

## CONFLICT OF INTEREST MANAGEMENT POLICY

(effective as of 11 January 2024)

### Objective

1. The purpose of this Conflict of Interest Management Policy is to determine the requirements for identifying, preventing and managing the Conflicts of Interest in Luminor, related to all its business activities, including the provision of investment and ancillary services, launch of a new product or service, approval of a new target market, a change to an existing product or service or the defined target market, or ad hoc review of the above under Luminor Product Management Procedure and/or the Investment Products Governance Procedure of the Bank.
2. Luminor and its Employees should act fairly and professionally, and the interests of Luminor or Employees cannot discharge the interests of Luminor Customers or Third Parties. Luminor makes every effort to identify, prevent and manage Conflicts of Interest concerning the Customers, Employees, Third Parties, and other stakeholders to ensure that all stakeholders are treated fairly.
3. This Policy applies to all structural units, functional areas and processes in Luminor and applies to all types of Customers, taking into account the applicable local regulations. All Employees are expected to abide by the rules set out in this Policy.
4. Failure to comply with the rules set in the Policy and the Conflict of Interest Management Procedure is a violation and may result in disciplinary or legal actions and sanctions according to the national legislation.
5. This Policy must be reviewed and updated by the Conduct & Ethics & Reputation & Department annually or more often if an event requires a change to the Policy.
6. The principles of the Conflict of Interest management are appropriately disclosed on Luminor webpage.
7. This Policy should be read in conjunction with the Conflict of Interest Management Procedure which supplements the Policy detailing the processes for prevention and management of the Conflicts of Interest as well as describes the roles and responsibilities of the involved structural units and Employees.

### Chapter 2 - Definitions

8. The capitalized terms, which are not defined below, are defined in the Internal Regulations Glossary.
9. The below capitalized terms shall have the following meaning:
  - 9.1. **Conflict of Interest** – a situation where the interests of different parties are contradictory, and a duty of care or trust exists between those parties. A Conflict of Interest under this Policy includes both an actual Conflict of Interest (i.e. a Conflict of Interest that has arisen) and a potential Conflict of Interest (i.e. a Conflict of Interest that may arise given particular facts and circumstances). It also includes a perceived Conflict of Interest (i.e. a situation which may give rise to the perception of a Conflict of Interest), even where a Conflict of Interest may not exist. Conflicts of Interest may arise between (non - exhaustive list):
    - 9.1.1. Luminor or its Employee(s) and one or more Customers;
    - 9.1.2. Between different Customers of Luminor in the context of the provision of services by Luminor to those Customers;
    - 9.1.3. Luminor and its Employee(s);
    - 9.1.4. Between different units, or Employees of Luminor and its Subsidiaries;
    - 9.1.5. Luminor and its shareholder(s);

# Luminor

9.1.6. Luminor and its Third Party (ies);

9.1.7. Luminor and other natural and legal persons directly or indirectly related to Luminor (e.g. its Subsidiaries).

A Conflict of Interest may also include other parties or different combination of the parties mentioned in Clauses 9.1.1 – 9.1.7.

9.2. **Investment Research** means analysis of the performance of various financial instruments, which directly or indirectly offers or recommends an investment strategy relating to one or several financial instruments or their issuers, and which is aimed at Luminor's Customers or the general public.

9.3. **Investment Services** mean all investment and ancillary services provided by Luminor as well as investment activities carried thereby.

9.4. **NFRC** – Luminor Non-financial Risk Committee established by the Management Board under the Regulations of the Non-financial Risk Committee.

9.5. **Product Owner** means the structural unit of Luminor Group owning a product or service as defined in the Product Management Procedure.

9.6. **Related Person** means a person related to the Employee by family relationship or close links.

9.6.1. Persons related by family relations to an Employee mean any of the following: the spouse or any partner of the Employee considered by national law as equivalent to a spouse; a dependent child (children) or adult child (children) or stepchild (stepchildren), parents, stepparents, sibling(s), relative(s)-in-law of the Employee, sharing the same household or any other person who shares the same household with the Employee.

