Luminor

Interim Report for Q1 2018

LUMINOR BANK AS Latvia

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Luminor

1. MANAGEMENT REPORT

1.1. Overview

Luminor was established on 1 October 2017 after merging DNB Bank ASA (Commercial Register number 984 851 006) and Nordea Bank AB (Swedish Commercial Register number 516406-0120) operations in the Baltic countries to create a new-generation financial services provider for local businesses and way of life.

Luminor is the 3rd position largest player in the Baltic financial market with 1.3 million clients and 3.000 employees, 16% market share in deposits and 23% in lending. Luminor is capitalized at 17% Common Equity Tier 1 capital in the amount of 1.6 billion EUR.

Luminor's ambition is to become the home bank for the financially active people with entrepreneurial mind-set as well as local companies, and eventually to become the best financial eco-system for our customers.

Luminor Bank AS (or "Luminor Latvia") offers a wide range of products and services to its customers in all channels, both digital and physical, with headquarter in Riga and 19 branches in the biggest cities of Latvia, including Rezekne, Daugavpils, Valmiera, Jelgava, Ventspils, Cesis and others. Altogether 225 ATMs are located throughout Latvia.

By the end of Q1 2018 Luminor Latvia employs around 1000 full time employees and serves around 255 tht clients – in private and business segments, with the market share of around 25% in lending and approximately 15% in deposits, listing Luminor as the second largest financial services provider in the market.

Luminor Latvia Group capital ratio by the end of Q1 2018 in Latvia was 18,13% CET 1.

1.2. Activities

During Q1 2018 Luminor focused on the following initiatives as the main priority areas: post-merger integration projects, customer support and strengthening current business positions, right-sizing activities and new bank developments, including planning the new digital platforms as well as new products and offerings for Luminor's target customers.

In Q1 2018 Luminor continued with the further phases of the legal merger, which foresees full integration of the bank with the headquarter Luminor entity in Estonia and branches in Lithuania and Latvia, planned for January 2019.

Luminor has revisited the Compliance and AML policies, including regular work with the regulators and local authorities. In February 2018, Latvian Financial Service Authority identified Luminor as one of the other systemically important institutions (O-SIIs) in the Baltics, where O-SIIs must ensure compliance with higher capital buffer requirements and the highest corporate governance standards. Due to the classification Luminor is supervised by ECB starting from February 10, 2018.

Household segment

By the end of Q1 2018 Luminor Latvia recorded 243 000 household clients. 133 000 customers had chosen Luminor as their pension 2nd pillar fund manager. Within its peer group, Luminor continued to be the choice number one for higher paid members of the society with average pension 2nd pillar savings per customer by 33% exceeding the market average figure. Average lending volumes are recorded as stable, with increased interest in private housing construction area. To increase sales Luminor Latvia together with Government financial institution Altum launched housing financing offering targeted for young professionals. Luminor's goal is to be the best digital bank on the Baltic market, with clear products and simple processes. Customers are more actively using smartphones and digital devices on their daily banking activities instead of making face-to-face payments. During Q1 2018, Luminor Latvia made significant efforts to develop alternative cash processing solutions, by using ATM infrastructure, therefore starting from July 2018, all cash handling solutions are delivered only by alternative channels like – cash collection and ATMs.

Private Banking segment

During Q1 2018 the focus of Private Banking was to increase the quality of customer database according to new Private Banking customer criteria and low-risk policy of Luminor. As the result the number of customers has decreased by 12%, improving the quality and increasing average volumes per customer by 13%. The development of Portfolio Management services has been continued for the Private Banking segment in the Baltic countries. A new corporate visual identity for the Private Banking segment has been developed and implemented to strengthen general awareness and position of Private Banking in the market

Business and corporate clients segments

During the Q1 2018 Luminor Latvia continued to serve its core customers in business clients segments. By the end of Q1 2018 Luminor Latvia business and SME segment reached 21.5 thousand clients. Overall good economic structure and seasonal activity in agriculture sector resulted in a small growth in loan and deposits portfolio. Throughout the Q1 2018 Luminor strengthened its focus on target customers. A new client service model was approved and the implementation started with the aim to increase accessibility and efficiency of services provided through physical network and remotely. As example new customer onboarding can be executed during 1 hour instead of term exceeding 1 working day. A complete roll-out of new service model is expected to commence during Q2-Q3 2018. The work on new products for target business customers was continued.

