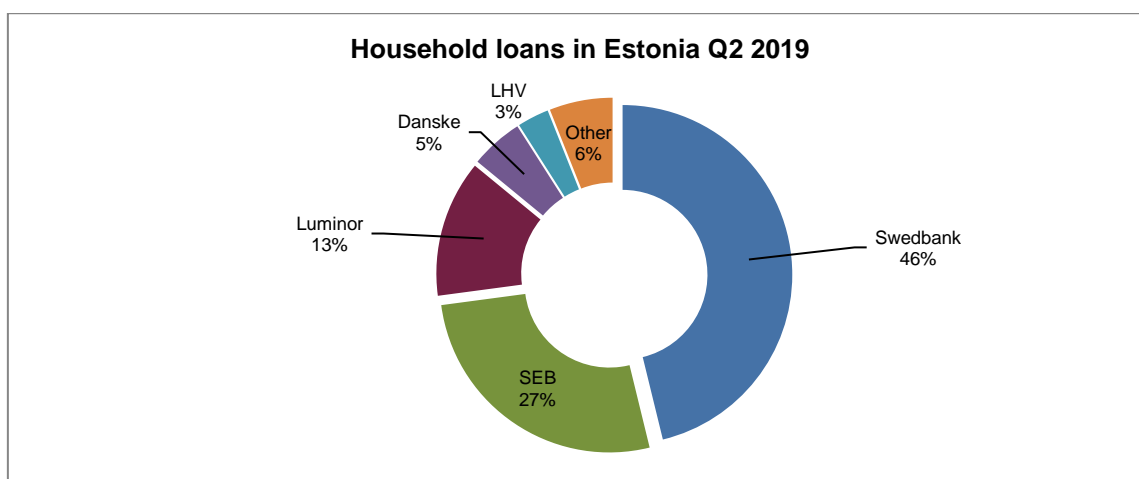
The acquisition of the majority shareholding by the Braavos Consortium is expected by management to strengthen and accelerate the execution of the Issuer's plan to become the leading pan-Baltic financial group. "

AMENDMENTS TO THE DISCLOSURE

With effect from the date of this Base Prospectus Supplement, the description provided under the section "Mortgage Lenders in Estonia" on pages 180-181 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Mortgage Lenders in Estonia

Mortgage lenders in Estonia provide a range of financing for single family homes – flats, houses and terraced houses. They also provide financing for business and commercial property. According to the statistics published by the Financial Inspection as at 30 June 2019, the market shares of Estonian financial institutions based on balance of loans issued to households were as follows:

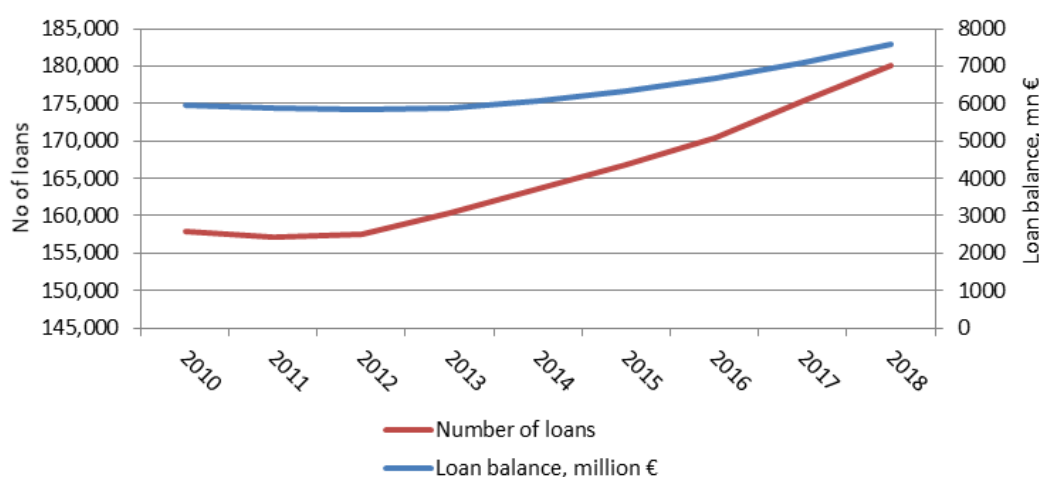


Source: https://fi.ee/sites/default/files/seisuga_2019_30_06_eesti.pdf

Swedbank is market leader in Estonia with market share of 46 per cent based on loans issued to households, followed by SEB with market share of 27 per cent. Luminor is holding third position with market share of 13 per cent. Danske Bank, holding fourth position, has announced liquidation of all its Baltic operations. LHV Bank acquired the private customer loan portfolio of Danske Bank in Estonia in November 2019. As a result of the transaction, market share of LHV will increase. The majority of loans to household form housing loans, which make approximately 87 per cent of total loans to household according to data published by the Financial Inspection as at 30 June 2019.

Since 2012, both the housing loan balance and the number of loans have been increasing. The loan balance has been increasing faster than the number of loans, meaning that the average housing loan balance has grown from EUR 37,000 per loan in 2013 to EUR 42,000 in 2018. But household deposits have grown even faster – where loan balance has increased on average 3 per cent annually, household deposits have increased 8.5 per cent annually. In the assessment of the Issuer, this indicates positive credit worthiness trend among Estonian customers.

The number and balance of housing loans in Estonia (2010-2018):



Source: <http://statistika.eestipank.ee/#/et/p/650/r/1172/1021>

With effect from the date of this Base Prospectus Supplement, the following shall be added after the end of "The Estonian Housing Mortgage Market" section on page 188 of the Base Prospectus:

"THE LATVIAN HOUSING MORTGAGE MARKET"

Introduction

Commercial lenders are the principal originators of residential mortgage loans in Latvia.

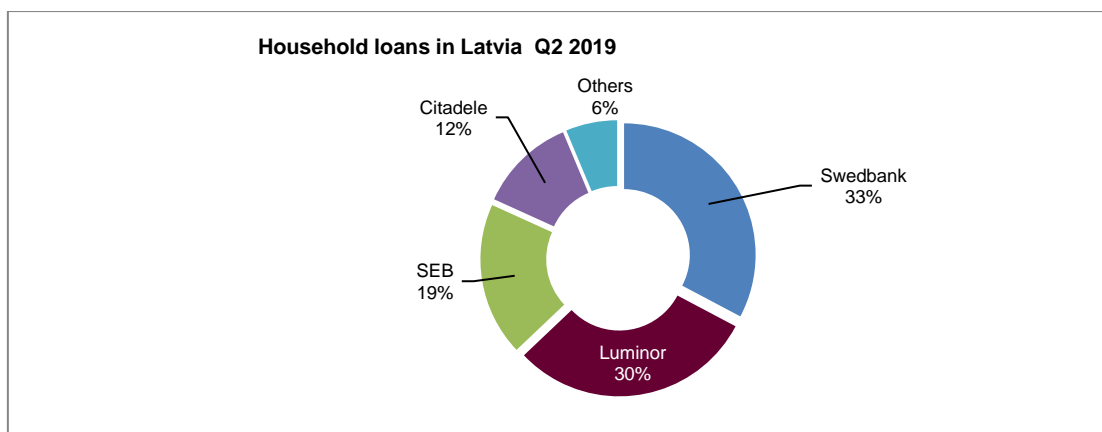
Lending for apartments and houses typically takes the form of one mortgage loan with an aggregated Loan-to-Value Ratio of up to 85 per cent. Loans with a Loan-to-Value Ratio of up to 95 per cent. are also available where the borrower also receives a state guarantee from Altum (a Latvian state-owned financial institution offering housing loan guarantees to private individuals).

Latvian mortgage loans may have a fixed or variable rate of interest, although, at the date of this Base Prospectus Supplement loans with variable rates of interest are the most commonly originated. For variable rate loans, the interest is determined as a variable margin over 1-month, 3-month, 6-month or 12-month EURIBOR interest rates. In most cases 6-month EURIBOR is used. While there are no specific rules limiting rates of interest (other than in respect of default interest), the general principles of equity under Latvian law apply.

Mortgage Lenders in Latvia

Mortgage lenders in Latvia provide a range of financing for single family homes – flats, houses and terraced houses. They also provide financing for business and commercial property. According to the statistics published by the Finance Latvia² (banking association of Latvia) at 30 June 2019, the market shares of Latvian financial institutions based on balance of all household loans were as follows:

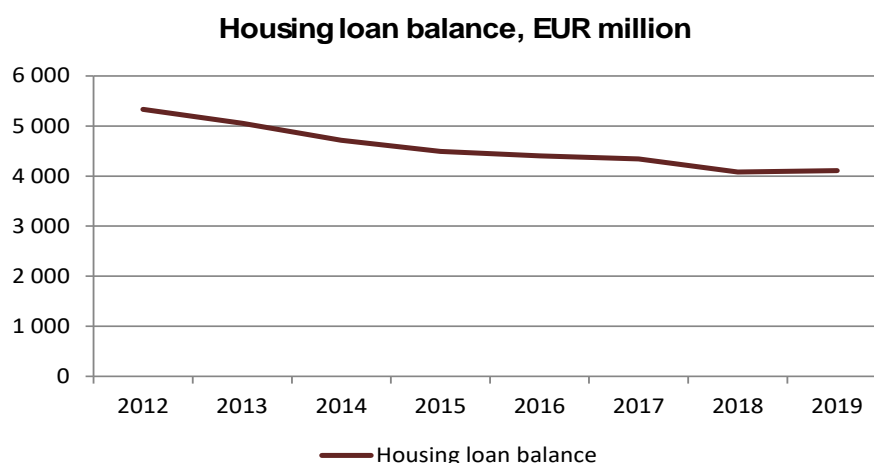
² Available at: <https://www.financelatvia.eu/wp-content/uploads/2019/06/Bank-results-1st-quarter-2019.pdf>; <https://www.financelatvia.eu/wp-content/uploads/2018/03/Bank-results-2017.pdf>



Swedbank is the market leader in Latvia with a market share of 33 per cent based on total household loans. Luminor holds a second position with a market share of 30 per cent with SEB and Citadele being third and fourth. The majority of loans to household form housing loans, which make approximately 77 per cent of total loans to household according to data published by Finance Latvia ⁸ (banking association of Latvia) at 30 June 2019.

