Luminor

Interim Report for Q3 2018

Luminor Bank AS consolidated and Bank`s Interim Condensed Financial Statements for the nine month ended 30 September 2018

LUMINOR BANK AS, Latvia

Luminor

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Luminor

MANAGEMENT REPORT

Overview

Luminor was established on 1 October 2017 as a result of the merger of DNB Bank ASA (Commercial Register no. 984 851 006) and Nordea Bank AB (Swedish Commercial Register no. 516406-0120) operations in the Baltic countries to create a new-generation financial service provider for local businesses and financially active people.

Luminor is the third-largest financial services provider in the Baltics, with 1.1 million clients, ca 3,000 employees, ca 16% market share in deposits and ca 22% market share in lending. Total shareholder equity of Luminor amounts to 1.8 billion euros and is capitalised at CET1 17.3%. Luminor's vision is to become the best financial ecosystem for its customers.

On 13 September 2018, an agreement was signed between DNB Bank ASA and Nordea Bank AB with US-based private equity firm Blackstone to sell the majority stake in Luminor. As part of the transaction, Blackstone will acquire a 60% majority stake in the bank. Nordea and DNB will retain equal 20% equity stakes in Luminor and will continue to support the bank with long term funding, expertise and ongoing representation on the Board of Directors. Additionally, Blackstone has entered into an agreement with Nordea to purchase their remaining 20% stake over the coming years. Closing of the transaction is subject to European Central Bank's and local supervisory authorities' approvals and is anticipated to occur in the first half of 2019.

This transaction represents the largest majority-stake acquisition of a universal bank by private equity in the last decade globally, and one of the largest M&A transactions in Baltic history.

Luminor Bank AS (or "Luminor Latvia") offers a wide range of products and services to its customers in all channels, digital and physical, with headquarters in Riga and 19 offices in the biggest cities in Latvia, including Rezekne, Daugavpils, Valmiera, Jelgava, Ventspils and Cesis. It offers a total of 220 ATMs located throughout Latvia.

At the end of Q3 2018 Luminor Latvia employed ca 1,000 full-time employees and served ca 266,000 clients in the private and business segments, with a market share of ca 26% in lending and approximately 18% in deposits, making Luminor the second-largest financial services provider on the Latvian market. The market share of Luminor in both lending and deposits has significantly increased over previous period mostly due to closure of ABLV bank.

Macroeconomic overview

Latvia's economy accelerated to 5,3% annual growth in Q2 from 4.1% in Q1. It was helped by the large number of working days, seasonally adjusted rate fell from 4.9% to 4.4%. A slowdown in expected in H2 from the average of 4.7% in H1 (nsa), Luminor expects the economy to grow by 4.3% in the whole of 2018. In 2019 growth will cool further to 3.6%. Increasing labour shortages and global economic cycle are the main risks. The first can be partially alleviated by internal migration and repatriation.

The strong growth is a result of good exports performance (up 4.9% y/y in H1 in real terms) that has coincided with investment boom partially caused by EU fund cycle, but also strong demand for residential, retail and hotel space. Construction will continue to expand, but it obviously cannot grow by >20% forever. Investment in residential, office and industrial buildings has been low for several years, so there is a lot of pent-up demand as well as willingness of foreign developers to invest in Latvia, particularly Greater Riga. The outlook for export sectors (primarily manufacturing, transports, business and IT services) becomes somewhat less favourable. There is however a good chance to maintain the present (~5%) growth rate as the structure changes in favour of sectors with higher "speed limit".

Outlook for consumption is quite favourable. Employment growth accelerated to 2.0% in Q2, wages are likely to rise by 9.0% in 2018. Registered unemployment declined to 6.1% in September, but the ratio of job seekers – to 7.2% in August, down 1.3 pp from a year ago. The housing market cycle is picking up gradually. Annual growth of housing loan portfolio turned positive in July for the first time since 2009. Building permit data signal continuous strong expansion of residential construction. Confidence remains strong, in all four major sectors (industry, services, retail, construction) it is at or above historic average, significantly so in the case of construction.

Activities

During Q3 2018 Luminor continued with the legal merger, which foresee the full integration of the banks, continuing operations in all three Baltic States through the Estonian bank and its registered branches in Latvia and Lithuania. In May 2018, Luminor received confirmation from the European Central Bank that the branches in Latvia and Lithuania could be established and commence operations. The cross-border merger and legal change is expected to take place starting from 2 January 2019.

During Q3 2018 Luminor Latvia continued to actively work to support outstanding customer service, organization efficiency and simplicity, growth in income and focus on target customers as well as fostering high performance.

Household segment

At the end of Q3 2018, Luminor Latvia served ca 243,000 household clients, ensuring stable growth in the number of active

customers. To increase general customer satisfaction and customer service quality, a new hospitality programme and customer service standards were introduced and launched for further implementation alongside the implementation of a new customer service model.

The next visible step is the opening of the new self-service branch in the city of Cesis, offering our customers more convenient online banking services for daily financial operations as well as flexible advisory support at hours that are convenient to the customer. The Luminor Latvia self-service centre also aims to support practical support for local entrepreneurs and entrepreneurial people, opening the premises up for external meetings with customers or partners upon request.

During the quarter, general customer satisfaction and net promoter score measurement showed positive, upward trends.

Private Banking segment

In Q3 2018 the Luminor Private Banking segment in Latvia continued to develop and implement a new Private Banking service quality standard for customers that will be integrated in the daily routines of the Luminor Private Banking customer experience in Lithuania and Estonia. Total income figures are positive and according to plan. Work has continued on validating the future daily banking offering. More visible advisory and loyalty efforts resulted in the gradual attraction of new target customers during Q3 2018.

General customer satisfaction and net promoter score figures are stable or showing a positive, upward trend.

Business and Corporate Client segments

During Q3 2018, Luminor Latvia continued to focus on its core target segments – business and corporate – delivering stable business results. During the quarter, a new service model was implemented whereby our business customers are on-boarded within an hour, thus supporting both general customer satisfaction and the activity level among target customers.

In August, Luminor Latvia entered into a partnership with the Development Finance Institution ALTUM, introducing a new offering to small and medium-sized businesses, providing them with non-pledged loans. General interest in the product is high and over two months Luminor issued loans amounting to half a million euros, with an average loan amount of 50,000 euros.

Throughout Q3 2018 Luminor Latvia strengthened its focus on target customers through initiatives such as regional client seminars to support Luminor brand awareness.

Leasing

In Q3 2018 Luminor Leasing in Latvia made a significant step towards the further automation of daily administrative processes by introducing its first robot. The newly launched robot aims to prepare regular reports for vehicle and equipment partners, thus relieving the bank's units of this manual, routine task.

Additionally, right-sizing of planned new leasing sales continued in Q3 2018, focusing on profitability improvements. As such, general leasing new sales grew more slowly than the market. New leasing sales at the end of Q3 reached EUR 156 million, whereas the portfolio volumes reached EUR 528 million. Total income amounted to EUR 9.8 million. To support sales, additional sales campaigns via vehicle and equipment vendor partners continued.

In Q3 2018 Luminor Leasing retained its leading position as a financier for new cars and new construction and agriculture machinery, with 30% market share.

Pensions

The pension assets of more than 132,000 Luminor customers reached 528 million euros at the end of Q3 compared to 511 million euros in Q2 2018. During Q3, pension funds with equity strategies retained leading positions over five- and ten-year periods (for funds with comparable track records). Fixed-income portfolios stabilized and returned flat results.