Leasing

Leasing services of cars for private individuals and business clients, as well as commercial transport, agricultural machinery, and other heavy equipment for business clients are provided via the subsidiary Luminor Līzings, SIA. Q1 2018 leasing portfolio rightsizing has been executed as planned and portfolio has decreased by 1.7%. The total amount of portfolio is 523 millions EUR with the income amounted to 3.29 millions EUR, reaching the set business goals. To increase sales, additional campaigns via car and equipment vendor partners have been executed. Luminor Leasing was sustaining the leading new car financier position with 30% market share.

Corporate social responsibility in Luminor

We are creating a new-generation bank because we are determined to build a better tomorrow – for families and businesses and for the communities and countries in which we live and operate. We believe in contributing to the development of local communities in which we operate.

We are committed to take into account the corporate governance, social conditions and environment in all of our activities, including product and service development, advisory services and sales, investment and credit decisions, and other operations. We do not contribute to the infringement of human or labour rights, corruption, serious environmental harm or other actions that could be regarded as unethical.

1.3. Financial Results

The merger of DNB and Nordea had a significant impact on the financial results of the Group. The indicators for Q1 2018 cannot be directly compared to Q1 2017, as they include the results of the two merged banks and have therefore changed significantly. Furthermore, the operating expenses in the income statement for Q4 2017 and Q1 2018 include one-off expenses related to the merger.

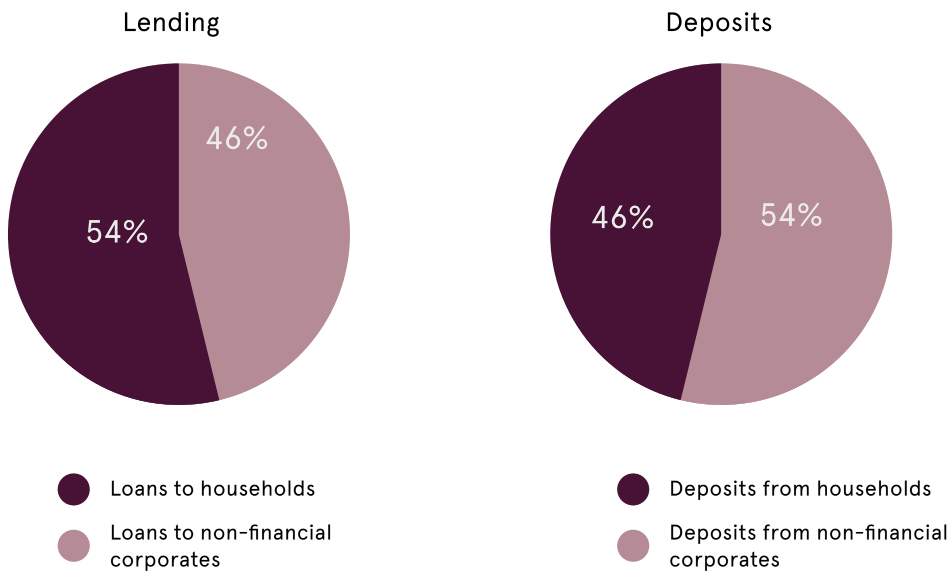
Net profit earned was 8.96 million euros in Q1 2018, average equity comprised 519 million euros and ROE was 6.9%. Net interest income comprised 22.1 million euros, average net interest margin remaining stable at 0.5%. Total C/I ratio was improved being 64.8% at the end of first quarter.

KEY FIGURES (annualized)

T EUR	Q1 2018	Q4 2017
Net profit/loss	**8966**	-17 027
Average equity	**519009**	540796
Return on equity (ROE), %	**6.9%**	-12.6%
Average assets	**4543448**	4569661
Return on assets (ROA), %	**0.8%**	-1.4%
Net interest income	**22088**	23921
AVERAGE INTEREST EARNING ASSETS	**4549918**	4641197
Net interest margin (NIM) %	**0.5%**	0.5%
Cost / Income ratio, %	**64.8%**	84.3%

Loans to customers totalled 3.4 billion euros at 31 March 2018. Loans to non-financial customers comprised 46% and loans to households 54% of the credit portfolio of Luminor. The market share of Luminor's loans in Latvia was approximately 25%.

*explanation of ratios in Glossary



Customer deposits totalled 2.45 billion euros by March 31, 2018. Deposits from non-financial customers made 54% of the deposit portfolio whilst the deposits of private individuals accounted for 46%.