Since 2012, the housing loan balances has been decreasing, with the exception of the first quarter of 2019 which demonstrated a slight increase. By comparison, household deposits have grown year-on-year, increasing approximately 60 per cent from 2012 to 2019.

The balance of housing loans in Latvia (2010-2018)



Source: <https://www.financelatvia.eu/nozares-dati/>

Material Legal Aspects of the Mortgage Loans

The below summary provides a brief overview of the material legal aspects of mortgage loans in Latvia and does not purport to be complete analysis of all legal considerations relating to mortgage loans. This summary is based upon the law as in effect on the date of this Base Prospectus Supplement and is subject to any change in law that may take effect after such date.

Establishment of a Mortgage

Real estate property located in Latvia may be pledged only as a mortgage. A mortgage is established pursuant to a written mortgage agreement and is perfected by registration in the Latvian Land Register. Latvian law does not require that the mortgage agreement or the obligation document secured by it are notarised or made as a deed by a notary public, however (unless the mortgage is established pursuant to a notarised deed) the registration application must be attested by notary public.

The Latvian Land Register is a public register and, subject to the payment of a state and processing fee, information regarding real estate properties and mortgages encumbering such real estate properties can be accessed publicly, including electronically. An entry concerning the mortgage in the Land Register sets out: (i) the mortgagee; (ii) the mortgagor, if the real estate property is co-owned; (iii) the monetary amount up to which the mortgage secures the secured claim; (iv) the agreement or other document pursuant to which the mortgage is established and the document claims under which are secured by mortgage; (vi) if applicable, the ranking of the mortgage; and (vii) if applicable, the cross-reference to other real estates encumbered by the same mortgage.

Real estate property that may be subject to a mortgage comprises of: (i) the immovable, i.e. delimited part of land, or one or multiple buildings or constructions title to which exist separately from the title to underlying land, or a separate apartment (condominium) property, and (ii) the right of superficies, which is defined as a transferable and inheritable real right which encumbers an immovable such that the person for whose benefit a right of superficies is constituted is entitled to own a construction permanently attached to the immovable for a specified term. A mortgage established under Latvian law extends to additions, accessories and fruits (i.e. both the income generated by the real estate, and natural crop) of the real estate property. A mortgage does not extend to fruits which have been separated from the real estate prior to enforcement of the mortgage, or to the additions and accessories which have been lawfully separated from the real estate prior to enforcement of the mortgage. If a real estate property encumbered with a mortgage is insured, the mortgage extends to claim for insurance proceeds.

Under Latvian law, a mortgage usually encumbers a real estate property in its entirety. In case of a real estate property co-owned by several owners, a legal share of a real estate property belonging to a co-owner may also be encumbered with a mortgage. A mortgage cannot be established only on a physical share of a real estate property or part of the legal share of a co-owner.

A mortgage, to the extent of the amount of the mortgage agreed in the mortgage agreement, secures the principal obligation, all ancillary claims related to the principal claim, including interest and default interest, other claims incurred pursuant to the obligation document, expenses for the collection of the debt, including the costs of the enforcement proceeding and bailiff's fees, and other claims agreed in the mortgage agreement. The claims for interest are limited to the period of three years prior to the date of sale of the mortgaged property in enforcement of the mortgage.

Enforcement Procedures

Introduction and general principles of Latvian law in respect of enforcement

If a borrower fails to fulfil its obligations under a mortgage loan, the creditor may generally (i) seek general enforcement of its claims against the borrower and collection of the debt arising from the mortgage or (ii) seek enforcement of a mortgage (and other security, if any) securing the mortgage loan to be able to satisfy the claims arising from the mortgage loans for the account of proceeds from the enforcement of such mortgage (or other security). Under the Latvian law, a mortgage can only be enforced in court proceedings. Two alternative mortgage enforcement proceedings are available: (i) voluntary sale of the mortgaged real estate property in an auction through a court ("**Voluntary sale**") and (ii) non-adversary enforcement of the obligation secured by the mortgage ("**Non-adversary enforcement**").

General enforcement by a creditor of claims against a defaulting borrower under a mortgage loan typically requires that the creditor first obtains a judgment or arbitral award ordering the relevant claims to be satisfied (for example, for a debt recovery) after which the actual enforcement may be carried out by a bailiff in a formal enforcement procedure against the assets of the borrower regulated by Latvian law.

Voluntary sale and Non-adversary enforcement proceedings allow the creditor to enforce the secured claim without an obligation to obtain a full judgement in respect of the secured claim. However, in both proceedings the creditor may enforce and recover the secured claim only up to the mortgage enforcement proceeds. If the mortgage enforcement proceeds are not sufficient to satisfy the entire outstanding claim, the creditor will need to enforce other security or commence the general litigation or arbitration proceeding to recover the remaining claim.

Enforcement of a claim against the debtor

To enforce a claim against the debtor arising from a mortgage loan, the creditor must submit its claim to a court having a jurisdiction over the mortgage loan. In such court proceedings, the creditor would need to prove its claim against the debtor in order to obtain a court ruling ordering the payment of the relevant claim. Upon such court ruling entering into force, the creditor may apply to a bailiff, who shall carry out enforcement proceedings with respect to debtor and its assets. In enforcement proceedings, if the debtor fails to pay the debt voluntarily, the debtor's property is seized and sold to the extent necessary to satisfy the claim and the claim of the creditor shall be satisfied from the proceeds received from such sale.

The enforcement proceedings, including the seizure and sale of the debtor's property, would be carried out by a bailiff in accordance with the Latvian Civil Procedure Law. The Latvian Civil Procedure Law provides, inter alia, a list of items of the debtor which cannot be seized and sold in enforcement proceedings, which mainly consist of property which is essential for the debtor to satisfy his or her needs or the seizure and sale of which would be contrary to law. The Latvian Civil Procedure Law further provides certain forms of income of the debtor which cannot be used to satisfy claims in enforcement proceedings, which mainly consists of benefits payable in accordance with Latvian law, and certain restrictions regarding enforcement against debtor's salary and similar remuneration.

Enforcement of a mortgage

In a Voluntary sale procedure the creditor requests the court to approve the sale of the mortgaged real estate property (collateral) on the terms and conditions of the sale proposed by the creditor (mortgagee). The creditor may invoke this enforcement procedure if the creditor and the mortgagee have agreed in writing (including electronic documents) that the creditor is permitted to invoke the procedure. Such an agreement may be (and generally is) included in the agreement for the establishment of the mortgage but may be made later as well, including after the claims secured by the mortgage have fallen due. Latvian law does not require that the relevant agreement is notarised. The terms of the sale of the real estate must specify the opening price of the auction, which the creditor may set at its discretion, and may include such other terms and conditions as the creditor deems necessary. The terms and conditions of the sale are approved by a judge in *ex-parte* proceedings. The court decision has an immediate effect, i.e. it has the status of a writ of execution and it serves as authorisation to commence the sale of the real estate on the approved terms and conditions. The sale is organised by a court bailiff in accordance with the provisions of the Latvian Civil Procedure Law and the Latvian Civil Law and is carried out in the electric auctioning system maintained by the Latvian government.

The Non-adversary enforcement proceeding is an *ex-parte* proceeding in which a court declares an obligation secured by a mortgage as enforceable without examining the creditor's claim on its merits. The proceeding may be invoked by a creditor whose claim is secured by a duly registered mortgage in Latvia. In these proceedings the judge may reject the creditor's application if any of the grounds for rejection under the Latvian Civil Procedure Law exist. a court decision in Non-adversary enforcement proceedings will declare which obligation and to what extent is enforceable. The court decision has an immediate effect, is non-appealable and has the status of a writ of execution. However, unlike a judgement obtained in a general litigation procedure or an arbitral award, the court decision in these proceedings may be enforced only in respect of the mortgaged real estate and up to the amount of the mortgage enforcement proceeds. It cannot be enforced against any other assets of the debtor. The court decision is enforceable by a court bailiff in accordance with the judgement enforcement provisions of the Latvian Civil Procedure Law.

a court decision in the mortgage enforcement proceedings does not preclude the debtor or the mortgagor from contesting the enforcement of the mortgage. This can be done by the commencement of a general litigation proceeding against the creditor. Enforcement of the mortgage may be suspended by a court order on request of the debtor or the mortgagor. If the enforcement of the mortgage has been suspend, the general litigation or arbitration proceedings may need to be carried out and completed prior to enforcement of the mortgage.

The actual enforcement of the mortgage is carried out by a court bailiff in an auction in accordance with the Latvian Civil Procedure Law. Prior to the auction, the real estate will be valued by a certified appraiser who will determine the forced sale value of the real estate (the valuation would not be required if the sale is carried out pursuant to voluntary sale of real estate procedure). The mortgagor and the creditor may request a repeated valuation at their own cost, in which case the highest of the valuations would serve as the starting price of the auction. The auction is carried out in the electronic auction system provided by the

Latvian government. Each person willing to participate in the auction must pay a refundable security deposit equal to 10 per cent. of the starting price. The debtor, mortgagor, the appraiser and the bailiff itself may not participate in the auction. Size of the auction bid is specified in the auction rules. All bids are made and accepted electronically. The auction period is 30 days long.

The auction results are subject to court approval which will only be made after the auction price has been paid in full. The person which has acquired the real estate in the auction obtains title to the real estate pursuant to the court decision approving the auction results. The mortgagee has the right to acquire the mortgaged real estate at the auction starting price if there were no bidders or none of the bidders offered more than the starting price of the auction.

Costs of enforcement

Various state fees would need to be paid to initiate the mortgage enforcement proceedings or request any protective measure in the proceedings. The amount of such state fees would depend on the amount of the claim and the enforcement proceedings chosen. Furthermore, court proceedings often entail other legal costs such as lawyers' fees, which may not be compensated in full even if the court rules in favour of the party. If the court rules in favour of the other party, it is possible that the legal costs incurred by the other party may need to be compensated.

Enforcement procedure by bailiff would entail state fees, bailiff's fee and various costs necessary for enforcement proceedings. In case of a monetary claim, bailiff's fee is split into a fixed and variable part the latter depending on the amount of the enforcement proceeds received. The enforcement costs would be borne by the debtor, however, in certain cases the creditor is obliged to pay the enforcement costs in advance.