9.6.2. Persons related by close links to an Employee means the legal entity, partnership, trust or other form without establishing a legal entity, the managerial or supervisory responsibilities of which are discharged by an Employee or their Related Persons by family relations, or which is directly or indirectly controlled by such person, or which is set up for the benefit of such person, or who can be influenced by such person, or whose economic interests are equivalent to those of such person.

9.6.3. In case of employment, procurement and offering Luminor services, all kind of family relations with Luminor Employee should be evaluated before decisions are made.

9.7. **Third Party** means any entity or person that provides products/services to Luminor, or on behalf of Luminor or is potentially being considered for such role. This includes consultants, service or product providers, subcontractors, vendors, and suppliers.

## Chapter 3 - List of Appendices

10. Appendix 1 – Non-exhaustive List of Conflict of Interest Situations

## Chapter 4 - Roles and Responsibilities

### Section 1 - General Roles and Responsibilities

11. The **Supervisory Council** and **Management Board** have the overall general role in the Conflict of Interest management by overseeing the implementation and maintenance of the effective Conflict of Interest management framework (including approving the Policy) and that Luminor has adequate systems and controls to ensure proper Conflict of Interest management in all areas.

12. Each **Employee** is responsible for:

12.1. proactively identifying Conflict of Interests;

12.2. avoiding creation of Conflicts of Interests in their duties;

12.3. refraining from handling cases and/or abstaining from voting/ decision making about Luminor's operations or transactions where the Management (as well as managers of internal control functions), Employee or Related Person faces

# Luminor

or might face a Conflict of Interest – has financial or other interest, or where independence or objectivity could (seem to) be impaired in any way, or ability to properly fulfil duties to Luminor or the Customers of Luminor may be otherwise compromised;

12.4. ensuring the compliance with the Policy and other internal rules and principles regarding the identification, prevention and management of the Conflicts of Interest in Luminor;

12.5. acting honestly, fairly and professionally and in accordance with the best interests of the Customers when providing financial services in Luminor, including investment and/or ancillary services, and upholding a high standard of ethical behaviour in performing their duties;

12.6. avoiding Conflict of Interest related to personal financial interests of the Employee or their Related Persons stemming from previous, current or potential future involvement in activities in Luminor or externally;

12.7. evaluating potential or existing Employee related Conflict of Interest in perspective of present and past (5 years) personal or professional relationships. The same principle applies to political influence or political relationships;

12.8. disclosing their personal and/or Related Person's actual and potential Conflict of Interest.

13. Each **Manager** is responsible for:

13.1. ensuring that their subordinate Employees have adequate knowledge of the Policy and other relevant internal rules and principles related to the Conflicts of Interest and that all activities within their unit are carried out in accordance with them;

13.2. promoting an ethical culture and acting in a manner that sets a proper example for avoiding Conflicts of Interest;

13.3. taking full responsibility for the assessment and proposed mitigation actions of a Conflict of Interest situation regarding an Employee under their direct management.

## Section 2 - Specific Roles and Responsibilities

14. The **Product Owners** are responsible for:

14.1. identification of product-related potential or actual Conflicts of Interest prior to the launch of a new product or service, approval of a new target market, introduction of a change to an existing product or target market and during a regular or *ad hoc* review of an existing product or target market;

14.2. review of the identified product-related Conflict of Interest situations during a regular or *ad hoc* review of an existing product or target market.

15. The **NFRC**:

15.1. Review and advise on Conflict of Interest situations reported to NFRC by the Compliance Division and give further guidance to the Management Board on the matter;

15.2. carry out other tasks described in the Regulations of Non-Financial Risk Committee.

16. The **Compliance Division** in the Conflict of Interest management is responsible for:

16.1. providing advice and implementing an adequate and effective internal control system for the Conflict of Interest management and ensuring regular assessment of occurrence and management of the Conflict of Interest risk;

16.2. developing and maintaining the framework for the management of Conflicts of Interest and providing regular trainings to all Employees related to the Conflict of Interest management;

16.3. Ongoing checks of the Conflict of Interest related risk appetite statement metrics as defined in the Conduct, Ethics and Reputation Department Procedure.