Two Luminor pension fund management companies in Latvia – Luminor Asset Management IPAS and Luminor Pensions Latvia IPAS

– were merged on 2 August 2018. Luminor customers will directly benefit from the merger since it will further facilitate a reduction in management fees by 10-15% per annum. Additionally, in order to harmonise its pension product offering and utilise related synergies, Luminor Asset Management intends to merge two conservative and two active 2nd pillar pension funds at the end of Q4.

Corporate social responsibility in Luminor

We are creating a new-generation financial services provider 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 the local communities in which we operate.

We are committed to considering corporate governance, social conditions and the 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.

Luminor has a responsibility to make an effort to ensure that the banking industry delivers ethical products and services, and we take responsibility for who our products and services are offered to and how.

Anti-money laundering matters

In Luminor we have zero tolerance towards money laundering and other financial crime risk. Luminor has developed and implemented a comprehensive set of measures to identify, manage and control its risks. We comply with sanctions laws and follow the guidelines, recommendations and standards issued by local regulatory and supervisory authorities and relevant international organizations, as well as those issued by local Banking Associations and Financial Intelligence in each Baltic state.

Our Compliance and Anti-Money Laundering (AML) functions operate at the pan-Baltic level, with competence centres and highly experienced professionals in the following areas: data protection, AML/ Certified Fraud Examiners (CFT), FATCA, IT compliance and digital channels, Business Integrity, Bank Products & New Product Development. Luminor's AML, Compliance and Anti-Financial Crime units employ over 100 professionals, maintaining a robust compliance framework and processes throughout the organization.

Significant events after 30 September 2018

Luminor has recently established a Euro Medium Term Note (EMTN) programme, which enables Luminor to issue bonds under standardized documentation. The programme has two purposes - to replace funding from the owner banks and to support and fund our customer business.

Under this programme, Luminor will be able to issue debt in different sizes and maturities going forward. On 10 October 2018, Luminor issued a 350-million-euro senior unsecured inaugural public bond with a maturity of three years and coupon of 150 bps. The bond will be listed on the Irish Stock Exchange. The issue was well supported by the Baltic community and international accounts, having a total of 46 investors spread over 14 different countries. Bonds were issued by Luminor Bank Estonia, taking into account both the upcoming change in its ownership structure and Luminor's cross-border merger to become one centralised bank under Estonia with Latvia and Lithuania as branches starting from January 2019.

On 10 October 2018, Moody´s Investor Service assigned to Luminor Bank a senior unsecured MTN rating of Baa2, which followed the issuance of senior debt within the scope of provisionally rated senior unsecured EMTN program carrying a long-term rating of (P) Baa2. The rationale for the senior unsecured EMTN program rating is explained in the Moody´s Investor Service rating action released on 13 September 2018.

Financial results

The merger of the Baltic businesses of DNB and Nordea in October 2017 has had a significant impact both on the financial result and operational focus. The consolidated financial information prior to the merger represents consolidated results of DNB's respective entities, whereas starting from 1 October 2017, such financial information also reflects the effects of the acquisition of assets and liabilities of Nordea. As a result, comparability of consolidated financial information between January-September 2017 and January-September 2018 is limited in light of the effects of the merger.

Net profit earned in Q3 2018 was 19.1 million euros, which was 2 million euros more than Q2 2018 mainly due to reversals of impairment losses on loans, which increased the profit in Q3 2018. Net interest margin increased 0.1% reaching 2.1%. Net fees and commission income remained stable in Q3 2018 compared to Q2 2018 from both corporate and household.

KEY FIGURES*

T EUR	Jan-Sep 2018	Q3 2018
Net profit	**45 752**	19 160
Average equity	**539 741**	545 174
Return on equity (ROE), %	**11.3%**	14.1%
Average assets	**4 589 517**	4 438 952
Return on assets (ROA), %	**1.3%**	1.7%
Net interest income	**66 943**	22 432
Average interest earning assets	**4 431 699**	4 277 776
Net interest margin (NIM), %	**2.0%**	2.1%
Cost / Income ratio (C/I), %	**58.5%**	49.6%

*Quarterly ratios (ROE, ROA, NIM, C/I) have been expressed on an annualized basis

Explanations:

Average equity (belonging to owners of company) = (equity at end of reporting period + equity at end of previous period) / 2

Return on equity (ROE) = Net profit / Average equity * 100%

Average assets = (assets at end of reporting period + assets at end of previous period) / 2

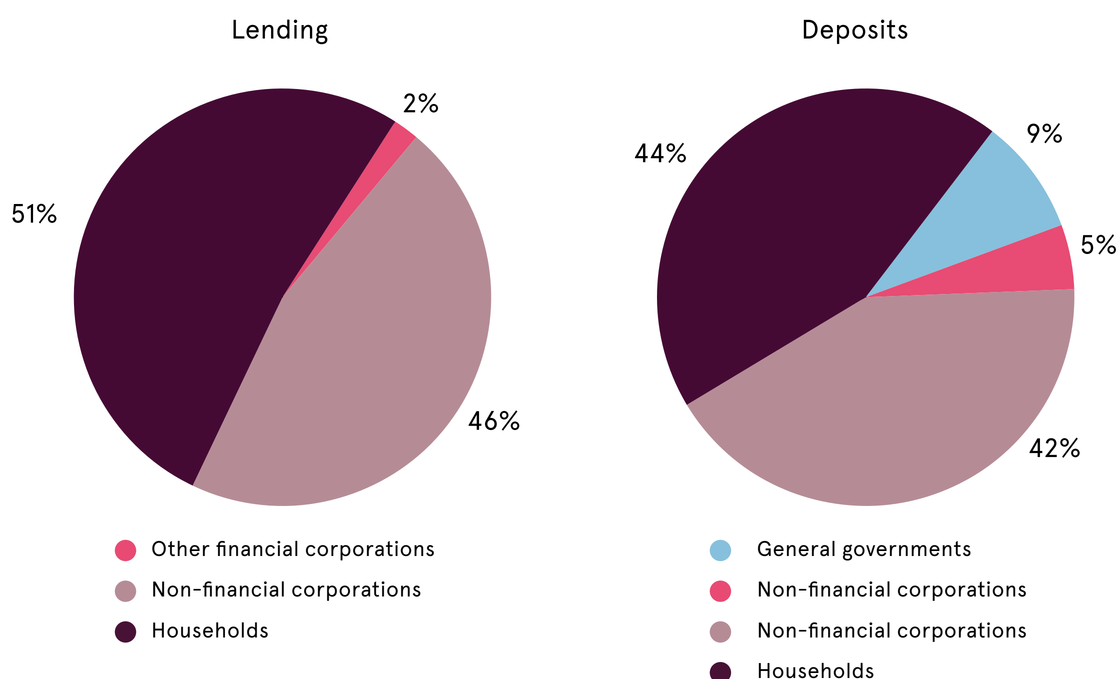
Return on assets (ROA) = Net profit / Assets, average * 100

Average interest earning assets = (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

Loans to customers totalled 3.5 billion euros at 30 September 2018, increasing by 1% compared to 30 June 2018. Loans to non-financial corporate customers comprised 46% and loans to households 51% of the credit portfolio of Luminor. The market share of Luminor's loans in Latvia was approximately 26%.



Deposits from customers (excluding deposits from credit institutions) totalled 2.7 billion euros at 30 September 2018.. Deposits from non- financial corporate clients comprised 42% and deposits from households 44% of the customer deposit portfolio of Luminor. The market share of Luminor's deposits in Latvia was approximately 18%.

The loan-to-deposit ratio increased in Q3 2018 to 127% from 125% in Q2.

ASSET QUALITY FOR Q3

As at the end of Q3 2018 the quality of Luminor loan portfolio has slightly improved. The share of impaired loans in total loan portfolio amounts to 7.6%. Decrease in the volume and share of non-performing loans in Q3 2018 is related to individually large customer write-offs and private individuals becoming performing. Allowances for on-balance sheet exposures amounted to 108 million EUR or 3.04 % of total loan portfolio.