Distribution of mortgage enforcement proceeds

Distribution of the mortgage enforcement proceeds is mandatorily governed by the Latvian Civil Procedure Law and cannot be varied by contract. According to the Latvian Civil Procedure Law, the mortgage enforcement costs are paid in the following sequence of priority: (i) the enforcement costs, including the remuneration of the court bailiff, the auction costs, costs of valuation of the collateral for enforcement purposes, and other related costs; (ii) salary and social security claims of the employees that were involved in the maintenance of the mortgaged real estate (if applicable); (iii) claims for past due real estate taxes on the mortgaged real estate; (iv) dues and other obligations attached to the real estate and recorded in respect of the real estate in the Land Register (this does not include mortgages); (v) the claims secured by the mortgage, provided that interest claims are payable in this priority category only for the past three years, counting from the last day of the auction; and (vi) interest claims that were not paid in the previous priority ranking, and all other unsecured claims *pro rata*.

Treatment of the mortgage and mortgagee in the mortgagor's insolvency proceedings

Should the mortgagor be declared bankrupt, the mortgage ensures a priority position of the mortgagee with respect to the proceeds from the sale of the mortgaged real estate property. The priority is ensured subject to the conditions that (i) the secured creditor has filed its claim within the period specified by the law and (ii) the claim has been accepted in the mortgagor's insolvency proceedings.

In the mortgagor's bankruptcy proceedings, claims secured by the mortgage are satisfied as first priority claims for the account (and to the extent) of the money received from the sale of the mortgaged real estate property. The enforcement costs and insolvency administrator's remuneration for the enforcement are paid before the secured claim. If a claim secured by the mortgage is not satisfied in full out of the money received from the sale of the mortgaged real estate property, the rest of the claim shall be satisfied together with all other accepted claims which were filed within the term specified by law. All waterfall provisions agreed in the loan and security documentation are disregarded in the insolvency proceedings. The proceeds received in the sale of mortgaged real estate in insolvency proceedings are first applied in satisfaction of the principal claim, then interest, and finally in towards payment of penalties. All claims are paid if and to the extent they have been accepted by the insolvency administrator (or, in case of dispute, awarded pursuant to a court judgement).

Enforcement of mortgages on residential property may be suspended in accordance with the Latvian Insolvency Law if the debtor and his dependants are residing in the mortgaged property and need time to relocate.

Enforcement of mortgages in the insolvency proceedings is carried out by the insolvency administrator in accordance with the provisions of the Latvian Civil Procedure Law and the Latvian Insolvency Law. However, the mortgagee and the insolvency administrator are permitted to agree on enforcement of mortgage in a private sale carried out by the administrator or the mortgagee itself.

If the mortgagor is a legal entity, the mortgagor may pursuant to the Latvian Insolvency Law apply for and, subject to the required creditor consent, invoke a debtor's legal protection proceeding allowing the debtor to restructure its obligations according to the plan approved by the creditors and the court. Provided that at least 50 per cent. of the unsecured creditors and 2/3 of the secured creditors have consented, the debtor would be able to apply one or more of the following restructuring measures: extension of maturity of the obligations, reduction of the principal or interest, capitalisation of the obligations.

Treatment of the mortgage and mortgagee in enforcement proceedings carried out with respect to the mortgagor's assets

If the mortgaged real estate property is sold in enforcement proceedings conducted by another creditors, the mortgagee, if it holds an enforceable writ of execution, may before the completion of the enforcement auction, submit an application to the bailiff, in which the mortgagee applies for the preferred satisfaction of the mortgagee's claim from the proceeds of the sale of the mortgaged real estate property. The bailiff must take the claim of the mortgagee into account upon distribution of the proceeds from the sale of the mortgaged real estate property and preparation of a distribution plan.

If the mortgagee does not hold a writ of execution or has not applied to the bailiff within the period specified above, and his or her claim has a higher ranking over the claim enforced by the bailiff, the bailiff must reserve the enforcement proceeds in the amount of the secured claim stated in the Latvian Land Register or notified by the mortgagee on demand by the bailiff, in the bailiff's deposit account. In this case the enforcement proceeds are paid to the creditor once the credit has obtained and submitted to the bailiff a writ of execution in respect of the secured claim.

Contesting of claims and reversal

In the mortgagor's insolvency proceedings only the claims that have been submitted by the creditors within the period specified in the Insolvency Law and have been accepted by the insolvency administrator are paid. A creditor is entitled to contest the decision of the insolvency administrator on non-recognition or partial recognition of his or her claim in the court. In addition, each creditor, as well as debtor (acting via its representative in insolvency proceeding) may contest the administrator's decision to accept of a claim of another creditor. If contested, the dispute will be finally settled by the court.

Furthermore, the insolvency administrator has the duty to evaluate all insolvent debtor's transactions and bring an action before a court to avoid the transaction if the transaction has been concluded after the date of proclamation of the debtor's insolvency or within three years prior to it and it meets the transaction avoidance criteria set out in the Latvian Insolvency Law.

A mortgage that has been established after the date on which the proclamation of the debtor's insolvency has been recorded in the Latvian Insolvency register is invalid. A mortgage may also be invalidated, if the agreement establishing the mortgage or the obligation secured by it is avoided on the general transaction avoidance grounds described above, or if it secures an obligation that is rescinded by the insolvency administrator pursuant to its discretionary powers under the Latvian Insolvency Law. In general, insolvency administrator may rescind all debtor's transactions which on the date of proclamation of the debtor's insolvency have not yet been performed or are performed partially.

Release of debtor who is a natural person from obligations

Under the Latvian Insolvency Law, natural person's insolvency proceedings always involve a bankruptcy proceeding and a subsequent release of obligations proceeding in which the debtor's obligations that remain unpaid in the bankruptcy proceeding are paid to the extent of his/her assets and the remaining unpaid obligations upon the completion of the proceeding are terminated. An individual may not invoke the release of obligations proceeding in the instances specified in the Latvian insolvency law.

Certain assets are exempt from sale in the bankruptcy proceeding. These include the assets that are required by the debtor to earn his/her income, and, if so agreed by the mortgagee, the mortgaged property which is the debtor's place of residence.

To be released from his or her obligations not satisfied during the bankruptcy proceedings, the debtor must prepare a debt release plan and submit it to his/her creditors and the court that oversees his or her bankruptcy proceeding. A creditor may object to the proposed plan, or propose any amendments to the plan. Only the principal obligations and interest agreed and accrued prior to insolvency proceedings and capped at 6 per cent. *per annum* are payable during the release of obligations proceeding pursuant to the debt release plan.

The duration of the release of obligations proceeding may last from 6 months to 3 years and is determined by the debtor based on the aggregate amount of the income forecast to be earned by the debtor and the aggregate amount of the obligations that have to be paid by the debtor during the proceeding. If the debtor's income during the performance of the debt release plan changes, the debtor has an obligation to prepare amendments to the plan in line with the change.

The court shall generally decide on the release of the debtor from his or her obligations which were not performed during the release from obligations proceedings by a ruling if the debtor has complied with the plan and the term of the proceeding contemplated in the debt release plan has expired. The court may revoke the release of obligations proceeding if the debtor does not comply with the debt release plan or was not entitled to invoke the proceeding due to any obstacle specified in the Latvian Insolvency Law. In this case all obligations that remained outstanding after the completion of the bankruptcy proceeding are restated.

If the debtor's release of obligations proceeding is completed, all outstanding claims of the creditors against the debtor that were included in the debt release plan and all those claims that were not submitted by creditors during the bankruptcy proceedings, terminate. Release of a debtor from his or her obligations shall not terminate the obligations to compensate for damage intentionally caused by unlawful action, the obligations to pay support for a child or parent, obligations to pay administrative or criminal penalties, as well as the obligations secured by a mortgage on the debtor's dwelling if the debtor and the mortgagor in the bankruptcy proceeding had agreed that the dwelling would not be sold within the bankruptcy proceeding. Furthermore, release of a debtor from his or her obligations does not release a person jointly liable with the debtor from the obligations. If the person jointly liable with the debtor performs the joint obligation, that person shall not have the right of recourse against the debtor if the debtor has been released from his or her obligations.

Consumer protection

General requirements

The Latvian Consumer Rights Protection Law sets out specific legal framework applicable to consumer credit contracts relating to residential immovable property, which includes consumer credit contracts secured by a mortgage or another comparable security, or the objective of which is the acquisition of a registered immovable, membership in a building association or an existing or planned building, or preservation of the specified rights.

Loans to consumers may only be granted by credit institutions authorised in Latvia or another EEA member state or by consumer lenders authorised (licensed) in Latvia.

Prior to conclusion of the consumer credit contract, the creditor must provide to a consumer certain specific information using the Standard European Consumer Credit Information form, and assess the consumer's creditworthiness.

In assessing the creditworthiness of a consumer, the creditor shall take into consideration all circumstances known to the creditor which may have an impact on the consumer's ability to repay the credit under the terms and conditions agreed upon in the contract, including the consumer's financial situation, regular income, other financial obligations, performance of earlier payment obligations and the impact of potential increase of the financial obligations arising from the consumer credit contract,. The consumer has an obligation to provide information on his or her income and expenses at the request of the creditor.

The creditor may enter into a consumer credit contract with the consumer only if the creditor is convinced that the consumer is creditworthy and the credit obligations are likely to be met under the terms of the contract, and the documentary proof of income mandatorily required by the Latvian law has been obtained.

New assessment of the consumer's creditworthiness would be required each time the amount of the consumer loan is materially changed.

If the creditor has failed to assess the consumer's creditworthiness, the interest rate applicable in respect of the relevant credit would, on the request of the consumer and subject to applicable statute of limitations, be capped at the rate of the statutory interest rate (which currently is 6 per cent per annum) and creditor shall not be allowed to charge late payment penalties, interest or fees. However, this would not affect the consumer's obligation to repay the principal amount of the loan.

The creditor is obliged to develop, document and maintain procedures on assessment of the consumer's ability to repay the credit. The assessment must not be based solely on the value of collateral or on the assumption that the value of real estate will rise. The assessment may be based on the assumption that the value of real estate will increase if the consumer's lending contract aims to carry out construction works on real estate.