The loan-to-deposit ratio decreased in Q1 2018 to 136%. The goal is to reduce this ratio by increasing the volume of deposits and the share of household deposits. The market share of Luminor's deposits in Latvia is approximately 15.5%.

1.4. Macroeconomic overview

In Q1 2018, the Latvian economy continued to expand strongly, and the annual GDP growth was 4.3% according to the preliminary data. Seasonally adjusted growth was 5.2 y/y and 1.7% q/q, in both cases the second-best result in at least six-year period.

Data about developments in sectors is still incomplete, but we know that manufacturing output grew by 4.5%, and retail turnover grew by 5.5% in real terms, these are the leading exports and consumption sectors respectively. Construction volume grew by staggering 35%. While this speed is unsustainable, expansion in the sector for the year is likely to be in the range of 15% to 20%.

That growth might slow down very slightly in following quarters. The growth in Eurozone appears to be slowing down; the politically directed reduction of financial service exports will have an impact.

However, we stick to our slightly above consensus of 4.2% forecast for 2018 as there are also positive factors.

Consumer confidence is likely to improve as wages are growing strongly and unemployment is decreasing. The registered unemployment decreased by 1.3 percentage point to 7.0%, the ratio of job seekers according to surveys fell by 1.0 percentage point to 8.4% in Q1, a very strong performance although the improvement slowed down a bit in comparison to Q4 2017. Wage data for Q1 are not yet available, but there is no doubt that incomes are rising quite rapidly.

There is a likelihood of EU funding being decreased over the next few years. Construction will also be supported by housing market cycle. After the long period of calm the apartment price growth in Greater Riga accelerated to ca 10% in the city itself and up to 20% in nearby towns where price levels were comparatively low until recently.

1.5. Statement of the Management Board

The interim report of Luminor Bank AS for Q1 2018 consists of the following parts and reports:

Management Report;

Financial Statements;

Capital.

The data and additional information presented in the interim report of Luminor Bank AS for Q1 2018 is true and complete. The Financial Statements present a fair and true view of the financial status and economic performance of the bank and the Consolidated group.

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

The Financial Statements for Q1 2018 have not been audited.

Kerli Gabrilovica

Chairman of the Board

Riga, 21 May 2018

Luminor

2. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Group and Bank Income Statement 31 March2018

Position	3 months 2018 Bank unaudited T EUR	3 months 2018 Group unaudited T EUR	3 months 2017 Bank unaudited T EUR	3 months 2017 Group unaudited T EUR
Interest income	22659	25765	10201	11306
Interest expenses (–)	-3677	-3677	-1499	-1641
Dividend income	10	10	2053	9
Fees and commissions income	7425	8512	4179	4605
Fees and commissions expenses (–)	-2080	-2064	-1216	-1283
Gains/losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/–)	0	0	0	0
Gains/losses on financial assets and liabilities designated at fair value through profit or loss, net (+/–)	365	365	-181	-181
Gains/losses from hedge accounting, net (+/–)	-	-	-	-
Exchange differences [gain/loss], net (+/–)	1395	1399	542	544
Gains/losses on derecognition of non financial assets other than held for sale, net (+/–)	-65	80	-47	155
Other operating income	1744	1757	1199	1235
Other operating Expenses (–)	-103	-478	-288	-1094
Administrative expenses (-)	-18850	-19716	-7837	-7899
Depreciation (-)	-575	-790	-558	-770
Modification gains/losses, net (+/–)	-24	-23	0	0
Provisions (–/+)	-251	-398	0	0
Net allowances for impairment losses (–/+)	-1813	-1404	775	716
Negative goodwill recognised in profit or loss	0	0	0	0
Share of the profit/loss of investments insubsidaries, joint ventures and associates accounted for using the equity method (+/–)	0	61	0	0
Profit/loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (+/–)	0	0	0	0
Profit/(loss) before income tax (+/-)	6160	9399	7323	5702
Corporate income tax	-	-433	-	-55
Net profit/(loss) for the year (+/-)	**6160**	**8966**	**7323**	**5647**
Other comprehensive income for the year (+/–)	195	195	104	104