T EUR	Household	Non-financial corporations	Other financial corporations	General governments	Total*
Gross Loans	1 832 760	1 631 187	84 131	5 467	3 553 545
Allowances	-57 418	-52 048	1 486	-0	-107 981
Net Loans	1 775 342	1 579 139	85 616	5 467	3 445 564
Gross Impaired Loans	103 354	168 488	0	0	271 842
Impairment ratio %	3.13%	3.19%	1.77%	0.00%	3.04%
Gross impaired Loans vs Gross Loans (NPL ratio) %	5.64%	10.33%	0.00%	0.00%	7.65%
Allowances vs Gross impaired Loans %	55.55%	30.89%	0.00%	0.00%	39.72%

*excluding loans to Credit Institutions

Explanations:

Impairment ratio % = Allowances / Gross Loans

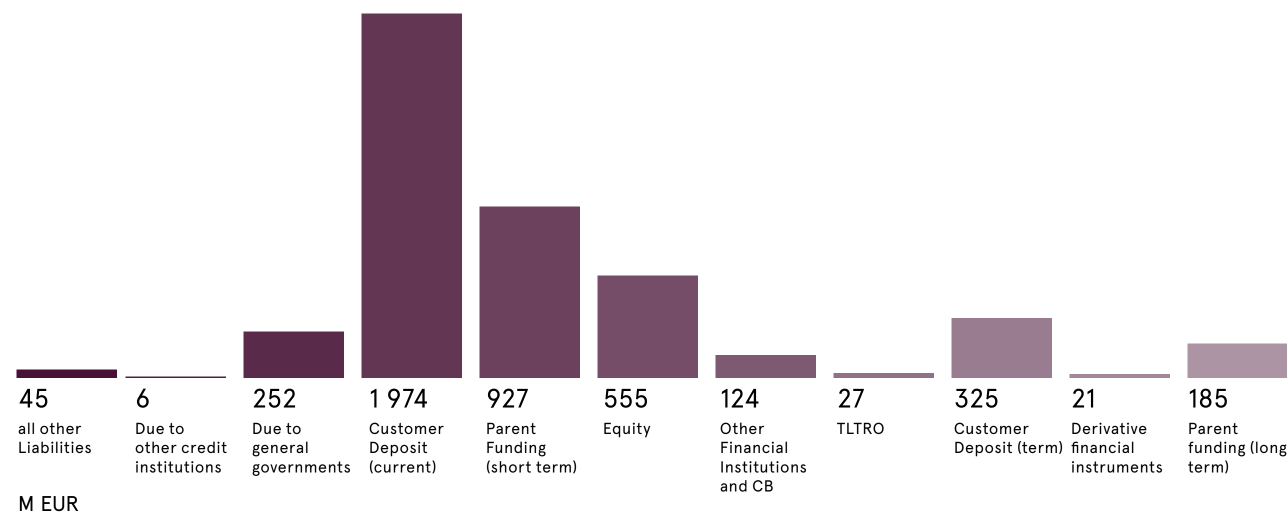
Gross impaired loans vs Gross Loans (NPL ratio) % = Gross impaired Loans / Gross Loans

Allowances vs Impaired Loans = Allowances(Provisions)/ Gross Impaired Loans

FUNDING

Luminor Latvia has a strong and prudent liquidity risk profile. The funding base consists of a large deposit base, TLTRO and funding from parent banks among other items. The funding base is mainly euro-denominated.

At the end of Q3 2018 Luminor Latvia had utilised 1.11 billion euros in funding from the parent banks.



Utilized parent funding amounts to 3.97 billion euros at the 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 was committed for 6 years (4+2), beginning from the 1 October 2017 when Luminor was established and short-term funding in the form of revolving credit of 364 days. In addition to the current outstanding utilized funding, there is also a committed credit line of 0.92 billion euros in place (not utilized at present). When Luminor attracts wholesale long-term (longer than one year) funding externally, the intent is to amortize an equal amount of parent funding.

Rating

Luminor Bank AS (Latvia) does not have an individual rating.

On the 11 October 2018 Moody's assigned first time ratings to Luminor Bank AS (Estonia), including a local currency long-term senior unsecured debt rating of Baa2.

The ratings assigned to Luminor Bank AS (Estonia) reflect the forward-looking assessment of the group's operations as a whole, taking into account the future ownership change and merger effects, which is expected to legally consolidate Luminor Bank AS (Latvia) and Luminor Bank AB (Lithuania), which will be branches of Luminor Bank AS (Estonia), expected as of 2 January 2019.

LIQUIDITY

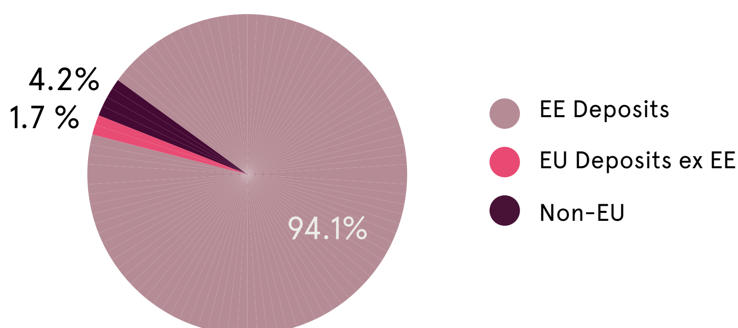
The LCR (liquidity coverage ratio) for Luminor Latvia was 124.9% at the end of Q3 2018, according to the Delegated Act's LCR definition. The liquidity buffer is composed of highly liquid central bank eligible securities and cash.

At the end of Q3 2018, Luminor Latvia's NSFR (net stable funding ratio) was 106.4% using an RSF (required stable funding) factor of 85% for qualifying collateralised mortgages.

Ratio	30 September 2018	30 June 2018	30 March 2018	31 December 2017
LCR	124.9%	130.0%	150.0%	169.0%
NSFR**	106.4%	106.3%	109.0%	118.0%

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

Deposit structure



Deposits from customers are mainly from residents of Latvia. In total, 95.8% of all deposits from household and non-financial corporates are from EU residents.

CAPITAL

Luminor Latvia's capital adequacy was 17.64% as of 30 September 2018 (31 December 2017: 18.49%), which is well above the internal target of 17.0%. The main driver for the decrease of capital adequacy is the increase of credit risk from corporate exposures. Capital adequacy of Luminor Latvia is fully covered by CET1 capital.