If lending services are not provided directly by creditor, the services of a credit intermediary, may be provided to the consumer only by credit intermediaries authorised in Latvia or credit intermediaries registered in the register of representatives or in the register of the competent authorities of another Member State of the European Union. While providing mortgage lending services creditor and credit intermediary shall act in a fair, transparent and professional manner, taking into account the rights and interests of the consumer. Creditor's employee's remuneration policy must not be an obstacle to comply with that obligation. Remuneration may not depend on the number or proportion of credit applications accepted.

A creditor, credit intermediary or credit intermediary representative shall develop a policy for maintaining the knowledge and level of competence of his or her staff, providing the professional qualifications of staff with requirements regarding the training and testing of staff. Staff shall be competent at consumer lending and protection, real estate purchase, ethics of economic activities, on financial and economic matters. The creditor that has received a request for credit from the consumer is obliged to offer him or her at least two different terms of the consumer's lending agreement – one of which provides that the real estate serves as sufficient collateral to enable the obligation on the creditor to be extinguished in full. Before entering into the consumer credit contract, the creditor, credit intermediary or the credit intermediary representative shall be prohibited from requiring any payments directly related to the entering into of the consumer's lending agreement.

Requirements for consumer credit contracts

In case of a consumer credit contract, an application submitted by a consumer to assume credit obligations must be in a format which can be reproduced in writing and the contract or a copy of the contract must be promptly given to the consumer on a durable medium.

The substance of the consumer loan contracts is regulated by the government of Latvia. The contracts must contain a clear and consider information regarding the key elements of the consumer loan, including the type of credit, the term, the amount of the loan, applicable interest rate, the annual percentage rate of charge and total amount payable by consumer, and certain other information mandatorily required by the government regulations.

The costs of credit to a consumer must be reasonable and comply with fair business practices. Furthermore, the total costs of consumer loans provided after 1 July 2019 are subject to statutory limitations (caps). Failure to disclose the consumer credit cost related information in the loan documentation as required by the applicable regulations may restrict the lender to claim interest in excess of the then applicable statutory interest, or may have other unfavourable consequences to the lender.

Specific limitations apply to consumer mortgage loans where the amount of the loan is equal to or greater than 100 minimum monthly wages (currently, EUR 430 per month). These loans may not exceed (i) more than 90 per cent of the market value of the real estate collateral securing them or (ii) more than 95 per cent of the amount of the relevant real estate purchase transaction or the planned construction costs, if the repayment is secured by a real estate mortgage and a guarantee of the Latvian state granted under a specific governmental housing development assistance programme. The abovementioned requirements do not apply to consumer credit contracts which are entered into with residents of other countries if the purpose of granting the credit is not the purchase or use of real estate or other property to be registered in the public registers of Latvia.

Consumer credit contracts may provide variable interest rate in which case the contract must include the periods, conditions and procedure for changing of the interest and in case the loan interest depends on the reference interest rate, the reference rate applicable to the initial interest rate. Changes of interest rates enter into force if the creditor has notified the consumer beforehand, on a durable medium, of the change in the interest rate, in the amount of payments due after the entry into force of the new interest rate and in the number or frequency of the payments, if any. Where the change in the interest rate is caused by a change in a reference rate, and the new reference rate is made publicly available by appropriate means, such information may be notified to the consumer periodically.

A consumer may withdraw from a consumer credit contract within 14 days from the date of entering into the contract or receiving from the creditor all statutorily required information, whichever is later, without giving a reason. Upon withdrawal the consumer must repay the outstanding credit and accrued interest no later than within 30 days after submitting a withdrawal application, and the creditor is not entitled to any compensation from the consumer other than the non-returnable state charges paid by the creditor. Contract terms which restrict the withdrawal right, in particular agreements pursuant to which withdrawal is subject to payment of retainer or a contractual penalty, are void. If the consumer has a right of withdrawal, regarding distance contracts or contract concluded outside the place of permanent trade, the special terms shall not be applied in respect of the time period, procedures and consequences for the exercise of the right of withdrawal of lending agreement.

A consumer has the right to repay the credit in part or in full before maturity, without being obliged to pay any interest or other charges for the period when the credit is not used. The consumer shall inform the creditor in writing regarding the exercising of the right to fulfilment of the credit obligations before the set time period. The parties are entitled to agree in the consumer credit contract on a time period in which the consumer should inform the creditor. In variable interest rate contracts, the lender may not claim any prepayment related fees or costs. However, if the contract is a fixed borrowing rate contract, and if the early repayment of the credit falls within the period for which the interest rate is fixed, the creditor has the right to receive reasonable compensation for the damage directly linked to early repayment. Such compensation may not exceed the lowest of: (i) 1 per cent of the amount of credit repaid early, if the period of time between the day of early repayment and the expiry of the consumer credit contract exceeds one year; or (ii) 0.5 per cent of the amount of credit repaid early if the period of time between the early repayment and the expiry of the consumer credit contract does not exceed one year, or the sum of the interest which the consumer would have paid in the period between the day of performing the early repayment and the agreed day of the expiry of the concluded consumer credit contract.

The creditor does not have the right to claim the compensation thereof, if: (i) the amount repaid early does not exceed EUR 9960 within 12 months; (ii) the repayment has been made under an insurance contract intended to provide a credit repayment guarantee; (iii) the repayment has been performed in accordance with an overdraft consumer credit contract; (iv) the repayment falls within a time period for which the borrowing rate is not fixed.

A creditor must provide the consumer with the information necessary to consider early repayment of the credit, indicating the prospective impact caused to the consumer by his fulfilment of liabilities prior to the expiry of the consumer credit contract. All the assumptions used shall be commensurate and justified.

Upon assignment of the claim arising from a consumer credit contract to a third party, the creditor shall inform the consumer of the assignment except cases where the initial creditor who has concluded the agreement with the assignee continues to service the credit in respect of the consumer or such consumer credit contract has been concluded in accordance with which the creditor has consented by continued conduct that the consumer uses funds which exceed the balance of funds in the settlement account or the granted overdraft facility.

If, on the basis of a consumer credit contract, a debtor, including a consumer, has made a payment which is insufficient for the performance of all obligations which have fallen due, the payment shall cover: (i) firstly, interest; (iv) secondly, the main debt; (iii) thirdly, any contractual penalty; (iv) fourthly, other obligations. A creditor may not refuse insufficient payments.

Breach of a consumer credit contract

In general, unless otherwise expressly permitted pursuant to the law, a creditor does not have the right to request from a consumer who has not committed a material breach of the consumer credit contract: (i)

additional security for the granted credit, on the basis that the value of real estate (initial collateral) has decreased due to changes in the real estate market; (ii) any costs for the revaluation of mortgage collateral during the duration of the contract, unless the credit has been granted on the basis of the assumption that the value of the real estate (collateral) will increase; (iii) early repayment of the issued credit.

Where a consumer who has not committed a material breach of the contract so requests, the creditor shall be obliged to consider the consumer's proposal for extending the period of repayment of the loan or changing the loan currency. In the event of a refusal, the creditor shall provide the consumer with a reasoned response within 30 days.

A material breach of the contract shall be regarded as: (i) delaying the repayment of the loan or interest payment payments for more than 60 days or more than three times during the year, each time for more than 30 days; (ii) use of the loan contrary to the purpose specified in the consumer credit contract; (iii) the provision of false information for the receipt of the loan.

Before the termination of the consumer credit contract and the commencement of the disposal of real estate, the creditor shall, if possible, offer to the consumer solutions that would allow the consumer to continue to fulfil the obligations, as well as inform the guarantor on the possibility to pay the debt or to take over the consumer's obligations. The creditor's declaration of termination of the consumer credit contract shall be made in the format which can be reproduced in writing and according to the terms set in agreement. In case of cancellation by the creditor, the total outstanding amount of all the payments made by the consumer for repayment of the credit and the payments made to cover the total cost of the credit will be respectively reduced by the interest and the costs calculated for the period when the credit is not used. The creditor may cancel the contract in case of a material breach by the consumer.

THE LITHUANIAN HOUSING MORTGAGE MARKET

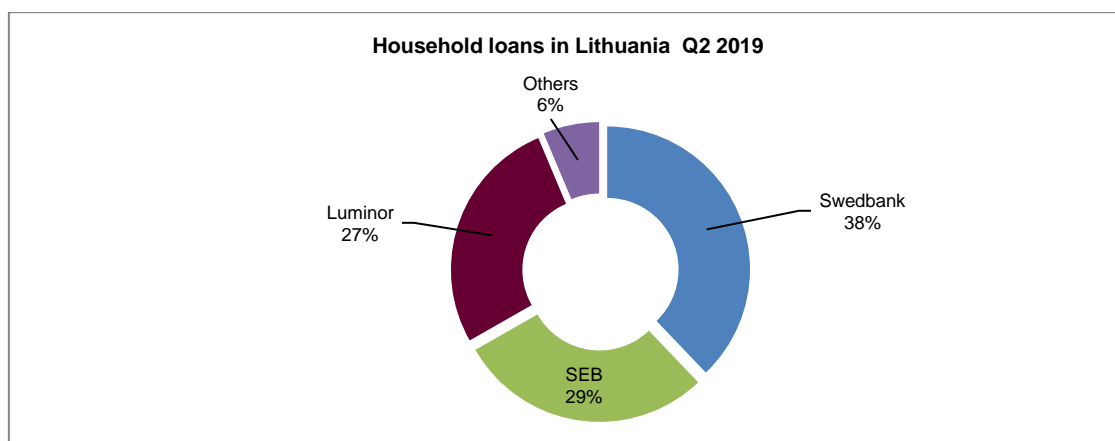
Introduction

Commercial lenders are the principal originators of residential mortgage loans in Lithuania.

Lending for apartments, cottages and houses typically takes the form of one mortgage loan with an aggregated Loan-to-Value Ratio of up to 85 per cent. Lithuanian mortgage loans may have a fixed or variable interest rate, although loans, as at the date of this Base Prospectus Supplement, with variable interest rate are most commonly issued. Variable interest rate consists of the base rate which can be 3-month, 6-month or 12-month EURIBOR plus a margin, set by the banks. In most cases 6-month EURIBOR is used (for example, the market leader provides only one base rate option). There are no specific rules limiting the interest rate (other than in respect of default interest rate).