Luminor

Balance sheet Statement 31 March 2018

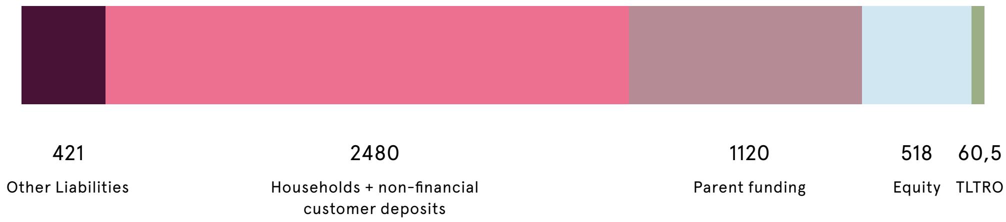
Position	31 March 2018 Bank unaudited T EUR	31 March 2018 Group unaudited T EUR	31 December 2017 Bank audited* T EUR	31 December 2017 Group audited* T EUR
Cash and claims on demand on central banks	899803	899803	1067214	1067214
Claims on demand on credit institutions	45272	46181	33865	34634
Financial assets designated at fair value through profit or loss	53196	53196	76308	76308
Financial assets at fair value through other comprehensive income	2690	2690	2547	2547
Financial assets at amortised cost	3497854	3490809	3455321	3443271
Financial assets held for trading	8959	8959	17223	17223
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Investments in subsidiaries, joint ventures and associates	63194	3048	63194	2987
Tangible assets	4553	59948	5195	61719
Intangible assets	1148	1531	1297	1681
Tax assets	0	286	0	90
Other assets	28401	32281	22780	28610
Non-current assets and disposal groups classified as held for sale	0	220	519	2656
Total assets	**4605070**	**4598952**	**4745463**	**4738940**
Liabilities to central bank	60500	60500	60500	60500
Liabilities on demand to credit institutions	1649	1649	5576	5576
Financial liabilities designated at fair value through profit or loss	0	0	0	0
Financial liabilities measured at amortised cost	4003272	3984789	4126470	4108051
Financial liabilities held for trading	11043	11043	21269	21269
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	1828	2209	228	261
Tax liabilities	1223	1478	1233	1283
Other liabilities	17021	19745	13825	17411
Liabilities included in disposal groups classified as held for sale	0	0	0	0
Total liabilities	**4096536**	**4081413**	**4229101**	**4214351**
Capital and reserves	508534	517539	516362	524589
Total capital and reserves and liabilities	**4605070**	**4598952**	**4745463**	**4738940**
Off-balance sheet items				
Contingent liabilities	186736	186736	198785	198785
Due to customers	555799	484057	562069	524511

*Audit of the financial statement for the year ended 31 December 2017 was performed by Ernst & Young Baltic SIA.

2.1 Funding and liquidity

Luminor Latvia Group has a strong and prudent liquidity risk profile. The funding base consists of large deposit base, TLTRO and funding from parent banks.

At the end of Q1, Latvia had utilised funding from parent's EUR 1.1 billion.



Parent funding amounts to EUR 4.15 billion on Luminor Group level and is provided by the two parent banks in the form of a syndicate, where each parent bank provides 50%. Long term funding is committed for 6 years (4+2) and short term funding is in the form a revolving credit of 364 days. In addition to the current term funding, there is also a committed credit line of EUR 0.74 billion in place (at present not utilized). When Luminor attracts wholesale long term funding externally (longer than one year), the intent is to amortize an equal amount of parent funding.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. The LCR for the Luminor LV Group was, according to the Delegated Act LCR definition, 150.2% at the end of the first quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash.

The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the first quarter 2018, Luminor Latvia NSFR was 109,3%.

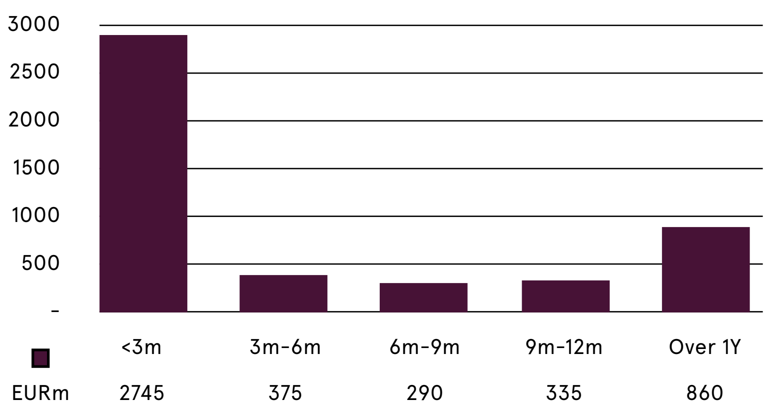
Ratio	31 March 2018	31 December 2017
LCR	150.2%	170.1%
NSFR**	109.3%	118.4%