Capital ratios

Position	Q3 2018 Group	Q2 2018 Group	Q1 2018 Group	Q4 2017 Group
Capital adequacy	17.64%	17.82%	18.13%	18.49%
Leverage Ratio	10.76%	10.75%	10.38%	10.28%
CET 1 Ratio	17.64%	17.82%	18.13%	18.49%
T1 Capital Ratio	17.64%	17.82%	18.13%	18.49%
Total Capital Ratio	17.64%	17.82%	18.13%	18.49%

Capital base

T EUR	30 September 2018	31 December 2017
OWN FUNDS	502 958	516 460
1. TIER 1 CAPITAL	502 958	516 460
1.1. COMMON EQUITY TIER 1 CAPITAL	502 958	516 460
1.1.1. Capital instruments eligible as CET1 Capital	260 891	260 891
Paid-up capital instruments	191 178	191 178
Share premium	69 713	69 713
1.1.2. Retained earnings	-219 500	-205 310
1.1.3. (-) Other intangible assets	-1 878	-1 330
1.1.4 Other reserves	466 319	466 319
1.1.5 Adjustments to CET1 due to prudential filters	-664	-975
1.1.6 CET1 capital elements or deductions - other	-2 209	-3 135

Risk exposure

T EUR	30 September 2018	31 December 2017
TOTAL RISK EXPOSURE AMOUNT	2 851 856	2 793 780
1. RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	2 616 340	2 564 140
1.1 Standardized approach (SA)	2 616 340	2 564 140
1.1.1 SA exposure classes excluding securitisation positions	2 616 340	2 564 140
Central governments or central banks	0	0
Regional governments or local authorities	1 954	3 002
Institutions	51 117	36 471
Corporates	1 320 806	1 192 672
Retail	474 262	523 987
Secured by mortgages on immovable property	476 929	483 794
Exposures in default	214 799	230 194
Equity	6 393	5 534
Other items	70 080	88 485
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	0	0
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	221 895	221 895
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	13 620	7 745

Large exposures

T EUR	30 September 2018		31 December 2017	
	Number / Amount	% from net own funds	Number / Amount	% from net own funds
Number of customers with large exposures	35	0%	46	0%
Due from customers with large exposures	1 223 612	243%	1 633 427	316%
Own funds included in calculation of capital adequacy	502 958	100%	516 460	100%

Statement of the Management Board

The interim report of Luminor Bank AS for Q3 2018 consists of the following parts and reports:

Management Report;

Interim Condensed Financial Statements

The data and additional information presented in the interim report of Luminor Bank AS for Q3 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.

The Interim Condensed Financial Statements have been prepared according to the principles of the International Accounting Standard IAS 34 "Interim Financial Reporting".

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

Kerli Gabrilovica

Chairman of the Board

Ivita Asare

Member of the Management Board

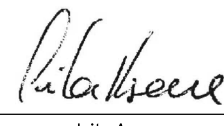
Riga, 27 November 2018

INTERIM CONDENSED FINANCIAL STATEMENTS

Interim condensed statement of comprehensive income for nine months ended 30 September 2018

T EUR	Note	30.09. 2018 Group	Q3 2018 Group	30.09. 2017 Group	Q3 2017 Group	30.09. 2018 Bank	Q3 2018 Bank	30.09. 2017 Bank	Q3 2017 Bank
Interest income		78 370	26 146	34 387	11 558	68 934	22 931	30 854	10 318
Interest expense		(11 427)	(3 714)	(4 789)	(1 552)	(11 418)	(3 714)	(4 362)	(1 407)
Net interest income		**66 943**	**22 432**	**29 598**	**10 006**	**57 516**	**19 217**	**26 492**	**8 911**
Fees and commission income		25 705	8 512	13 917	4 389	22 327	7 373	12 449	3 861
Fees and commission expenses		(6 862)	(2 278)	(4 398)	(1 540)	(6 732)	(2 211)	(4 133)	(1 456)
Net fees and commissions		**18 843**	**6 234**	**9 519**	**2 849**	**15 595**	**5 162**	**8 316**	**2 405**
Net result from operations with foreign currency, trading securities and derivative financial instruments		5 218	1 925	1 222	292	5 222	1 927	1 210	288
Net result from operations with investment property		(404)	19	(992)	(394)	(118)	(20)	(696)	(160)
Other operating income		**2 709**	**(995)**	**2 775**	**1 194**	**3 258**	**(561)**	**3 608**	**1 098**
Dividend income		28	-	26	8	28	-	2 070	8
Gains or losses on financial assets and liabilities not measured at fair value through profit and loss		(756)	(19)	-	-	(49)	(15)	-	-
Share of profit of investment in associate		209	91	-	-	-	-	-	-
Operating income		92 790	29 687	42 148	13 955	81 452	25 710	41 000	12 550
Personnel expenses		(25 498)	(8 391)	(13 148)	(4 243)	(23 671)	(7 836)	(13 003)	(4 194)
Other administrative expenses	11	(22 056)	(6 177)	(10 512)	(4 263)	(21 228)	(5 928)	(10 528)	(4 232)
Depreciation		(2 274)	(737)	(2 292)	(788)	(1,628)	(522)	(1 658)	(576)
Other operating expenses		(4 442)	574	(1 389)	(514)	(4 307)	625	(1 261)	(465)
Net allowances for impairment loss		7 502	3 906	4 697	2 622	7 839	4 636	4 742	2 469
Profit before income tax		**46 022**	**18 862**	**19 504**	**6 769**	**38 457**	**16 685**	**19 292**	**5 552**
Corporate income tax		(270)	(298)	(456)	73	295	304	(255)	145
Profit for the period from continuing operations		**45 752**	**19 160**	**19 048**	**6 842**	**38 752**	**16 989**	**19 037**	**5 697**
Other comprehensive income									
Items that may be reclassified to profit or loss in the future									
Changes in revaluation reserve of available for sale financial assets									
Items that may not be reclassified to profit or loss in the future		-	-	328	133	-	-	328	133
Changes in revaluation reserve of financial assets at fair value through other comprehensive income		763	276	-	-	762	275	-	-
Other comprehensive income total		**763**	**276**	**328**	**133**	**762**	**275**	**328**	**133**
Total comprehensive income		**46 515**	**19 436**	**19 376**	**6 975**	**39 514**	**17 264**	**19 365**	**5 830**
Profit attributable to:									
Equity holders of the Bank		46 515	19 160	19 048	6 842	38 752	16 989	19 037	5 697
Total comprehensive income attributable to:									
Equity holders of the Bank		46 515	19 436	19 376	6 975	39 514	17 264	19 365	5 830

The financial statements on pages 11 to 48 have been approved by the Management Board of the Bank and signed on their behalf by:



Riga, 27 November 2018

Kerli Gabrilovica
Chairman of the Management Board

Ivita Asare
Member of the Management Board

Interim condensed statement of financial position as at 30 September 2018 and 31 December 2017

T EUR Assets	Notes	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Cash and balances with central banks		759 251	1 067 214	759 251	1 067 214
Due from other credit institutions (on demand)	4	58 667	34 634	58 339	33 865
Derivatives	10	27 002	17 223	27 002	17 223
Financial assets designated at fair value through profit or loss:	6	54 129	76 308	54 129	76 308
Debt securities and other fixed income securities		54 129	76 308	54 129	76 308
Financial assets at fair value through other comprehensive income	7	3 433	2 547	3 433	2 547
Loans and advances:		3 458 721	3 443 271	3 447 829	3 455 321
Due from other credit institutions (term)	4	13 070	70 823	13 070	70 823
Loans to customers	5	3 445 651	3 372 448	3 434 759	3 384 498
Accrued income and deferred expenses		2 734	3 726	2 099	2 145
Investment property		24 771	34 136	719	1 021
Property, plant and equipment		26 519	27 583	3 755	4 174
Intangible assets		2 229	1 681	1 851	1 297
Investments in subsidiaries	8	-	-	62 412	60 507
Investment in associated companies		2 960	2 987	2 687	2 687
Current corporate income tax		346	90	18	-
Other assets	9	19 184	24 884	14 810	20 635
Non-current assets and disposal groups classified as held for sale		147	2 656	-	519
Total assets		**4 440 093**	**4 738 940**	**4 438 334**	**4 745 463**

The financial statements on pages 11 to 48 have been approved by the Management Board of the Bank and signed on their behalf by:

Kerli Gabrilovica
Chairman of the Management Board

Ivita Asare
Member of the Management Board

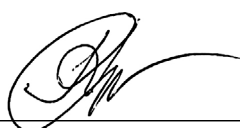
Riga, 27 November 2018

Interim condensed statement of financial position as at 30 September 2018 and 31 December 2017