Mortgage Lenders in Lithuania

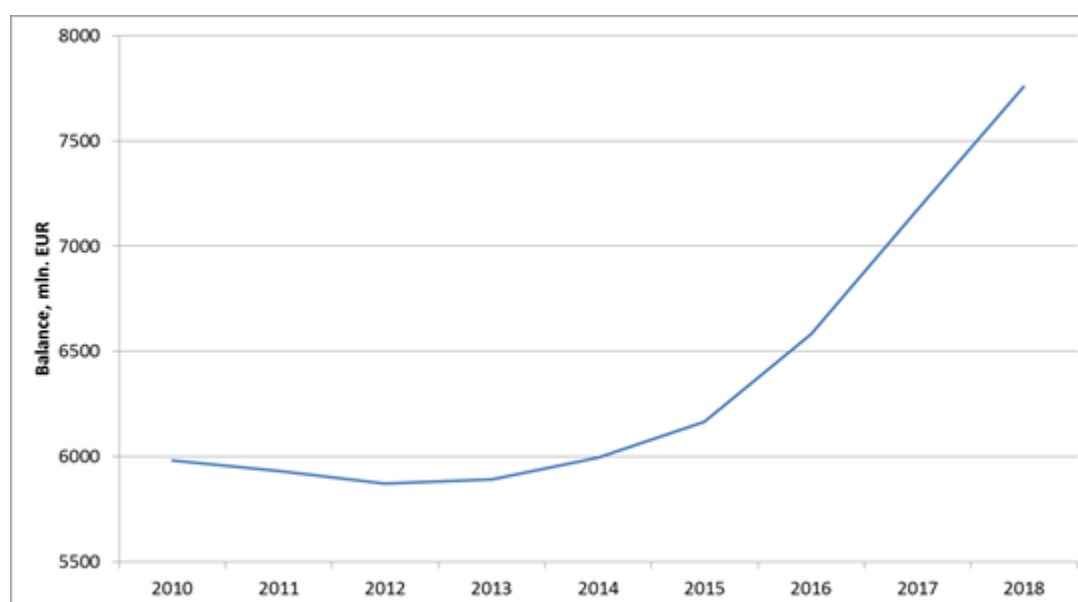
Mortgage lenders in Lithuania provide a range of financing possibilities for residential real estate – apartments, houses and cottages. According to the statistics published by the Association of Lithuanian banks at 30 June 2019 the market shares of Lithuanian financial institutions based on balance of all household loans were as follows:



Swedbank is the market leader in Lithuania with a market share of 38 per cent based on loans issued to households, followed by SEB with a market share of 29 per cent. Luminor holds third position with market share of 27 per cent. The majority of loans to household form housing loans, which make approximately 81 per cent of total loans to household according to data published by Association of Lithuanian banks at 30 June of 2019.

Following a decline in 2012, the housing loan portfolio has been increasing. The largest part of the household segment is housing loans (amounting to 79 per cent in 2018), with their net worth rising by EUR 547 million a year (7.8 per cent) to EUR 7.55 billion. The annual growth trend of housing loans remains visible, suggesting that the housing market is active and economic conditions are favourable. Household deposits have increased 12 per cent (EUR 1.4 billion) annually³. In the assessment of the Issuer, this indicates a positive creditworthiness trend among Lithuanian customers.

The balance of housing loans in Lithuania (2010-2018)



Source: <https://www.lb.lt/en/loans-to-residents-1>

Material Legal Aspects of the Mortgage Loans

The summary below provides a brief overview of the material legal aspects of mortgage loans and does not purport to be complete analysis of all legal considerations relating to mortgage loans. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Establishment of a Mortgage

Real estate property located in Lithuania can be provided as a security by way of a mortgage, which must be established under a mortgage agreement attested by a notary and which is registered with the Lithuanian Mortgage Register. The entering into a mortgage agreement and registration of the mortgage in the Lithuanian Mortgage Register is a sufficient evidence regarding the establishment of the mortgage and no further certificates (neither physical or electronic) are issued with respect to the mortgage under Lithuanian law. In addition, within 24 hours of registration of the mortgage with the Lithuanian Mortgage Register, information thereof is automatically transferred to the Lithuanian Real Property Register. The Lithuanian Mortgage Register and Lithuanian Real Property Register are public registers and, subject to the payment of a processing fee, information regarding real estate properties and mortgages encumbering such real estate properties can be accessed publicly (for natural persons – by submitting an request electronically, in person or by post; for legal entities – by concluding an agreement with the registers and subsequently accessing register data electronically). An entry concerning the mortgage in the Lithuanian Mortgage Register sets

³ Source: <https://www.lb.lt/en/resident-deposits-1>

out: (i) the mortgagee; (ii) the mortgagor; (iii) the debtor; (iv) details of the collateral; (v) details of the secured obligation (agreement); (vi) amount of the secured obligation and/or maximum amount of secured obligation; and (vii) other information indicated in the regulations of the Lithuanian Mortgage Register.

Unless the mortgage agreement establishes otherwise, the mortgage covers: (i) the principal object (real estate); and (ii) all current and future auxiliary objects (essential parts of the principal object, fruit and production obtained from principal object, appurtenances) belonging to such real estate, except for income from real estate. If a real estate property encumbered with a mortgage is insured, the mortgage also extends to a claim for the insurance proceeds.

An immovable object belonging by the right of common ownership may be mortgaged only upon the consent of all co-owners. When a part of common divided ownership is mortgaged, the consent of other co-owners is not necessary, however, the mortgaged part must be accurately defined in the contract on the manner of the use of the thing (object) concluded among co-owners and certified by the notary.

A mortgage secures the principal amount and interest arising therefrom. The parties to the mortgage agreement may agree that penalties and losses of the mortgagee in relation to failure to perform the secured obligation are secured by maximum mortgage.

Enforcement Procedures

Introduction and general principles of Lithuanian law in respect of enforcement

If a borrower fails to fulfil its obligations under a mortgage loan, the creditor may generally (i) seek general enforcement of its claims against the borrower and collection of the debt arising from the mortgage loan and (ii) seek enforcement of a mortgage (and other security, if any) securing the mortgage loan to be able to satisfy the claims arising from the mortgage loans for the account of proceeds from the enforcement of such mortgage (or other security).

The enforcement of a mortgage is carried out through a notary public and a bailiff. In the event funds received from the enforcement of the collateral do not entirely cover the creditor's claim, a creditor is entitled to initiate the general debt recovery proceedings by submitting a claim to a court or arbitration tribunal having a jurisdiction over the mortgaged loan.

Enforcement of a claim against the debtor

To enforce a claim against the debtor arising from a mortgage loan, the creditor must typically submit its claim to a court or arbitration tribunal having a jurisdiction over the mortgage loan. In such court or arbitral proceedings, the creditor would need to prove its claim against the debtor in order to obtain a court ruling or arbitral award ordering the payment of the relevant claim. Upon such court ruling or arbitral award entering into force, the creditor may apply to a bailiff, who shall carry out enforcement proceedings with respect to debtor and its assets. In enforcement proceedings, if the debtor fails to pay the debt voluntarily, the debtor's property is seized and sold to the extent necessary to satisfy the claim. The claim of the creditor is satisfied from the proceeds received from such sale.

The enforcement proceedings, including the seizure and sale of the debtor's property, are carried out by a bailiff in accordance with the Lithuanian Code of Civil Procedure. Lithuanian Code of Civil Procedure provides, inter alia, a list of items of the debtor which cannot be seized and sold in enforcement proceedings, which mainly consist of property which is essential for the debtor to satisfy his or her essential needs. The Lithuanian Code of Civil Procedure further provides a number of forms of income of the debtor which cannot be used to satisfy claims in enforcement proceedings, which mainly consists of benefits payable in accordance with laws.

Enforcement of a mortgage

Enforcement is carried out through a notary public and a bailiff.

A payment default is not the only ground required for commencement of enforcement action. In accordance with Lithuanian law, a creditor may start the enforcement proceedings if: (i) within the time period indicated in the mortgage agreement a debtor fails to discharge the secured obligation; (ii) other creditors start enforcement of the collateral; (iii) a debtor dies (in case of a natural person) or bankruptcy proceedings are commenced against a debtor or a mortgagor or a decision to liquidate a debtor or a mortgagor is passed (in

the case of legal entities); (iv) the value of the collateral decreases by 30 percent and a debtor has failed to cover such reduction or such reduction is not covered by insurance; (v) insurance agreement is terminated or not renewed; or (vi) other grounds for starting the enforcement procedures as described in the mortgage agreement exist (e.g. where the mortgage agreement indicates that other grounds for starting enforcement procedures include any event of default as set out in the facility agreement).

If the above grounds exist, a creditor may apply to a notary public with the request to make an enforcement record, on the basis of which a bailiff starts the forced execution procedure. When a creditor (mortgagee) applies with a request to make an enforcement record, the notary, having received a request of the mortgagee to make an enforcement record, firstly verifies whether: (i) the person submitting the request is the mortgagee; (ii) the data provided in the mortgagee's request (mortgage identification code, claim amount, details of the debtor, mortgagor and their addresses) conforms to the data provided in the Lithuanian Mortgage Register; (iii) whether the maturity date of the secured obligation has expired or, if the mortgagee wishes to enforce the mortgage before expiration of maturity date, whether other grounds for enforcement exist. After verification of the latter data and prior to making an enforcement record, a notary public sends a notice to a debtor proposing to pay the debt within 20 days from the date of the dispatch of the notice or to submit information evidencing invalidity of the creditor's claim. A notary public makes an enforcement record or refuses to make it, considering the information provided by a creditor and a debtor. The decision to reject the creditor's request to make an enforcement record must be motivated (e.g. where no ground for enforcement exists or where the person providing a request is not the mortgagee, etc.).

If the notary public makes an enforcement record, a notary public promptly informs the Lithuanian Mortgage Register thereof. From the date an enforcement record is registered with the Lithuanian Mortgage Register, a debtor has no right to dispose of the collateral without the creditor's consent. After the notary public issues an enforcement record, it has to be transmitted to a bailiff for execution.

In the case of the mortgage, a creditor may choose from the following options of the enforcement: (i) to sell the collateral in forced auction; or (ii) to request transferring the collateral (except for the enterprise mortgage and mortgage of collateral owned by a person other than a debtor) to a creditor for administration (in such case a creditor is entitled to cover its claim from proceeds received during the administration).