**mortgages that would qualify for 35% or lower risk weight calculated with 85% RSF factor

Liquidity ratio

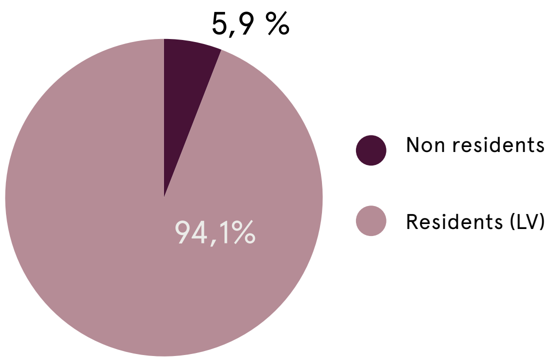
No	T EUR	31 March 2018 Bank	31 March 2018 Group
1.	Liquidity buffer	945 489	945 489
2.	Net liquidity outflow	709 910	629 686
3.	Liquidity coverage ratio (%)	133%	150%

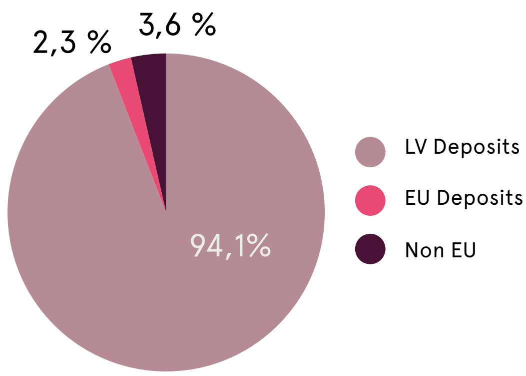
Maturity Structure***



***Based on Consolidated NSFR

Deposit structure





Deposits are mainly from residents of Latvia (94,1%). In total 96,4% of all deposits from household and 54% deposits from non-financial customers are from EU residents.

Rating

Luminor Latvia does not have a rating. Luminor Estonia is in a process to acquire rating.

Nordea Bank AB and DNB Bank ASA are ultimate owners of holding company Luminor Group AB. Nordea Bank AB owns 56,2% and DNB Bank ASA owns 43,6% of proprietary rights. DNB Bank ASA has a credit rating (Standard & Poor's A+, Moody's Aa2). Nordea Bank AB has a credit rating (Standard & Poor's AA-, Fitch AA-, Moody's Aa3).

3. Capital

Performance Ratios

Position	31 March 2018 Bank	31 March 2018 Group	31 March 2017 Bank	31 March 2017 Group
Return on equity (ROE) (%)	**4.82%**	6.91%	**9.68%**	7.38%
Return on assets (ROA) (%)	**0.50%**	0.79%	**1.33%**	0.97%

Position	**Q1 2018 Group**	Q4 2017 Group
Capital adequecy	18.13%	18.49%
Leverage Ratio	10.38%	10.28%
CET 1 Ratio	18.13%	18.49%
T1 Capital Ratio	18.13%	18.49%
Total Capital Ratio	18.13%	18.49%
ROE	6.91%	-12.59%
ROA	0.79%	-1.44%
Cost Income Ratio%	64.75%	84.34%
Net Interest Margin (NIM)	0.49%	0.52%