(continued)

T EUR	Notes	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Liabilities to central banks	12	26 472	60 500	26 472	60 500
Liabilities to credit institutions (on demand)	13	5 435	5 576	5 435	5 576
Derivatives	10	21 339	21 269	21 339	21 269
Financial liabilities at amortised cost:		3 809 894	4 108 051	3 827 925	4 126 470
Due to credit institutions (term)	13	1 112 658	1 165 227	1 112 658	1 165 227
Deposits from customers and other financial liabil0ities	14	2 697 236	2 942 824	2 715 267	2 961 243
Accrued expenses and deferred income		13 175	11 777	12 798	11 312
Income tax liability		52	1 283	-	1 233
Other liabilities	15	7 700	5 634	1 628	2 513
Provisions		1 134	261	1 045	228
Total liabilities		**3 885 201**	**4 214 351**	**3 896 642**	**4 229 101**
Shareholders' equity					
Share capital		191 178	191 178	191 178	191 178
Share premium		69 713	69 713	69 713	69 713
Reserve capital		464 690	464 690	464 690	464 690
Revaluation reserve		1 429	666	1 428	666
Accumulated deficit		(172 118)	(201 658)	(185 317)	(209 885)
Total shareholders' equity attributable to the shareholders of the Bank		**554 892**	**524 589**	**541 692**	**516 362**
Total shareholders' equity		**554 892**	**524 589**	**541 692**	**516 362**
Total liabilities and shareholders' equity		**4 440 093**	**4 738 940**	**4 438 334**	**4 745 463**

The financial statements on pages 11 to 48 have been approved by the Management Board of the Bank and signed on their behalf by:



Kerli Gabrilovica
Chairman of the Management Board

Ivita Asare
Member of the Management Board

Riga, 27 November 2018

Interim condensed statement of changes in equity for the nine months ended 30 September 2018

T EUR	Share capital	Share premium	Reserve capital	Revaluation reserve	Accumulated result	Total
Group						
At 31 December 2016	**191 178**	**69 713**	**224 118**	**155**	**(182 692)**	**302 472**
Profit for the period	–	–	–	–	19 048	**19 048**
Decrease of revaluation reserve	–	–	–	328	–	**328**
Total comprehensive income	**–**	**–**	**–**	**328**	**19 048**	**19 376**
Increase of reserve capital	–	–	240 572	–	–	**240 572**
Dividends declared (ordinary shares)	–	–	–	–	(30,174)	**(30,174)**
At 30 June 2017	**191 178**	**69 713**	**464 690**	**483**	**(193 818)**	**532 246**
At 31 December 2017	**191 178**	**69 713**	**464 690**	**666**	**(201 658)**	**524 589**
Profit for the period	–	7	–	–	45 752	**45 752**
Increase of revaluation reserve	–	–	–	763	–	**763**
Total comprehensive income	**–**	**–**	**–**	**763**	**45 752**	**46 515**
IFRS 9 transitional impact (Note 3)	–	–	–	–	(16 212)	**(16 212)**
At 30 June 2018	**191 178**	**69 713**	**464 690**	**1 429**	**(172 118)**	**554 892**
Bank						
At 31 December 2016	**191 178**	**69 713**	**224 118**	**155**	**(186 679)**	**298 485**
Profit for the period	–	–	–	–	19 037	**19 037**
Increase of revaluation reserve	–	–	–	328	–	**328**
Total comprehensive income	**–**	**–**	**–**	**328**	**19 037**	**19 365**
Increase of revaluation reserve	–	–	240 572	–	–	**240 572**
Dividends declared (ordinary shares)					(30,174)	**(30,174)**
At 30 September 2017	**191 178**	**69 713**	**464 690**	**483**	**(197 816)**	**528 248**
At 31 December 2017	**191 178**	**69 713**	**464 690**	**666**	**(209 885)**	**516 362**
Profit for the period	–	–	–	–	38 752	**38 752**
Increase of revaluation reserve	–	–	–	762	–	**762**
Total comprehensive income	**–**	**–**	**–**	**762**	**38 752**	**39 514**
IFRS 9 transitional impact (Note 3)	–	–	–	–	(14 184)	**(14 184)**
At 30 September 2018	**191 178**	**69 713**	**464 690**	**1 428**	**(185 317)**	**541 692**

Interim condensed statement of cash flows for the nine months ended 30 September 2018

T EUR	2018 Group	2017 Group	2018 Bank	2017 Bank
Cash flow from operating activities				
Profit before income tax and dividends	46 022	19 505	38 457	19 292
Depreciation and amortization of intangible assets and property and equipment	2 274	2 292	1 628	1 658
Decrease in provisions for doubtful debts and off-balance sheet liabilities	(23 714)	(4 768)	(22 022)	(4 848)
(Profit)/loss from revaluation of securities, derivatives and loans	(378)	325	(378)	325
Loss from revaluation of investment property	190	866	64	485
Loss from revaluation of investment in subsidiaries	-	-	6 095	-
Share of (profit)/loss from associates	27	-	-	-
(Profit)/loss from sale of fixed and intangible assets	(2 045)	3	(2 045)	3
Dividends received	(28)	(26)	(28)	(2 070)
(Profit)/loss from foreign currency revaluation	(2 582)	10	(2 582)	23
Cash flow from operating activities before changes in assets and liabilities	**19 766**	**18 207**	**19 189**	**14 868**
(Increase)/decrease in loans and advances to customers	(65 754)	5 228	(42 201)	30 396
Increase)/decrease in due from credit institutions	1 603	-	1 603	-
(Increase)/decrease in financial assets designated at fair value through profit and loss	22 090	3 898	22 090	3 898
Increase/(decrease) in due to credit institutions	(86 598)	(10 830)	(86 598)	(10 830)
(Increase)/decrease in accrued income and deferred expenses	993	843	46	7
Decrease/(increase) in other assets and taxes	4 611	(44 689)	4 698	(55 184)
Increase/(decrease) in clients deposits	(245 588)	(77 878)	(245 975)	(76 557)
Increase/(decrease) in derivatives	(9 242)	9 859	(9 242)	9 859
Increase/(decrease) in accrued expenses and deferred income	1 397	(1 158)	1 486	(1 136)
Increase/(decrease) in other liabilities	2 203	(57)	(245)	(602)
Increase/(decrease) in cash and cash equivalents as a result of operating activities	**(354 519)**	**(96 577)**	**(335 149)**	**(85 281)**
Cash flow from investing activities				
(Acquisition) of property and equipment and intangible assets	163	(588)	163	(573)
Sale of property and equipment and intangible assets	122	1	120	1
Acquisition of participation in share capital of subsidiary and Business Unit	-	-	(8 000)	-
Sale of participation in share capital of subsidiary and Business Unit	-	-	-	285
(Acquisition) of investment property	(136)	(10 631)	(3)	-
Sale of investment property	11 820	25 948	760	1 493
Dividends received	28	26	28	2 070
Increase/(Decrease) in cash and cash equivalents as a result of investment activities	**11 997**	**14 756**	**(6 932)**	**3 276**
Cash flow from financing activities				
Dividends paid	-	(30 174)	-	(30 174)
Increase of revaluation reserve	-	240 572	-	240 572
Increase/(decrease) in cash and cash equivalents as a result of financing activities	-	210 398	-	210 398
Net (decrease) in cash and cash equivalents	**(342 522)**	**128 577**	**(342 081)**	**128 393**
Cash and cash equivalents at the beginning of the year	1 152 432	506 027	1 151 663	505 428
Profit/(Loss) of foreign currency revaluation on cash and cash equivalents	2 582	(10)	2 582	(23)
Cash and cash equivalents at the end of the year	**812 492**	**634 594**	**812 164**	**633 798**
Cash flow from interest received	80 281	38 982	70 832	35 358
Cash flow from interest paid	10 175	2 609	10 168	2 182

The accompanying notes are an integral part of these financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Luminor Bank AS was established as Rigas Komercbanka PLC on 26 June 1989. On 6 September 1991 it was incorporated in the Republic of Latvia as a joint stock company. The Bank and its subsidiaries (the Group) are engaged in banking and the financial services business.