In case of forced auction, the initial price in the forced auction is established as 80 per cent. from the value determined by the bailiff upon seizure of the property (following submission of the enforcement record to the bailiff for enforcement). This value is determined as the market value taking into account wear and tear of the property and opinions of the mortgagee and the debtor. If the bailiff has doubts as to the value of the property, an expert valuation of the forced sale asset by an expert may be ordered. If the forced auction is not successful (e.g. if no bidders participate), the mortgagee may be offered to take over the ownership of the property for the initial price (if the initial price is higher than the claim amount, the difference between these amounts has to be transferred to the bailiff). If the mortgagee refuses to take over the ownership of the property, further auctions may be organised, where the initial price of the property is gradually reduced. The mortgagee may bid in the auction as well.

In the event funds received from selling the collateral do not entirely cover the creditor's claim, a creditor is entitled to initiate the general debt recovery proceedings by submitting a claim to a court or arbitration tribunal having a jurisdiction over the mortgaged loan.

Usually realisation of the collateral takes 6-12 months provided no dispute arises (such as challenging the underlying agreements or foreclosure process) and all actions are taken in an expeditious manner. Otherwise, the process may take a couple of years.

Cost of enforcement

If the enforcement process requires submitting a claim to court, a state fee would need to be paid to initiate the court proceedings. The amount of such state fee would depend on the amount of the claim. Furthermore, court proceedings often entail other legal costs such as lawyers' fees, which may not be recovered in full even if the court rules in favour of the party. If the court rules in favour of the other party, it is possible that the legal costs incurred by the other party may need to be paid by the losing party.

Enforcement procedure by a bailiff would entail a bailiff's fee and costs necessary for enforcement proceedings. In case of a monetary claim, the bailiff's fee depends on the amount of the claim and the

recovered amount. The enforcement costs would be borne by the debtor and would be collected by the bailiff.

Treatment of the mortgage and mortgagee in the mortgagor's bankruptcy proceedings

If the bankruptcy proceedings have been opened in the debtor company, a creditor must submit its claim against the debtor to the bankruptcy administrator together with the necessary documentation (evidencing the claim). As a general rule, secured creditors have a priority to settle their debt from the proceeds of the sale of mortgaged assets. Notably, the expenses relating to the enforcement of the debt, e. g. the expenses relating to administration of the enterprise bankruptcy, bailiff's remuneration, etc., are paid first of all (before creditors) from all types of funds of a debtor, including mortgaged assets.

In case the debtor is subject to bankruptcy proceedings, the claims of the creditors will be satisfied in the following order: (i) claims of employees; (ii) claims regarding taxes, any loans granted with a state guarantee, grants from the EU or state budget; (iii) claims of all remaining creditors.

Claims of the lower tier creditors are only satisfied once the claims of all higher tier creditors have been satisfied in full. These preferred groups of claims do not, however, have priority over secured creditors. Secured creditors are treated apart and can recover their claims from the collateral (secured asset), i.e. should the mortgagor be declared bankrupt, the mortgage ensures a priority position of the mortgagee with respect to the proceeds from the sale of the mortgaged real estate property. If the claim is not fully covered from the foreclosure of mortgaged assets, the creditor will satisfy the remaining part of the claim in accordance with the order indicated above (i.e. the creditor with the remaining part of claim would be third in line among other creditors (ranking iii)).

Assets or the proceeds of the sale of the assets are distributed *pro rata* to satisfy the claims of the same ranking. The claims are also satisfied in two stages: first of all, principal amounts of debts are covered, and only then interest, including penalty interest and fines, are satisfied.

Treatment of the mortgage and mortgagee in enforcement proceedings carried out with respect to the mortgagor's assets

If the mortgagor's assets are subject to enforcement in enforcement proceedings by other creditors via bailiff, the bailiff should invite the mortgagee to join the enforcement, regardless of whether or not the mortgagee's claim has fallen due. If the mortgagee decides to join the enforcement, the bailiff must take the claim of the mortgagee into account upon distribution of the proceeds from the sale of the mortgaged real estate property.

Contesting of claims

A bankruptcy administrator and all other creditors of the bankrupt grantor of a mortgage may in the course of the bankruptcy proceedings contest the claims submitted against the debtor. If contested, the dispute will be finally settled by the court who will determine whether such claim against the debtor exists and is sufficiently proven.

According to the Lithuanian Law on Enterprise Bankruptcy, the bankruptcy administrator is obliged to examine the transactions entered into by the insolvent entity within a period of at least 3 years before the initiation of bankruptcy proceedings. The bankruptcy administrator has an obligation to bring actions in court for the invalidation of the transactions which are contrary to the objectives of the insolvent company's activities and/or which could have led to its inability to settle with the creditors. If a bankruptcy is recognised as intentional, the bankruptcy administrator is obliged to examine transactions entered into during the period of 5 years before the initiation of bankruptcy proceedings.

Bankruptcy of a natural person

The bankruptcy of natural persons is governed under the Lithuanian Law on Personal Bankruptcy. In case of commencement of bankruptcy proceedings of a natural person, the bankruptcy plan is prepared by the debtor, reviewed and opined upon by the bankruptcy administrator, approved by the meeting of creditors and submitted to the court for the final approval. The duration of the plan is 3 years, during which the claims of the approved creditors are being satisfied in accordance with the terms and timeline indicated in the approved bankruptcy plan.

As of the effect day of a court decision to open personal bankruptcy proceedings, all time limits of debt payment by a natural person shall be deemed to have expired. This provision shall become invalid as of the effect day of a court decision to discontinue personal bankruptcy proceedings. Where the natural person and the collateral holders and/or mortgagees agree to retain the mortgaged property during the natural person's bankruptcy proceedings, these natural person's debts, which have given rise to the claims of the collateral holders and/or mortgagees, shall not be considered to be due.

As soon as the last payment is made according to the plan, a bankruptcy administrator must, no later than within ten working days of such payment, draw up a certificate of plan implementation. The bankruptcy administrator shall, no later than within 5 working days of signing thereof, deliver the certificate to a court and a copy thereof to the bankrupt natural person and chairperson of the meeting of creditors. Upon the receipt of the aforementioned certificate, a court shall take a decision to close or discontinue personal bankruptcy proceedings. A court shall take a decision to close personal bankruptcy proceedings provided that at least one of the following conditions is met: (i) all creditors' claims approved by the court are satisfied by a natural person earlier than set in the plan, and a bankruptcy administrator submits to the court supporting documents; (ii) a bankruptcy administrator submits to the court documents evidencing that a natural person is able and will be able to discharge his liabilities in the future; (iii) all creditors waive their claims, and the court takes decides to accept the waivers.

Consumer protection

The Lithuanian Law on Real Estate Related Credit sets out specific legal framework applicable to: (i) consumer credit agreements under which implementation of the borrower's duties is secured by mortgages on real estate or titles related to real estate; (ii) consumer credit agreements designed for acquisition or retention of the title of ownership of the land or other existing real estate or the one being designed; (iii) agreements or a group thereof classified as consumer credit agreements based on the content and/or purpose of conclusion thereof as defined in items (i) and (ii) above.

Prior to conclusion of the consumer credit contract, the creditor must provide to a consumer certain specific information using the standard consumer credit information form approved by the supervisory authority, give certain explanations and assess the consumer's creditworthiness. In assessing the creditworthiness of a consumer, the creditor shall take into consideration all the circumstances known to the creditor which may have an impact on the consumer's ability to repay the credit under the terms and conditions agreed upon in the contract in accordance with the guidelines on creditworthiness assessment approved by the supervisory authority. The creditor may enter into a consumer credit contract with the consumer only if the creditor is convinced that the consumer is creditworthy as a result of analysing the data constituting the basis for the assessment of creditworthiness in aggregate. In the case of a breach of the aforementioned requirement, no penalties shall be applicable to the borrower, if the lender assessed the creditworthiness of the borrower inadequately through no fault of the borrower. Where the creditor and the consumer agree to change the amount of credit drawn down by the consumer or the upper credit limit, the creditor must update information regarding the creditworthiness of the consumer and assess the creditworthiness each time before such change.

The consumer credit agreement must include, among others, the following information: (i) type of credit; (ii) details of the borrower, lender and credit intermediary (if any); (iii) duration of the credit agreement; (iv) total amount of the credit and the conditions applicable to repayment thereof; (v) type, amount, and calculation procedure of the interest rate. In cases when the granted credit is subject to a variable interest rate, the amount of the margin and the variable part of the interest rate applicable by the lender shall be specified; (vi) grounds for changing the interest rate and/or the amount, procedure and terms thereof; (vii) conditions for changing the type of the interest rate and/or the amount thereof at the borrower's request (not under the terms established in the credit agreement), including the procedure for changing, periods and other terms; (viii) the total sum to be paid by the borrower, the total annual percentage rate of the credit cost, and all assumptions associated with calculation of this rate; (ix) the amount of the credit premiums, the number and payment periodicity thereof, the procedure for distribution of credit premiums covering the sums to be paid under the credit agreement; (x) penalties to be paid in case of default and the procedure for calculation thereof; etc.

In case of substantial breaches of the provisions of the credit agreement, except for default in the financial obligations under the credit agreement, the margin specified in the credit agreement may be subject to increase only to the extent specified in the credit agreement by giving adequate notice to the borrower about such an increased margin and only for a duration of the breach of the provisions of the credit agreement. In

the event of a default in the financial obligations under the credit agreement, the margin specified in the credit agreement may not be increased.

If the credit agreement does not contain all of the mandatory information specified in the laws or if the information specified in the credit agreement is misleading and this had a major impact on the borrower's decision to conclude the credit agreement, which he/ she would not have concluded under different circumstances or he/ she would have had concluded it under different essential conditions, the borrower shall repay the loan by paying credit premiums established in the credit agreement, however, he/ she shall not be obliged to pay the interest and other costs established in the credit agreement.

In cases of default in financial obligations, the penalties imposed on the borrower shall not exceed 0.05 per cent of the overdue sum for each day of delay (except as otherwise indicated below). In all cases of non-fulfilment of financial obligations under the credit agreement, default interest shall not be calculated for a period exceeding 180 days. No other penalties and payments shall be imposed on the borrower for failure to implement the financial obligations assumed under the credit agreement.