Specific requirements (including the internal control system) and roles and responsibilities of the Compliance Division are in detail set in the Conflict of Interest Management Procedure.

## Section 3 - Roles and Responsibilities of Subsidiaries

17. Employees of Luminor Asset Management and Leasing Subsidiaries and their Managers have the general responsibilities established for Luminor Employees and their Managers in Section 1 above.

18. Luminor Asset Management and Leasing Subsidiaries act in the Roles of Products Owners with responsibilities established for Product owners in Section 2 above.

## Measures and Arrangements to Prevent Conflict of Interest

19. Luminor has established the Internal Regulations' framework to prevent Conflicts of Interest when conducting its business activities and providing financial products and services:

19.1. The Code of Conduct provides guidance for the Employees on ethical business relationships and requirements for anti-bribery and anti-corruption practices, as well as principles for handling of gifts and events when interacting with Customers and Third Parties.

19.2. The Procedure for Internal Controls Preventing Market Abuse provides guidance for the Employees on the information barriers implemented to avoid disclosure of inside information and subsequently prevent Conflicts of Interest pertaining to such information.

19.3. The Remuneration Policy, including the underlying Internal Regulations, sets the principles for deciding on remuneration of Employees, ensuring that remuneration does not compromise the objectivity of Employees when carrying out their duties, is not detrimental to Customers and (or) prevent prioritization of the interests of Employees or Luminor undermining the interests of Customers.

19.4. The Procurement Policy establishes the principles for handling the purchase of all products and services and due diligence of Third Parties required for the satisfactory operations in a transparent, timely, efficient and effective manner with due regard to local and international purchasing best practice, and in compliance with the laws and other regulatory enactments. The services to/ from Luminor are provided/ obtained at the fair market conditions (arm's length basis).

19.5. The Governance Policy implements the principle of segregation of duties by describing how Luminor is governed and managed to preserve and develop Luminor values in the best possible manner, by establishing a clear organizational structure and reporting lines, explicitly defining functions, as well as their roles and responsibilities, so that Luminor's operations are run properly and profitably in the best interests of customers, shareholders and Employees.

19.6. The Procedure of Handling of Inside Information and the Procedure for Personal Transactions in Financial Instruments define the measures for management of the Conflicts of Interest related to the use of the inside information and the Employees' personal transactions in financial instruments.

19.7. The Procedure on Declaration of External Engagements, Economic Interests and Holdings of Financial Instruments establishes proper risk management routines on identification and mitigation of Conflicts of Interest arising from economic interests of Employees and their Related Persons, to maintain the general public's confidence in the operations carried out by Luminor.

19.8. The Inducement Policy for Provision of Investment and Ancillary Services defines applicable limitations and disclosure of payments, receipts of any fee or commission or provision of a non-monetary benefit (i.e. inducements), which are received or given by Luminor from/to Third Parties in connection with provision of investment and ancillary services to Customers.

19.9. The Product Management Procedure governs the process of developing new products and changes to existing ones, as well as decommissioning of them and aims to ensure that the interests, objectives and characteristics of Customers are taken into account to avoid potential consumer detriment and to minimize Conflicts of Interest.

19.10. The Investment Products Governance Procedure sets the uniform process for the governance and oversight of the investment products manufactured and/or distributed by the Bank to ensure compliance with the requirements prescribed in the EU and local legal and regulatory acts under MiFID II for product governance and oversight applicable to manufacturers and distributors of investment products.

19.11. The Sustainability Policy outlines the main ESG principles and values Luminor follows in its business activities, decision making and relationships with the stakeholders to support Luminor's ESG aim and commitment.

19.12. The Procedure for Market Soundings ensures a common, prudent and consistent approach in relation to the inside information management requirements that the Bank is subject to and further implement requirements set forth in the Internal Regulations governing prevention of market abuse.