On 25 August 2016 DNB Bank ASA, the sole shareholder of the Bank at that time, and Nordea Bank AB (publ) entered into an agreement to combine their operations in Estonia, Latvia and Lithuania in order to create a leading independent main financial services provider in the Baltics. The completion of the transaction was conditional upon receiving regulatory approvals. After receiving all approvals from the respective regulatory bodies, the transaction was closed on 1 October 2017.

As a part of the transaction:

- the Bank (AS DNB banka at that time) was renamed Luminor Bank AS;
- Luminor Group AB, the majority of the shares of which is owned by DNB Bank ASA and Nordea Bank AB (publ), became the sole shareholder of Luminor Bank AS;
- Nordea Bank AB (publ) transferred to Luminor Bank AS the assets and liabilities of Latvia branch of Nordea Bank AB (publ) as well as the shares of certain Latvian companies owned by Nordea Bank AB (publ) (including, among others, Luminor Pensions Latvia IPAS, Luminor Latvijas atklātais pensiju fonds AS and Luminor Līzings SIA).

On 1 October 2017 Nordea Bank AB and DNB ASA combined their Baltic business into a jointly owned bank, Luminor. This should be taken into account when 2017 reference figures are compared with 2018 figures.

Significant events during first half of the year

On 29th of March merger agreement for merging Luminor banks in Lithuania and Latvia to Luminor bank in Estonia was signed. The merger foresees full integration of the banks with headquarter in Estonia and branches in Latvia and Lithuania.

On 28 June 2018 Luminor Bank As (Latvia) and Luminor Bank AB (Lithuania) and Luminor bank As (Estonia) received the European Central Bank's approval for the cross-border merger of Luminor in the Baltics. The cross-border merger and legal change is expected to take place on 2 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Reporting currency

The accompanying financial statements are reported in thousands of euro (EUR'000), unless otherwise stated.

b) Basis of presentation

The interim condensed financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Consolidated and Bank's annual financial statements as at 31 December 2017.

These financial statements comprise of both, the financial statements of the parent company AS Luminor Bank and the Group interim consolidated statements.

c) Consolidation

Significant accounting judgment regarding investment funds and pension funds management

The Group assesses that it does not control Investment and pension funds it manages. The Group does not have investments in funds it manages, it has a narrow scope of decision making powers (within local laws and regulations the funds' manager has a discretion about the assets in which to invest) and is not exposed to variable returns (remuneration is a fixed commission rate, which is commensurate with the services provided and there is no obligation to funds losses).

d) Foreign currency transalation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The consolidated financial statements are presented in EUR, which is the Bank's and subsidiaries' functional and presentation currency.

All monetary assets and liabilities denominated in foreign currencies are translated into EUR at the official rate of the European

Central Bank valid at the reporting period end. Gains and losses arising from this translation are included in the income statement for the period. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction.

The principal rates of exchange (1 EUR to foreign currency units) set by the European Central Bank and used in the preparation of the Group's and the Bank's statements of financial position were as follows:

Reporting date	USD
As at 30 September 2018	1.15760
As at 31 December 2017	1.19930

e) Income and expense recognition

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest rate method. Interest income includes coupons earned on fixed income investment securities.

When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Interest expense also comprises regulatory charges such as payments to Deposit Guarantee Fund and Single Resolution Fund as well as charge of financial stability, which are recognised in the statement of comprehensive income as incurred.

Fee and commission income and expense are recognised on an accrual basis. Fees earned from the provision of services over a period of time are recognised over that service period. Fees attributable to loan issuance and other credit related fees are deferred and recognised as an adjustment to the effective interest rate on the loan.

Fee and commission expense paid to other financial institutions are recognised as transaction costs and recorded using the effective interest rate method.

Income and expense other than interest and/ or commission and fee income/ expense represent items associated with the core business of related entities of the Group.

f) Use of judgements and estimates

The Group makes estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Except for IFRS 9 related estimates, further described in Note 3, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

g) Seasonality of operations

The Group's banking and the financial services business is not highly seasonal.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's or Bank`s annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group or Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustement to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Classification and measurement

***Notes to the interim condensed financial statements** (continued)*

At initial recognition, the Group measures trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) at their transaction price. Other financial assets and financial liabilities are measured at initial recognition at their fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets depends on the classification performed by the Group at initial recognition. At initial recognition, financial assets can be classified into one of the following categories:

- Financial assets measured at fair value through profit or loss,
- Financial assets measured at fair value through other comprehensive income (OCI),
- Financial assets measured at amortised cost.

Classification is performed based on both the Group's business model for managing financial assets and the characteristics of contractual cash flows of the financial assets. However, financial assets that meet the amortised cost or fair value through other comprehensive income measurement criteria, may be designated on initial recognition by the Group to fair value through profit or loss measurement option, provided that particular qualifying criteria are met. Additionally, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

On initial recognition, financial liabilities are classified into one of the following categories:

- Financial liabilities measured at amortised cost,
- Financial liabilities measured at fair value through profit or loss.

Financial liability is classified as measured at fair value through profit or loss if:

- It meets the definition of held for trading and
- It is designated upon initial recognition to fair value through profit or loss measurement option
- All other financial liabilities are classified as measured at amortised cost.

Impairment of financial assets

IFRS 9 fundamentally changed the credit loss recognition methodology. The standard replaced IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Bank is required to recognize an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. Loss allowances based on lifetime expected credit losses are calculated also for purchased or originated credit-impaired assets (POCI) regardless of the changes in credit risk during the lifetime of an instrument. The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The assets to test for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk or which are classified as low risk (rating categorised as "Investment grade" or higher), stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the allowances equal the 12 month expected credit loss. In stage 2 and 3, the allowances equal the lifetime expected credit losses.

One important driver for size of allowances under IFRS 9 is the trigger for transferring an asset from Stage 1 to Stage 2. Luminor has decided to use a mix of absolute and relative changes (0.6 p.p. and 2.5 times) in 12 month point-in-time Probability of Default (PD) to determine whether there has been a significant increase in credit risk. In addition, customers with forbearance measures, included in watch list and contracts with payments more than thirty days past due are also transferred to Stage 2.

The agreed IFRS 9 impairment methodology is documented in internal procedures, applied in daily life, integration into front office business processes follows and is intended to be finalized during the year 2018, but this does not impact impairment calculation. In general, IFRS 9 impairment model results in earlier recognition of credit losses for the respective items and increases the amount of loss allowances recognised for these items. Moreover, the impairment calculations under IFRS 9 are more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios. IFRS 9 impairment requirements are applied retrospectively, with transition impact recognized in retained earnings.

Capital management

The new expected loss approach model had a negative impact on the Bank's regulatory capital. Upon the decision of the Board of Directors of Luminor Group AB the Bank did not apply transitional arrangements allowed by EU Regulation 2017/2395 and

recognised the full effect of the implementation of IFRS 9 from 1 January 2018. The capital adequacy ratio is still significantly above the regulatory minimum and in line with the internal Risk Appetite statement.