In the event of termination of the credit agreement or demand for full repayment of the credit prior to the expiry of the credit agreement without termination thereof, the borrower may be liable for default interest, which may not exceed 0.015 per cent. of the amount due for each day of delay.

A consumer may withdraw from a consumer credit contract within 14 days from the date of entering into the contract, without giving a reason. Upon withdrawal, the consumer must repay the outstanding credit and accrued interest no later than within 30 days after submitting a withdrawal application, and the creditor is not entitled to any compensation from the consumer other than a compensation for fees for administration services paid to the public administration entities.

The borrower shall be entitled to repay the credit or a part thereof prior to expiry of the validity period of the credit agreement. If the borrower exercises this right, the lender shall immediately reduce the total credit cost by the amount of interest and other costs for the remaining period of the credit agreement calculated from the repayment date of the loan or a part thereof. The lender shall be entitled to a compensation of potential losses directly associated with repayment of the credit or a part thereof prior to expiry of the validity period of the loan agreement. The compensation shall not exceed 3 per cent. of the amount of the credit or a part thereof prior to expiry of the validity period of the credit agreement. The compensation shall be calculated under the procedure established by the supervisory authority. The lender shall not be entitled to claim compensation specified above when the borrower repays the credit or a part thereof on the date of changing the variable interest rate.

The lender shall be entitled to transfer the rights and obligations under active credit agreements concluded with borrowers only to an entity included in the public list of lenders managed by the supervisory authority. In accordance with Lithuanian law, in order to assign the claim, the assignor and assignee have to enter into the claim assignment agreement. The fact of transfer of the claim may be used against the debtor and third parties only after the debtor is informed about the transfer of claim. The debtor shall have an obligation to make payments directly to the assignee only if it is duly notified of the assignment thereof.

The Bank of Lithuania may impose sanctions on the lender for failure to comply with the requirements under the Lithuanian Law on Real Estate Related Credit."

With effect from the date of this Base Prospectus Supplement, the following shall be added after the end of subsection "*Requirements relating to liquidity*" in the section "*Overview of Estonian regulation regarding covered bonds*" on page 188 of the Base Prospectus:

"If the Issuer has, in compliance with the ECBA, established a suspensive condition in the terms and conditions of covered bonds, the fulfilment of which will extend the maturity of the payment obligation arising from a covered bond, the maturity to be observed upon the fulfilment of the suspensive condition may be used as the basis for the purpose of the calculation of the minimum level of the liquidity buffer for that payment obligation.

Notwithstanding the above, the liquidity buffer shall account for at least two per cent of the nominal value of the Cover Pool."

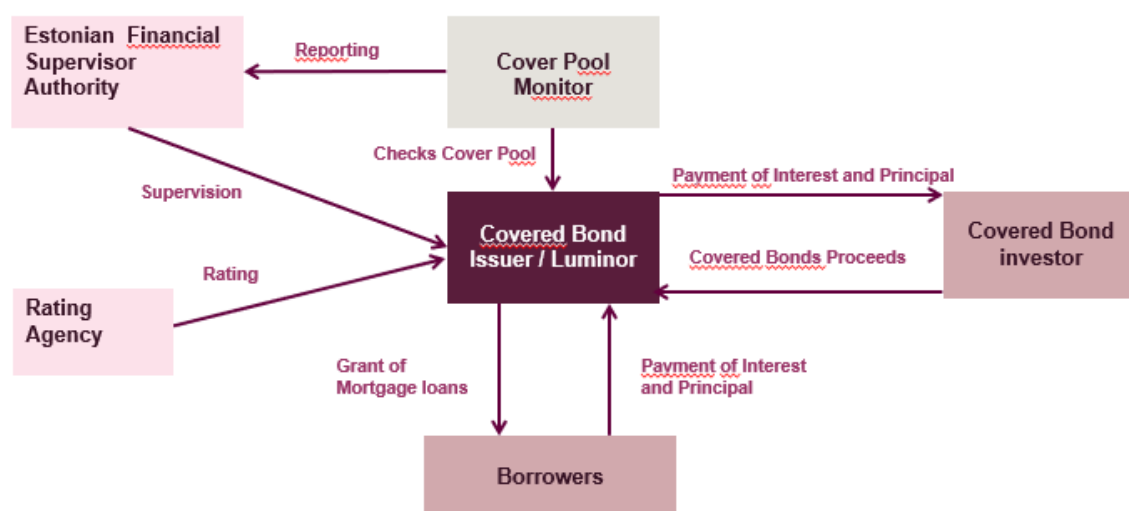
With effect from the date of this Base Prospectus Supplement, the section "*Characteristics of the Qualifying Cover Pool*" on page 189 of the Base Prospectus shall be deemed to be deleted and replaced with the following paragraphs:

"The purpose of the statutory requirements of the ECBA is to ensure that the Issuer has sufficient Eligible Assets to produce funds to service any payments of interest and principal due and payable on the Covered Bonds of each Series outstanding under the Programme. The ECBA requires the Issuer to continuously ensure that (a) the present value of all covered bonds of the same type and the surplus of net liabilities arising from derivative instruments entered in the cover register shall be covered by a Cover Pool at all times, (b) the present value of the Cover Pool shall exceed the liabilities covered by at least two per cent. and (c) the nominal value of all covered bonds of the same type shall be covered by a cover pool of at least equivalent nominal value. For a more detailed overview of the requirements of the ECBA in relation to the Cover Pool, please see "*Overview of Estonian Regulation Regarding Covered Bonds*" below.

The Issuer has an obligation under the ECBA to publish certain prescribed information set out in the ECBA every quarter on its website relating to, *inter alia*, (i) the nominal value and present value of outstanding covered bonds and of the Cover Pool; (ii) the maturity structure of the covered bonds and the Cover Pool; (iii) the percentage of fixed-interest assets in the Cover Pool and the percentage of fixed-interest covered bonds in the liabilities of the covered bond portfolio; (iv) the graduated breakdown of the interest rates on fixed-interest and non-fixed-interest assets; (v) the percentage of assets denominated in a foreign currency in the Cover Pool and the percentage of covered bonds denominated in a foreign currency in the liabilities of the covered bond portfolio; (vi) the distribution of substitute collateral, in terms of its value, between the types specified in subsection 20 (1) of the ECBA; (vii) the level of the liquidity buffer; and (viii) the percentage of the amount of substitute collateral, which has been in default for over 90 days or which the issuer estimates to be doubtful, in the Cover Pool. Investors should note that periodically updated general information in relation to the Cover Pool can be found on the Issuer's website at the following address: <https://www.luminor.ee/en/investors>. Information for the first three quarters of a year shall be disclosed within one month from the end of each quarter. Information for the fourth quarter shall be disclosed within two months from the end of the quarter. The disclosed information shall be available on the Issuer's website for at least the last five years. The contents of the Issuer's website do not form part of this Base Prospectus and investors should not rely on this website.

On 19 December 2019, the Issuer was granted an additional authorisation by the European Central Bank to issue covered bonds under the ECBA. The additional authorisation is granted for an unspecified term and it enables the Issuer to issue any type of covered bonds under the ECBA, i.e. mortgage covered bonds and mixed asset covered bonds.

The structure of Luminor's Covered Bond transaction under ECBA is summarised on the following chart:



Composition of the Cover Pool

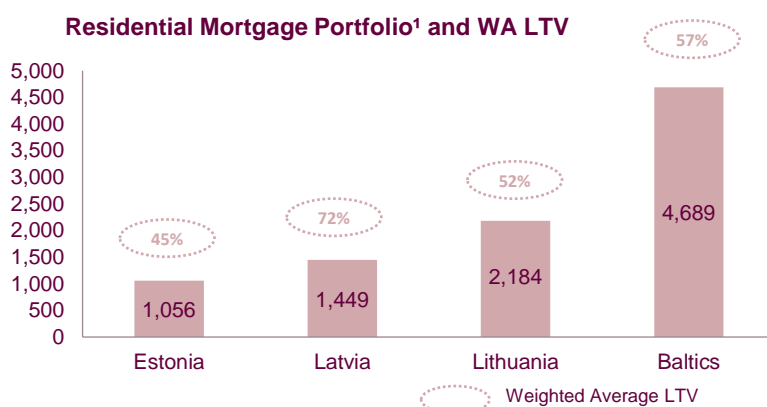
The composition of the Cover Pool may vary from time to time, but shall always fulfil the requirements of ECBA. At the time of issuing the Covered Bonds, the Cover Pool will not include any Mortgage Loans secured by mortgages over Properties located in Latvia or Lithuania. However, the Issuer may choose to add such Mortgage Loans, which are governed by Latvian and Lithuanian laws, respectively, to the Cover Pool at a later date. Information relating to the type of assets (and where relevant, their location) that make up the Cover Pool will be provided on a quarterly basis on the Issuer's website at <https://www.luminor.ee/en/investors>. The contents of the Issuer's website do not form part of this Base Prospectus and investors should not rely on this website.

The Issuer will maintain a level of over-collateralisation such that the nominal value of the Cover Pool exceeds the nominal value of all the covered bonds of the same type by at least 5 per cent.

The main eligibility criteria for cover pool assets that the Issuer shall apply to the Cover Pool include (but are not limited to):

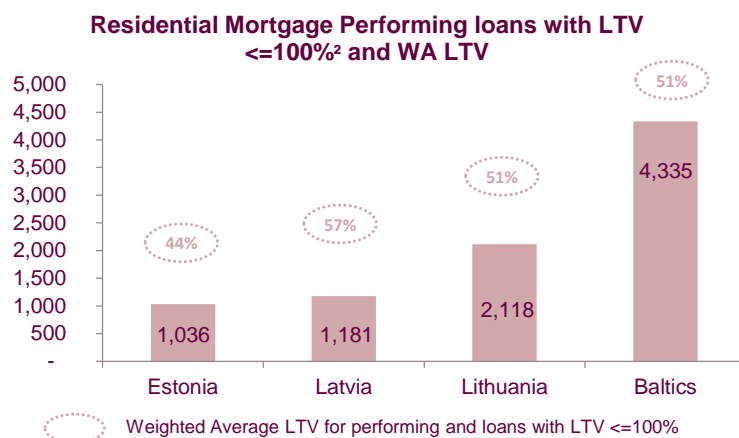
- Private persons' Mortgage Loans;
- Residential real estate;
- Mortgage Loan and collateral property need to be within the same country;
- Mortgage value needs to be at least 110 per cent of the issued credit at the time of origination;
- The currency of the Mortgage Loans is only EUR;
- The eligible portion of a Mortgage Loan in the Cover Pool is capped at 70 per cent LTV but the full amount is allocated to the Cover Pool. In addition, the Issuer aims to reduce the inclusion of loans with high LTVs to the Cover Pool (initially the threshold is set at 100 per cent LTV, but this may be changed in the future);
- Borrower is not overdue at the time of including the loan to Cover Pool; and
- Issuer has 1st rank mortgage on property.