19.13. The Credit Standard for Private Individuals regulates the prevention of Conflict of Interest in the context of loans and other transactions with members of the Management Body and their Related Parties.

## Chapter 5 - Identification and Management of Conflict of Interest

20. When identifying Conflicts of Interest that might arise between Luminor or an Employee and a Customer or between one Customer and another, Employees must as a minimum, consider whether Luminor, the Employee, the Related Person or the Third Party:

20.1. is likely to make an inappropriate financial gain or avoid a financial loss at the expense of the Customer (the fact that the Customer agrees to pay a commission or fee to Luminor for received financial services is not considered as gaining of financial benefit "at the expense of the Customer");

20.2. has an interest in the outcome of the service provided to the Customer or of the transaction that is carried out on behalf of the Customer, which is distinct from the Customer's interest in that outcome;

20.3. has a financial or another incentive to favor the interest of a Customer or a group of Customers over the interests of another Customer or group of Customers at the expense of another Customer or a group of Customers (e.g. Conflicts of Interest are inevitable where transactions are between different Customer groups, as well as when investors/Customers acquire shares through Luminor with an incentive not available to others issued by a corporate Customer through Initial Public Offering);

20.4. conducts the same type of business as the Customer;

20.5. receives or will receive from a person other than the Customer an inducement in the form of a monetary or non-monetary benefit as well as a payment which is above the invoice relating to the services provided to the Customer other than the standard commission or fee for that service.

21. When identifying Conflicts of Interest that might arise between Luminor and an Employee(s), Related Person(s), Third Party(ies), or within Luminor, it as a minimum to be considered whether:

21.1. The Employee's or their Related Person's individual interests in the outcome of a particular activity are directly contrary to the interests of Luminor or a Customer of Luminor;

21.2. The Employee has the opportunity to influence Luminor's decisions in a manner that leads to a personal gain or advantage for the Employee or their Related Person;

21.3. The Employee or their Related Person receives a monetary or non-monetary benefit as a result of the Employee's position in Luminor;

21.4. The Employee's external engagement impairs or could impair their independence, judgement, objectivity or capability in carrying out their duties in Luminor. Detailed guidance on the handling of external engagements is provided in the Procedure on Declaration of External Engagements, Economic Interests and Holdings of Financial Instruments. Identified situations shall be avoided at all times;

21.5. One unit of Luminor favors its interest over another unit, which is inconsistent with the best interest of Luminor;

21.6. Agreements with Third Parties are executed or signed on inappropriate market conditions and/or may violate the competition laws in the market.

22. In case there is a Conflict of Interest between Luminor, an Employee and a Customer, priority must be given to the Customer's legitimate interests.

23. In certain situations where provision of the service could negatively affect the Customer's or Third Party's interests and/or is unacceptable to Luminor, Luminor has a right to refrain from providing such services.

24. Luminor implements the following principles to avoid the situations in which the Employee faces or might face a Conflict of Interest while performing their work duties concerning Luminor, its Customers, Third Parties and within Luminor:

24.1. Units performing operations that may result in a Conflict of Interest are independent of the other units (for example, the establishment of Chinese Wall arrangements and different reporting lines);

24.2. Information, that Luminor provides to the Customer or potential Customer, is clear, precise, true and is not deceptive;

24.3. The terms and conditions of Luminor transactions with the shareholders, Employees and Related Persons do not differ from and are not more favourable than the terms and conditions of similar transactions carried out with Customers or persons which are not related to Luminor in a way that the terms or conditions are contrary to and negatively affect the interests of Luminor, its Customers, shareholders and investors or depositors.

25. The Compliance Division at least once a year performs an internal assessment to identify any Conflicts of Interest and to evaluate the efficiency and sufficiency of the internal controls for implementation of this Policy. Results of the internal assessment are reported to the Chief Compliance Officer who presents the results to the Management Board and the Supervisory Council.