Impact of the adoption of IFRS 9

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 2018 are compared as follows:

T EUR Financial assets	Original measurement category under IAS 39	New measurement category under IFRS 9	IAS 39 carrying amount 31 December 2017	New carrying amount under IFRS9 1 January 2018
Bank				
Cash and balances with central banks	Loans and receivables	Amortised cost	1 067 214	1 067 214
Due from Banks and other credit institutions	Loans and receivables	Amortised cost	105 457	105 406
Financial assets designated at fair value through profit or loss	Financial assets at FVTPL (under fair value option)	Financial assets at FVTPL (under fair value option)	76 308	76 308
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss	17 223	17 223
Available for sale financial instruments	Available for sale	Fair value through other comprehensive income	2 547	2 547
Loans and advances to customers	Loans and receivables	Amortised cost	2 850 906	2 837 431
Finance lease receivables	Loans and receivables	Amortised cost	521 542	520 722

There were no changes for classification and measurement of financial liabilities.

Luminor

Notes to the interim condensed financial statements *(continued)*

Reconciliation of statement of financial position balances from IAS 39 to IFSR 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Financial assets	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements 31 December 2017	IFRS 9 carrying amount 1 January 2018
Group				
Amortised cost				
Cash and balances with central banks				
Opening balance under IAS 39 and closing balance under IFRS 9	**1 067 214**	**-**	**-**	**1 067 214**
Due from banks and other credit institutions				
Opening balance under IAS 39	**105 457**	**-**	**-**	**-**
Remeasurement (ECL allowances)	**-**	**-**	**(51)**	**-**
Closing balance under IFRS 9	**-**	**-**	**-**	**105 406**
Loans and advances to customers				
Opening balance under IAS 39	**2 850 906**	**-**	**-**	**-**
Remeasurement (ECL allowances)	**-**	**-**	**(13 475)**	**-**
Closing balance under IFRS 9	**-**	**-**	**-**	**2 837 431**
Finance lease receivables				
Opening balance under IAS 39	**521 542**	**-**	**-**	**-**
Remeasurement (ECL allowances)	**-**	**-**	**(820)**	**-**
Closing balance under IFRS 9	**-**	**-**	**-**	**520 722**
Financial assets measured at amortised cost - total	**4 545 119**	**-**	**(14 346)**	**4 530 773**
Financial assets designated at fair value through profit or loss				
Opening balance under IAS 39 and closing balance under IFRS 9	**76 308**	**-**	**-**	**76 308**
Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	**17 223**	**-**	**-**	**17 223**
Financial assets at fair value through profit or loss - total	**93 531**	**-**	**-**	**93 531**
Fair value through other comprehensive income				
Equity instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	**2 547**	**-**	**-**	**2 547**
Assets at fair value through other comprehensive income - total	**2 547**	**-**	**-**	**2 547**

***Notes to the interim condensed financial statements** (continued)*

Financial assets	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements 31 December 2017	IFRS 9 carrying amount 1 January 2018
Bank				
Amortised cost				
Cash and balances with central banks				
Opening balance under IAS 39 and closing balance under IFRS 9	**1,067,214**	**-**	**-**	**1,067,214**
Due from banks and other credit institutions				
Opening balance under IAS 39	**104,688**	**-**	**-**	**-**
Remeasurement (ECL allowances)	**-**	**-**	**(51)**	**-**
Closing balance under IFRS 9	**-**	**-**	**-**	**104,637**
Loans and advances to customers				
Opening balance under IAS 39	**3,384,498**	**-**	**-**	**-**
Remeasurement (ECL allowances)	**-**	**-**	**(12,737)**	**-**
Closing balance under IFRS 9	**-**	**-**	**-**	**3,371,761**
Financial assets measured at amortised cost - total	**4,557,169**	**-**	**(12,788)**	**4,544,381**
Financial assets designated at fair value through profit or loss				
Opening balance under IAS 39 and closing balance under IFRS 9	**76,308**	**-**	**-**	**76,308**
Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	17,223	-	-	17,223
Financial assets at fair value through profit or loss - total	**93,531**	**-**	**-**	**93,531**
Fair value through other comprehensive income				
Equity instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	2,547	-	-	2,547
Assets at fair value through other comprehensive income - total	**2,547**	**-**	**-**	**2,547**
Equity instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	**2 547**	**-**	**-**	**2 547**
Assets at fair value through other comprehensive income - total	**2 547**	**-**	**-**	**2 547**

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFSR 9 expected loss model at 1 January 2018:

***Notes to the interim condensed financial statements** (continued)*

T EUR Financial assets	Loss allowance under IAS 39/ Provision under IAS 37	Reclassifications	Remeasurements 31 December 2017	Credit loss allowance under IFRS 9
Group				
Amortised cost				
Cash and balances with central banks	**-**	**-**	**-**	**-**
Due from banks and other credit institutions	**-**	**-**	**(51)**	**(51)**
Loans and advances to customers	(151 377)	-	(465)	(151 842
Finance lease receivables	(3 439)	-	(813)	(4 252)
Total	**(154 816)**	**-**	**(1 329)**	**(156 145)**

T EUR Financial assets	Loss allowance under IAS 39/ Provision under IAS 37	Reclassifications	Remeasurements 31 December 2017	Credit loss allowance under IFRS 9
Bank				
Amortised cost				
Cash and balances with central banks	-	-	-	-
Due from banks and other credit institutions	-	-	(51)	(51)
Loans and advances to customers	(157 477)	-	486	(156 991)
Finance Lease receivables	-	-	-	-
Total	**(157 477)**	**-**	**435**	**(157 042)**

Reconcilation of changes in initial application of IFRS 9

The following table includes summary information on changes on initial application of IFRS 9 reported in statement of changes in equity

Group		
Remeasurements to loans and finance lease receivables,		14 346
of which:	Credit loss allowances	**1 329**
	Reported under loan gross amount for originated credit impaired balances	**13 017**
Provisions for off balance sheet		**1 866**
Total impact to equity		**16 212**

Bank		
Remeasurements to loans and finance lease receivables,		12 574
of which:	Credit loss allowances	**(435)**
	Reported under loan gross amount for originated credit impaired balances	**13 009**
Provisions for off balance sheet		**1 610**
Total impact to equity		**14 184**

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed that the application of the standard did not have effect on the Bank and the Group financial statements.

The core principle of IFRS 15 is that revenue must be recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. This core principle is applied through a five-step model:

1) Identify the contract with the customer,
2) Identify the performance obligation in the contract,
3) Determine the transaction price,
4) Allocate the transaction price to the performance obligation in the contract,
5) Recognise revenue when the performance obligation is satisfied.

For each performance obligation identified the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time, whether the consideration is fixed or variable, including whether consideration is constrained due to external factors. Consideration is subsequently allocated to the identified performance obligation.

For services provided over time, consideration is recognised when the service is provided to the customer assuming that a significant reversal of consideration will not occur. Examples of income earned for services satisfied over time include the fee income earned for the asset management services.

If a performance obligation is satisfied at a point in time then the income is recognised when the service is transferred to the customer. Examples of such income include fee income for executing transactions (clearing and settlement, customers' securities trading, payment cards transaction fees).

IFRS 15 Revenue from Contracts with Customers (Clarifications)

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. As described above, management has assessed that the application of the standard did not have effect on the Bank and the Group financial statements.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases as of January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

RISK MANAGEMENT

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's and the Bank's annual financial statements as at 31 December 2017.

There have been no major changes in the risk management or in any risk management policies since the year end.

Notes to the interim condensed financial statements *(continued)*

Key judgments, inputs, assumptions and estimation techniques used to assessing expected credit losses.