*explanation of ratios in Glossary

Luminor

Capital base and minimum capital requirement summary

No	Position	31 March 2018 Bank T EUR	31 March 2018 Group T EUR
1.	**Own funds (1.1.+1.2.)**	**496517**	**502334**
1.1.	**Tier 1 capital (1.1.1+1.1.2.)**	**496517**	**502334**
1.1.1.	Common equity tier 1 capital	496517	502334
1.1.2.	Additional tier 1 capital	0	0
1.2.	**Tier 2 capital**	**0**	**0**
2.	**Total risk exposure amount**	**2908218**	**2769989**
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2702453	2541877
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	0	0
2.4.	Total risk exposure amount for operational risk	199548	221895
2.5.	Total risk exposure amount or credit valuation adjustment	6217	6217
2.6.	Total risk exposure amount related to large exposures in the trading book	0	0
2.7.	Other risk exposure amounts	0	0
3.	**Capital ratios and capital levels**		
3.1.	CET 1 Capital ratio (1.1.1./2.*100)	17.07%	18.13 %
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	365647	377684
3.3.	Tier 1 Capital ratio (1.1./2.*100)	17.07%	18.13 %
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital (1.1.-2.*6%)	322024	336135
3.5.	**Total capital ratio (1./2.*100)**	**17.07%**	**18.13 %**
3.6.	Surplus(+)/ Deficit(-) of total capital (1.-2.*8%)	263860	280735
4.	**Combined buffer requirement**	**102200**	**97366**
4.1.	Capital conservation buffer	72706	69250
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	0	0
4.3.	Institution specific countercyclical capital buffer	0	0
4.4.	Systemic risk buffer	412	416
4.5.	Other Systemically Important Institution buffer	29082	27700
5.	**Capital adequacy ratios, including adjustments**		
5.1.	Asset value adjustments for capital adequacy ratio purposes	0	0
5.2.	Common equity Tier 1 Capital ratio including line 5.1. adjustments	17.07%	18.13%
5.3.	Tier 1 Capital ratio including line 5.1. adjustments	17.07%	18.13%
5.4.	Total capital ratio including line 5.1. adjustments	17.07%	18.13%

PILLAR 3 – Overview of Risk Weighted Assets

	T EUR	RWAs 31 March 2018	RWAs 31 December 2017	Minimum capital requirements 31 March 2018	Minimum capital requirements 31 December 2017
1	Credit risk (excluding CCR)	2529936	2547730	202395	203818
2	of which the standardised approach	2529936	2547730	202395	203818
6	CCR	18158	24155	1453	1932
7	of which mark to market	11941	16410	955	1313
12	of which CVA	6217	7744	497	620
13	Settlement risk	0	0	0	0
14	Securitisation exposures in the banking book (after the cap)	0	0	0	0
19	Market risk	0	0	0	0
22	Large exposures	0	0	0	0
23	Operational risk	221895	221895	17752	17752
24	of which basic indicator approach	221895	221895	17752	17752
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0	0
28	Floor adjustment	0	0	0	0
29	**Total**	**2769989**	**2793780**	**221599**	**223502**

The table presents RWA by risks and exposure type under Pillar 3 disclosure requirement of the Basel 3. This approach include measure of credit risk, market risk, operational risk and risk related to credit valuation adjustments (CVA).

4. GENERAL INFORMATION

4.1. Contact details

Luminor Bank AS

Location and address	Skanstes 12, Riga, LV-1013
Registered country	Republic of Latvia
Commercial Register code	40003024725
Telephone	+371 67 17 1880
Fax	+372 628 3201
DNB SWIFT code:	RIKOLV2X
Nordea SWIFT code:	NDEALV2X
Website	www.luminor.lv
E-mail	info@luminor.lv
Balance sheet date	31 March 2018
Reporting period	1.1.2018-31.3.2018
Reporting currency	Euro, thousands

Composition of the consolidated group

31 March 2018

No	Name of the company	Registration number	Country of domicile, registration address	Company type*	Portion of a holding in share capital (%)	Portion of voting rights in the company (%)	Motivation for inclusion in the group**
1	Luminor Bank AS	40003024725	LV, Riga, Skanstes street 12	BNK	0	0	MT
2	Luminor Līzings Latvija SIA	40003659898	LV, Riga, Skanstes street 12	LIZ	100	100	MS
3	Luminor Asset Management IPAS	40003699053	LV, Riga, Skanstes street 12	IPS	100	100	MS
4	SIA Skanstes 12	40003975842	LV, Riga, Skanstes street 12	PLS	100	100	MS
5	SIA Salvus	40103223713	LV, Riga, Skanstes street 12	PLS	100	100	MS
6	SIA Salvus 2	50103254931	LV, Riga, Skanstes street 12	PLS	100	100	MS
7	SIA Salvus 3	40103261113	LV, Riga, Skanstes street 12	PLS	100	100	MS
8	SIA Salvus 4	40103588074	LV, Riga, Skanstes street 12	PLS	100	100	MS
9	SIA Salvus 6	40103826344	LV, Riga, Skanstes street 12	PLS	100	100	MS
10	Liminor Līzings SIA	40003348054	LV, Riga, Vienibas gatve 109	LIZ	100	100	MS
11	Luminor Latvijas atklātais pensiju fonds AS	40103331798	LV, Riga, Kr. Valdemara iela 62	PFO	100	100	MS
12	Luminor Pensions Latvia IPAS	40103170952	LV, Riga, Kr. Valdemara iela 62	IPS	100	100	MS
13	SIA "Promano Lat"	40103235197	LV, Riga, Kr. Valdemara iela 62	PLS	100	100	MS
14	SIA "BALTIK ĪPAŠUMS"	40003892818	LV, Riga, Kr. Valdemara iela 62	PLS	100	100	MMS
15	Luminor Finance SIA	40103424424	LV, Riga, Kr. Valdemara iela 62	PLS	100	100	MS
16	SIA "Trioleta"	40103565264	LV, Riga, Kr. Valdemara iela 62	PLS	100	100	MS
17	SIA "Realm"	50103278681	LV, Riga, Kr. Valdemara iela 62	PLS	100	100	MS