## Chapter 6 - Reporting on Conflict of Interest

26. All actual and potential Conflicts of Interest must be reported without delay. In all cases of Conflict of Interest (incl. product related Conflict of Interest) or any concerns of misconduct that can affect the interests of Luminor or its Customers, the Employee shall report to their direct manager and to the Compliance Division by e-mail to [conduct@luminorgroup.com](mailto:conduct@luminorgroup.com). In case when a concern is related to the direct manager of the Employee, reporting should be done directly to the Compliance Division.

27. In case there is a need for advice Employees shall contact the Compliance Division using the e-mail address [conduct@luminorgroup.com](mailto:conduct@luminorgroup.com).

28. Luminor ensures that Employees also have the right and the option to use external reporting tools that are available in each country, e.g. the ones provided by the local banking associations and/or supervisory authorities, to raise their concern regarding an actual or potential Conflict of Interest or misconduct.

29. The reporting on actual and potential Conflicts of Interest is confidential, and reporting Employees are protected from discriminating and disciplinary measures as described in the Raising Your Concern Procedure.

30. Employees can communicate and report on actual and potential Conflicts of Interest, or deficiencies of the internal control system regarding Conflicts of Interest management, without being limited by the reporting lines established in Luminor's organisational structure.

## Chapter 7 - Disclosure of Conflict of Interest

31. Where organisational or administrative arrangements made by Luminor to prevent Conflicts of Interest from adversely affecting the interest of its Customer are not sufficient to ensure, with reasonable confidence, that risks of damage to Customer interests will be prevented, Luminor shall clearly disclose to the Customer the general nature and/or sources of Conflicts of Interest and the steps taken to avoid or mitigate those risks before undertaking business on its behalf.

32. In case of a specific Conflict of Interest, when organizational or administrative measures put in place are judged to be inadequate or not sufficient to prevent the risk of that potential or actual Conflict of Interest and possible damage to the Customer(s), the nature and source of the Conflict of Interest shall be disclosed to the Customer concerned in a written form which allows the Customer to store the information and with a valid signature of an authorised Employee. In disclosing the content of the Conflict of Interest, the Customer must be clearly notified that Luminor's measures to prevent and manage Conflicts of Interest are insufficient to make sure that the Customer's interests will not be breached.

33. Luminor discloses the relevant Conflict of Interest to the Customer, or the relevant Third Party before undertaking business or entering into a transaction, by providing sufficient information to enable the Customer or the relevant Third Party to make an

# Luminor

informed decision on whether to proceed with or terminate the particular business or transaction. Furthermore, a description of the Conflict of Interest must be presented, stating the general nature and sources of the Conflict of Interest, as well as the potential risks for the Customer or the relevant Third Party and the actions taken to mitigate the risks. The description of the Conflict of Interest should also take into account the nature of the Customer or relevant Third Party to whom the disclosure is being made.

## **Chapter 8 - Applicability to Subsidiaries**

34. This Policy is applicable to the Asset Management Subsidiaries and Leasing Subsidiaries to the full extent.

## Appendix 1 – Non-exhaustive List of Conflict of Interest Situations

### Conflict of Interest between the Employee and Luminor

1. Luminor has identified the following situations of actual or potential Conflicts of Interest:

- 1.1. the Employee conducts business on behalf of Luminor with a Related Person, a Customer or a Third Party in which the Employee or Related Person is an owner, director, manager or takes another position with control or decision rights;
- 1.2. the Employee enters into an agreement with one of Luminor's Customers, Third Parties or competitors for personal gain;
- 1.3. the Employee receives or offers a gift, benefit or invitation and does not report it in accordance with internal requirements on gifts, benefits and events;
- 1.4. the Employee uses or discloses confidential information, including personal data of Customers or other Employees, that has been received within the employment or assignment, for personal gain or detrimental to Luminor, or the Customers;
- 1.5. the Employee uses access rights assigned by Luminor outside job-related responsibilities;
- 1.6. the Employee misuses internal, confidential, or strictly confidential information when executing Customer orders and when dealing on the personal account or on behalf of a third party;
- 1.7. the Employee conducts external engagement that risks affecting the Employee's ability to perform their duties in Luminor;
- 1.8. the Employee conducts own business that is a competitor to Luminor;
- 1.9. the Employee uses Luminor's assets, Customers or Employees for a personal or another inappropriate purpose, e.g. for developing own business;
- 1.10. the Employee derives personal gain from a business opportunity that involves Luminor business when it should have accrued to Luminor;
- 1.11. the Employee takes part in matters regarding agreements between the Employee or a Related Person and Luminor or agreements between Luminor and Customers or Third Parties where the Employee or a Related Person has a material interest.