The following chart shows the Residential Mortgage loans (mEUR) Weighted Average LTV as of year end 2019:



¹ - gross amounts Q4 2019

The following chart shows the Residential Mortgage performing loans (mEUR) as of year end 2019 where Weighted Average LTV is below 100 per cent., which can be considered as indicative maximum Cover Pool.



² Performing loans are calculated as gross Stage 3 mortgage loans divided by gross total mortgage loans, based on current internal rules. Loans with LTV < 100% and > 70% are included in the Cover Pool with full amount, but only the loan portion up to 70% LTV is considered eligible for the pool. LTV is calculated dividing loan amount to collateral value allocated to the particular loan. Collateral values are updated regularly, indexed values are also taken into consideration.

LTV is calculated dividing loan amount to collateral value allocated to the particular loan. Collateral values include also indexed valuations. Indexation is performed at least annually. If the same collateral covers more than one loan, then only part of the collateral value is used to calculate LTV for particular loan.

Stage 1 – part of the portfolio for which no significant deterioration in credit quality has occurred since initial recognition (or the exposure is of low credit risk) and the financial instrument is not considered credit-impaired;*

Stage 2 – part of the portfolio for which significant deterioration in credit quality has occurred since initial recognition, evidenced by the significant increase in credit risk (the "SICR") indicator, and the financial instrument is not considered credit-impaired;

Stage 3 – credit-impaired part of the portfolio. The Issuer equates default and credit-impairment definitions so that all defaulted exposures are treated as credit-impaired and all credit-impaired exposures are treated as defaulted. This approach is based on the fact that the default definition used by The Issuer covers all events indicated by IFRS 9 as possible evidence that financial instrument is credit-impaired and all of these events are considered by The Issuer as having a detrimental impact on the estimated future cash flows from the instrument.

Risk Management of the Cover Pool

The Issuer is obliged to, at least once every three months, perform stress tests on the Covered Bond portfolio to assess the risks and measure whether the value of the Cover Pool, as calculated during the stress test, meets the mandatory over-collateralisation level of 2 per cent. of the net present value of the Cover Pool. The Issuer may perform the following stress tests for measuring liquidity risk (180-day Liquidity Test), as well evaluating credit risk, property prices and interest rates:

- Credit Risk Stress Tests
- CPR1 Stress Tests
- Credit Quality Stress Tests
- Property Prices Fall Stress Test
- Interest Rate Stress Tests
- Negative shift of rates (short end, long end, parallel shift)
- Positive shift of rates (short end, long end, parallel shift).

With effect from the date of this Base Prospectus Supplement, the second paragraph of the subsection "Authorisation" in the section "Overview of Estonian regulation regarding covered bonds" on page 193 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"The Issuer was granted the additional authorisation to issue covered bonds under the ECBA on 19 December 2019 by the European Central Bank. "

With effect from the date of this Base Prospectus Supplement, the fourth paragraph of the subsection "Authorisation" in the section "Overview of Estonian regulation regarding covered bonds" on page 193 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"In order to apply for the additional authorisation, members of the management board of the issuer must submit to the EFSA a written application and the following supplementary documents:

- additions to the business plan which the issuer has prepared in accordance with § 132 of the Estonian Credit Institutions Act;
- information about the information technology and other technological tools and systems, security systems, control mechanisms and systems necessary for the issuance of covered bonds and the administration of covered bond portfolios;
- an analysis of the risks associated with the issuance of covered bonds and the management of a covered bond portfolio;
- the plan for separation of the covered bond portfolio specified in § 9(2) of the ECBA (which must describe the process of separation of the covered bond portfolios, along with the following: 1) descriptions and locations of the documents and data, information technology and other technological tools and systems necessary for the administration of a covered bond portfolio; 2) a list of the employees necessary for the administration of a covered bond portfolio and a description of their duties; 3) the procedure for post-separation administration of a covered bond portfolio; 4) a substantiated forecast of the amount of the costs of management and administration of a separated covered bond portfolio during the first year);
- the internal rules specified in § 10 of the ECBA (which must determine the following: 1) the procedure for operation of the information technology and other tools and systems and the relevant control mechanisms necessary for the issuance of covered bonds and the administration of covered bond portfolios; 2) the procedure for identification and resolution of security incidents related to the issuance of covered bonds and the administration of covered bond portfolios, and for the implementation of measures with regard thereto; 3) the procedure for the issuance of covered bonds and the administration of covered bond portfolios, including the procedure for maintaining the cover register, preservation of the register data and entry of assets in and deletion of assets from the cover register; 4) the procedure and methodology for stress testing of covered bond portfolios; 5) the procedure and methodology for valuation and revaluation of properties standing as security for a mortgage credit specified in § 25(1) of the ECBA, housing construction credit specified in § 30(1)2), and commercial mortgage credit specified in §30(1)3) of the ECBA; 6) the procedure for and frequency of updating the plan for separation of covered bond portfolios; 7) the procedure and methodology for calculating the present value of covered bonds and the cover pool);
- data of the applicant's cover pool monitor, including the monitor's name, residence or seat, personal identification code or, in the absence thereof, date of birth or registry code, and the written consent to act as the monitor; and
- the monitor's client contract or a draft thereof.

If, during the processing of an application, amendments are made to the information or documents listed above, the applicant shall submit the relevant updated information or documents to the EFSA immediately after the amendments are made or become known to the applicant.

If it follows from the risk analysis listed above or from other circumstances that in order to issue covered bonds, in addition to the amendments provided for in the ECBA, additional amendments must be made in the organisational structure of the credit institution or in the internal rules specified in the Estonian Credit Institutions Act and in other documents regulating the activities of the credit institution, the applicant must submit information on such amendments with the application.

The EFSA shall make a decision to grant or refuse to grant the additional authorisation within three months after receipt of all the necessary documents and information that meet requirements, but not later than within six months after receipt of the application for the additional authorisation."

With effect from the date of this Base Prospectus Supplement, the following shall be added after the end of the subsection "*Eligible cover pool assets*" in the section "*Overview of Estonian regulation regarding covered bonds*" on page 196 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Under the ECBA, the issuer is obliged to perform a stress test on a covered bond at least once every three months, to assess the risks identified in the methodology for stress tests of the covered bond portfolio in the issuer's relevant internal rules. Ensuring the performance of stress tests shall be the responsibility of the managers of the issuer. The minister responsible for the area may, by a regulation, establish more detailed requirements for the procedure and methodology of stress testing of covered bond portfolios.

If the value of the Cover Pool, as calculated during the stress test, no longer meets the requirements provided for in the ECBA, the issuer shall be obliged to increase the cover assets to be entered in the cover register by the maximum deficiency determined as a result of the stress test."

With effect from the date of this Base Prospectus Supplement, the following shall be added after the end of the section titled "*Overview of Estonian Regulation Regarding Covered Bonds*" on page 205 of the Base Prospectus.

"Cover Pool Monitor Agreement

Under the terms of an Cover Pool Monitor Agreement entered into on or around the date of this Base Prospectus Supplement in respect of the issuance of any Covered Bond (the "**Cover Pool Monitor Agreement**") between the Issuer and KPMG Baltics OÜ as the asset monitor (the "**Cover Pool Monitor**"), the Cover Pool Monitor has agreed, subject to receiving access to all relevant information, to act as cover pool monitor (as defined in the ECBA) and to conduct tests in relation to, *inter alia*: (1) compliance of stress testing of the Covered Bond Portfolio and any changes introduced to the Covered Bond Portfolio as a result of stress testing with requirements; (2) the existence of a sufficient Cover Pool and its compliance with the requirements of the ECBA; (3) compliance of the maintenance of the cover register with the requirements of the ECBA; (4) compliance of the valuation of immovable properties encumbered with a mortgage securing credit and included in the cover pool with the requirements of the ECBA; (5) compliance of the Issuer's risk management and reporting obligation within the requirements of the ECBA; and (6) compliance by the Issuer of the Terms and Conditions of any Covered Bonds within the requirements of the ECBA.

Pursuant to the Cover Pool Monitor Agreement, the Cover Pool Monitor will perform independent assurance services to ensure the requirements of the ECBA are fulfilled insofar as they relate to the Cover Pool Monitor. The purpose of the assurance engagement is to provide assurance as to whether the activities of the Issuer comply with the requirements of the ECBA. The Cover Pool Monitor's audit will be conducted as a limited assurance engagement within the meaning of the Auditors Activities Act. According to the ECBA, the Cover Pool Monitor must be appointed for at least one year and, as such, the Cover Pool Monitor's responsibilities should extend up to until September/October 2020. The Issuer is obliged to notify the Financial Supervision Authority of the intention to appoint a monitor by submitting the information and documents specified in clause 4 of the ECBA to the Financial Supervision Authority at least ten days before the relevant decision is made. Should the Cover Pool Monitor decide to resign its position, the Cover Pool Monitor shall notify the Issuer and the Financial Supervision Authority thereof at least 30 days in advance. Upon the removal of the Cover Pool Monitor by the Issuer, the Issuer shall notify the Financial Supervision Authority of the planned removal ten days before the relevant decision is made, unless prior notification is not possible for good reason.

The Cover Pool Monitor Agreement is governed by Estonian law."

AMENDMENTS TO THE "GENERAL INFORMATION" SECTION

With effect from the date of this Base Prospectus Supplement, paragraph 3 (*Significant/Material Change*) of the section entitled "General Information" on page 212 the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Significant/Material Change

3. There has been no material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries since 31 December 2018 nor has there been any significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries since 31 December 2019."