* BNK - bank, IPS – investment management company, PFO - pension funds, LIZ – leasing company, PLS – supporting company.

** MT - parent company, MS - subsidiary company, MMS - subsidiary of the subsidiary company

Luminor

Shareholders and participation in paid-in share capital

31 March 2018

Shareholder	Paid-in share capital EUR'000	% of total paid-in share capital	Number of shares
Luminor Group AB	191 178	100%	191178337

Management of Luminor banka

31 March 2018

The Supervisory Council

Name	Position
Erkki Raasuke	Chairman of the Supervisory Council
Mari Mõis	Member of the Supervisory Council
Marilin Pikaro	Member of the Supervisory Council
Hannu Saksala	Member of the Supervisory Council
Christian Wallentin	Member of the Supervisory Council

The Management Board

Name	Position
Kerli Gabrilovica	Chairman of the Management Board, president
Ivita Asare	Member of the Management Board, vice-president
Jānis Buks	Member of the Management Board, vice-president
Jānis Teteris	Member of the Management Board, vice-president
Kristaps Zakulis	Member of the Management Board, vice-president

Risk analysis

Information on risk analysis can be found in AS Luminor Bank financial report for the year ended 31 December 2017 from page 32 to 37 and since the publication of the report it has not been significantly changed:

https://www.luminor.lt/sites/default/files/documents/luminor-lv-annual-report-2017-en.pdf

Bank's branches

Information on list of branches of Luminor Bank AS can be found in the Bank's Internet home page chapter "Contacts": https://www.luminor.lv/en/contacts

Financial assets designated at fair value through profit or loss*

Financial assets designated at fair value through profit or loss	31 March 2018 Bank T EUR	31 March 2018 Group T EUR	31 December 2017 Bank T EUR	31 December 2017 Group T EUR
Debt securities				
Latvian government securities	30027	30027	46111	46111
France's financial institutions bonds	23169	23169	30197	30197
Total	**53196**	**53196**	**76308**	**76308**

Moody's equivalent grades		31 March 2018 T EUR	%	31 December 2017 T EUR	%
Risk rating class 1	Aaa	0	0%	0	0%
Risk rating class 2	Aa1-A3	53 196**	100%	76 308**	100%
Risk rating class 3	Baa1-Baa2	0	0%	0	0%
Risk rating class 4	Baa3	0	0%	0	0%
Not rated		0	0%	0	0%
Total		**53196**	**100%**	**76308**	**100%**

* Positions specified by country of the issuer if the carrying amount of the issuer securities exceeds 10 percent of the Bank's own funds

** Latvian government securities are classified according to the credit rating of Latvia, OECD financial institutions securities are classified according to the rating of guaranteed securities

5. GLOSSARY

Ratios

- Average equity (belonging to owners of company) = equity at the end of each month in current quarter/ 3
- Return on equity (ROE) = Net profit / Average equity * 100%
- Assets, average = assets at the end of each month on current quarter
- Return on assets (ROA) = Net profit / Assets, average * 100
- Interest earning assets, average = (interest earning assets at end of reporting period + interest earning assets at end of previous period) / 2
- Net interest margin (NIM) = Net interest income / Interest earning assets, average * 100
- Cost income ratio = Total operating expenses / Total net income * 100
- CET 1 = Common Equity Tier 1 Capital/ Risk-Weighted Assets
- Leverage ratio = Tier 1 Capital/ Total Exposure
- T1 ratio = Tier 1 Capital/ Risk-Weighted assets
- Total capital ratio = Total Capital/ Risk-Weighted asset