### Conflict of Interest Concerning Third Parties

2. A Conflict of Interest may arise when engagement with Third Parties is driven by a personal interest of the Employee, or a group of Employees, who make a proposal, evaluation, decision regarding sourcing, or outsourcing, and the Employee does not follow internal requirements set in the Internal Regulations (e.g. due diligence of the Third Party is not performed in accordance with internal procurement process).

3. When outsourcing business, potential Conflicts of Interest in relation to certain groups of Employees or service providers (consultants) to be considered specifically.

### Conflict of Interest Concerning a Customer or Between Different Customers

4. Actual and potential Conflicts of Interest when providing any financial services may arise:

- 4.1. as a result of the form of the remuneration or performance-based models for the Employees, or in connection with a business transaction, e.g. Luminor sets sales targets or sales promotion that encourage Employees to sell Luminor products or related products (e.g. insurance, pension) to Customers ignoring Customer needs or that encourage to prioritize particular product over any other product which would better meet Customer needs;
- 4.2. when Luminor or Employees receive financial or other incentives that influence their behaviour in a way that a Customer or a Customer group gains priority over other Customers.



## Conflict of Interest within Luminor

5. Actual and potential Conflicts of Interest when providing any financial services may arise:

- 5.1. in case there are close relations between two Employees representing different levels in reporting line in Luminor, e.g. the Employee directly reports to the Manager who is a Related Person of that Employee, or the Employee has the right to decide on employment of their Related Person in Luminor, or has the right to control the performance of their Related Person in Luminor; or decide on the use of Luminor financial services of their Related Person;
- 5.2. in case decisions about providing access to the systems or about the design of the internal controls are made between Luminor and its Subsidiaries. Luminor makes all efforts to ensure that such access rights do not create an actual or potential Conflict of Interest between Luminor entities due to access to the Customers' and Employees' data;
- 5.3. in case one Luminor entity exchanges information with another Luminor entity if the exchange of this information may be contrary to the interests of one or several Customers;
- 5.4. in case the remuneration of the Employee employed in one Luminor entity is directly linked to the remuneration or income of the Employee employed in another Luminor entity;
- 5.5. in case Luminor is acting as both the distributor and the provider of the financial instruments/products and at the same time when acting as a product manufacturer focusing solely on the commercial aspects.

## Conflict of Interest in Management of Pension Funds

6. Actual and potential Conflicts of Interest in the management of pension funds may arise in cases when:

- 6.1. a Luminor Asset Management Subsidiary carries out the activity of management of pension funds and Luminor is appointed as a depository of such funds and when:
  - 6.1.1. the prices for the services of management of the funds are being set;
  - 6.1.2. the decisions related to management of the funds are being made;
  - 6.1.3. the Third Parties to whom data storing is delegated are being selected;
  - 6.1.4. the Supervisory Council member is being appointed in the Asset Management Subsidiary.
- 6.2. the Bank is appointed as a depository and provides delegated services to a Luminor Asset Management Subsidiary which carries out the activity of management of the pension funds (e.g. legal, internal control functions, human resources or IT services).
- 6.3. The same person is the Employee of several Luminor entities, from which one or more carry out the activity of management of the pension funds, or provides other delegated services to the Asset Management Subsidiary.

7. Luminor makes all efforts to ensure that:

- 7.1. group links and appointments as described in Clauses 6.1 - 6.3 have no negative influence on the sound, fair and effective management of pension funds;
- 7.2. proper performance of functions and interests of the pension funds and their participants;

8. Furthermore all Luminor Asset Management Subsidiaries, which carry out the activity of pensions funds management check:

- 8.1. the assessment of the independence of any of the Asset Management Subsidiaries and the depository;
- 8.2. the division of roles and responsibilities between the entity and the depository;
- 8.3. performance, as required by the laws and regulations, of the group link between the entity and the depository to ensure that it does not negatively affect fair and effective management of pension funds;
- 8.4. performance of the depository functions and delegated services carried out by the depository.

9. Luminor ensures that all decisions in circumstances as described in Clauses 6.1 - 6.3 are made by authorized Employees without any potential or actual Conflicts of Interest. The Employees, described in Clause 6.3, have a personal responsibility to ensure that their duties are performed without any Conflicts of Interest and to act fairly and professionally with equivalent attitude

to the duties they carry in and toward to all of the Asset Management Subsidiaries and the participants of the pension funds managed by these entities.

## Conflict of Interest Governance in Internal Control Framework Lines

10. The second line (i.e. Compliance and Risk Divisions) should be independent of the business lines and support units whose risks it controls, but it should not be prevented from interacting with them.

11. Actual or potential Conflicts of Interest may arise when the first line structural unit can exert undue influence on the second line structural unit or inversely:

11.1. a business unit that owns and manages risks (the first line by nature) is also responsible for or can influence in any way the independent monitoring and control of these risks (the second line by nature);

11.2. a unit that is tasked with risk model development takes part in the validation process of the same model or the model development unit is not organizationally independent from the model validation unit;

11.3. a unit that is tasked with controlling risks has an incentive based on the outcome of the business generating these risks and return, be it personally (remuneration) or organizationally (budget allocation, team size, etc.). Conversely, Conflicts of Interest can arise if a risk controller faces explicit or implicit penalties based on negative outcomes for the business generating risks and returns.

## Conflict of Interest in Relation with Credit / Loan Decision Obligations and Other Financial Services

12. Actual or potential Conflicts of Interest may arise when Employees engage in credit or loan decision obligations:

12.1. in case the Employee borrows money from Customers (except financial institutions), Third Parties or other Employees, or becomes a guarantor of these persons or enters into a similar relationship (exception is when a loan or guarantee is issued to their Related Persons);

12.2. in case Employees involved make credit or other decisions related to Customers in which these Employees or their Related Persons have material interest;

12.3. when the terms or provisions of loans to the Employees and their Related Persons are different from the terms or provisions of similar loans issued to the persons which are not related to Luminor (including Customers) in a way that the terms or provisions are contrary to and negatively affect the interests of Luminor, its Customers, shareholders, investors or depositors.

## Conflict of Interest in the Management Bodies

13. Actual or potential Conflict of Interest may arise, when the Management (especially, members of the Management Board or the Supervisory Council):

13.1. is involved in any kind of business which is in competition with Luminor and in which the membership is held without prior approval by the Mandatory Body;

13.2. has economic interests (e.g. shares, other ownership rights and memberships, holdings and other economic interests in commercial Customers, intellectual property rights, loans granted by Luminor to a company owned by the Management member);

13.3. has personal or professional relationships with the owners of qualifying holdings in Luminor (e.g., past or existing employment relationships with the shareholder of Luminor representing 10 % or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of Luminor);

# Luminor

13.4. has personal or professional relationships with entities included within the scope of prudential consolidation or their Employees that can affect independence or transparency of decisions taken by the Management Body (e.g., close family relationships);

13.5. is involved in the decision making regarding the Customer or Third Party with whom an external engagement is existing or has been within the recent past (up to 5 years);

13.6. has personal and/or professional relationships with persons having a political influence.

## **Conflict of Interest in the Context of Loans and Other Transactions with Members of the Management and Their Related Parties**

14. Actual or potential Conflicts of Interest may arise, when the Management (especially, members of the Management Board or the Supervisory Council):

14.1. Makes, or is involved in, decisions regarding the granting of loans and entering into other transactions with the Management members and their Related Parties;

14.2. Makes, or is involved in, decisions on material loans or other material transactions with the Management members that are not being concluded under normal market terms;

14.3. The Management member benefiting from a material loan or other material transaction or the member who is related to the Management is involved in the decision-making process.

## **Conflict of Interest in Providing Investment Services**

15. Situations in which Conflicts of Interest related to Luminor, where Luminor is leading a market transaction, may arise and will require particular attention:

15.1. Luminor or its Employee concludes or intends to conclude a transaction related to a financial instrument whereby at the same time Customer's order is received or being executed in relation to the same financial instrument (shadowing);

15.2. The Customers' orders related to the financial instruments issued by Luminor are in the process of execution;

15.3. The Customers' orders are in the process of execution concerning buying or selling financial instruments which are publicly or non-publicly distributed by Luminor or which are owned by Luminor under the trading book (trading on our own account);

15.4. Luminor is engaged in the placement of financial instruments issued by themselves or by entities within the Group, to their own Customers;

15.5. One Luminor unit (e.g. Treasury) acquires the financial instruments during the placement of these instruments organised by another unit in Luminor;

15.6. Luminor is originating debt securities for the Customer which intends to use the proceeds raised through the issuance for repayment of a credit facility originated by Luminor to that Customer;

15.7. Luminor or its Employees receive financial or other incentives which influence their behaviour in the way that the Customer or Customer group gains priority over other Customers;

15.8. Luminor receives monetary or non-monetary benefits from third parties or provides monetary or non-monetary benefits to a third party in relation to the Investment Service provided to the Customer;

15.9. The unit that carries out Investment Research or a Third Party engaged by Luminor to produce Investment Research is related to and acts together with the unit that provides investment advice and (or) other investment services;

15.10. Luminor offers investment advice regarding financial instruments to Customers and at the same time has any type of agreement with the issuer of the financial instruments that may restrict Luminor's ability to formulate an objective and otherwise compliant investment advice;

15.11. Investment services are provided to several Luminor Customers with conflicting interests;

15.12. A Customer buys Luminor's financial instruments for hedging the financial risks stemming from Luminor's crediting and financing services.

16. Luminor is trading in financial instruments on own account. In this case Luminor seeks to maximise the return from positions which may be a theoretical Conflict of Interest between this type of business and the Customers opening transactions with Luminor. This type of situation covers instances when Luminor enters into financial derivative transactions with Customers or sells its financial instruments to Customers and hedges the risk with other counterparties. This results in a situation where the interests of Luminor and the Customer conflict because the transaction result for the Customer will mean an opposite result for Luminor. The bigger the share of Luminor's dealing in financial instruments on own account and the revenue therefrom, the higher the Conflict of Interest risk. Luminor will also find itself in a Conflict of Interest situation when it determines the price of a tailored transaction made with the Customer at its discretion rather than based on objective market data, and when the time difference between a transaction made with the Customer and a transaction made for Luminor's hedging purposes (if any) may cause Luminor to derive additional financial gain for the price difference in time; as a result, Luminor tries to avoid the latter two situations in its operations to the maximum possible extent.

## **Conflict of Interest Related to Investment Research**

17. Situations in which Conflicts of Interest may arise in case of preparation of Investment Research include the following:

17.1. Luminor's Customers seek to issue their financial instruments at the highest possible price;

17.2. Luminor acts as a structurer and (or) distributor of the financial instruments in the scope of the Investment Research;

17.3. Investment Research is not released to market in a controlled manner e.g. a person obtaining the results of the Investment Research prior to everyone else might act before the price of the financial instrument is affected by the information presented;

17.4. Investment Research results in a recommendation or offer of an investment strategy for the Customer concerning financial instruments that, at the time of making the recommendation, are managed, distributed, or used in transactions by Luminor or the persons making the recommendation.