With the adoption of IFRS 9 three stages model was introduced:

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 SICR – significant increase in credit risk - indicator, and the financial instrument is not considered credit-impaired;

Stage 3 – credit-impaired part of the portfolio. Luminor 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 Luminor covers all events indicated by IFRS 9 as possible evidence that financial instrument is credit-impaired and all of these events are considered by Luminor as having a detrimental impact on the estimated future cash flows from the instrument.

Additional category is POCI financial assets - financial assets that were purchased or originated as credit-impaired. POCI assets are subject to unchanging classification, i.e. financial asset once classified as POCI remains in this group until derecognized. The POCI classification is determined at financial instrument level.

Luminor applies low credit risk exemption to the following classes of exposures:

- central governments,
- central bank,
- regional governments,
- local authorities and
- institutions.

The counterparty must fulfil the condition of having credit rating indicating investment grade.

Generally the financial asset is treated as facing significant increase in credit risk if at least one of the following SICR indicators is identified after initial recognition of the financial instrument and was not present as of its origination:

- Significant increase of 12-month PD – significant increase of point-in-time (PIT) forward-looking 12-month PD since initial recognition until reporting date (2.5 times and 0.6 p.p. jointly),
- Risk grade 9 or 10 – risk grade 9 or 10 as of reporting date,
- 30 days past due – more than 30 days past due as of reporting date,
- Forborne performing – forborne performing status as of reporting date (forbearance not triggering non-performing status) in accordance with FINREP instruction reporting requirements,
- Watch list – watch list status as of reporting date.

All of the SICR indicators are recognized at financial instrument level in order to track changes in credit risk since initial recognition date for particular financial instrument, even though some of them refer to the customer's characteristics.

Luminor identifies default when either or both of the following default indicators have taken place:

1. The customer is past due more than 90 days on any material obligation to the Luminor;

2. The customer is considered unlikely to pay its credit obligations to the Luminor.

For exposure to banks the default is recognized when payments are due more than 7 days.

For the purpose of unlikeliness to pay identification, elements taken as indications of unlikeliness to pay include the following:

- Distressed restructuring of credit obligation (forbearance triggering non-performing status in accordance with FINREP instruction requirements);
- Major financial problems of the customer (present or expected), i.e. significant financial difficulties;
- Recognition of specific credit risk adjustment resulting from a significant decline in credit quality of the exposure;
- Bankruptcy of the customer or similar protection;
- Disappearance of an active market for a financial asset because of financial difficulties of the customer;
- Sale of credit obligation at material credit-related economic loss;
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- Credit fraud;
- External rating indicating default.

The default is recognised on customer level.

Return to a non-defaulted status is possible not earlier than after 3 months when all default triggers cease to be met. During these 3 months of the probation period the timely payments by a customer should be ensured. The exemption from the general rule of probation is the distressed restructuring where at least 1 year needs to pass since the moment of extending restructuring

Notes to the interim condensed financial statements *(continued)*

measures and the moment when a customer is deemed to have an ability to comply with the post-restructuring conditions. This approach is consistent with FINREP instruction requirements for cure of forborne non-performing exposures.

With the shift from IAS 39 to IFRS 9 approach incurred loss model was replaced by expected credit loss (ECL) model. For Stage 1 financial assets loss allowances equal to 12-month ECL while for Stage 2 and Stage 3 financial instruments lifetime ECL is calculated.

For Purchased or Originated Credit Impaired (POCI) financial assets ECL is estimated in the lifetime horizon till the maturity. The loss expected at initial recognition is referred to as Initial impairment. At subsequent periods only the cumulative changes in the lifetime expected credit losses, since initial recognition, are recognised in profit or loss. Collective assessment of impairment is performed for all financial instruments that are not defaulted as of the reporting date, i.e. are classified to either Stage 1 or Stage 2 or are non-defaulted POCI asset. The expected loss is calculated as probability weighted average of losses expected in different macroeconomic scenarios. Expected loss in concrete macroeconomic scenario is calculated as the multiple of probability of default (PD), loss given default (LGD), exposure at default (EAD) and cumulative prepayment rate and is discounted using effective interest rate. PD curves, LGD curves and EAD curves are estimated for all months until the maturity date of the facility. If the facility is classified to Stage 1, expected losses are estimated over the period of up to 12 months. If the facility is classified to Stage 2 then the expected loss is estimated over the period up to maturity date of the facility.

Estimation of PD and LGD curves take into account forward looking macroeconomic information. Methodology of estimation of these risk parameters includes modelling of the relationship between risk parameters and macroeconomic variables. Forecasts of macroeconomic variables under different scenarios for 3 upcoming years together with scenario probabilities are prepared by Luminor macroeconomists. Three macroeconomic scenarios are considered: baseline/realistic, positive, and pessimistic scenario (with the probability weights of 60 %, 25 % and 15 % respectively). Macroeconomic scenarios that are prepared for the estimation of expected losses are consistent with scenarios which are used in credit risk stress testing process. Macroeconomic variables that are included in the modelling are annual change in real GDP, unemployment rate and annual change of residential real estate price. Starting from the fourth year it is assumed that risk parameters (PD and LGD) converge to their long term average levels.

For Stage 3 exposures (or defaulted POCI assets), which are classified as material, Luminor evaluates the impairment amount on individual basis (individual assessment) under discounted cash flows (DCF) method. Two scenarios – base case and risk case – are used. The circumstances when only one scenario might be acceptable could be the deep workout case or the case when total exposure of defaulted borrower falls below the materiality threshold.

For Stage 3 exposures (or defaulted POCI assets), which are classified as immaterial, Luminor evaluates the impairment amount on collective basis (collective assessment). Impairment is calculated applying the pool rate for unsecured part. Different pool rates are applied for these pools distinguished by Luminor:

- mortgage loans and private credits to private individuals,
- consumer loans and other loans to private individuals (including leasing),
- SMEs (all financial instruments to legal entities).

__Notes to the interim condensed financial statements__ (continued)

4. DUE FROM CREDIT INSTITUTIONS

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Demand deposits				
Republic of Latvia credit institutions	328	784	-	15
OECD credit institutions	31 980	32 464	31 980	32 464
Non-OECD credit institutions	26 359	1 386	26 359	1 386
Total demand deposits	**58 667**	**34 634**	**58 339**	**33 865**
Term deposits				
OECD credit institutions	13 070	70 823	13 070	70 823
Total term deposits	13 070	70 823	13 070	70 823
Total	**71 737**	**105 457**	**71 409**	**104 688**

5. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans by products

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Mortgage loans	2 221 394	2 262 338	2 246 085	2 287 288
Commercial loans	744 027	648 359	1 223 927	1 163 094
Leasing	520 666	524 981	-	-
Card loans	19 695	19 645	19 697	19 652
Credit for consumption	34 355	32 285	34 355	32 285
Other	13 495	39 656	13 495	39 656
	3 553 632	**3 527 264**	**3 537 559**	**3 541 975**
Less allowances for loan impairment (Note 11)	(107 981)	(154,816)	(102 800)	(157,477)
Total	**3 445 651**	**3 372 448**	**3 434 759**	**3 384 498**

(b) The following table provides the division of loans and advances to customers by quality:

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Neither past due nor impaired	3 080 234	3 018 821	3 101 115	3 047 698
Past due but not impaired	201 556	220 963	175 796	192 791
Impaired	271 842	287 480	260 648	301 486
Total gross loans and advances to customers	**3 553 632**	**3 527 264**	**3 537 559**	**3 541 975**
Less allowances for loan impairment	(107 981)	(154 816)	(102 800)	(157 477)
Total net loans and advances to customers	**3 445 651**	**3 372 448**	**3 434 759**	**3 384 498**

***Notes to the interim condensed financial statements** (continued)*

(c) The following table provides the division of loans and advances to customers past due but not impaired:

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Past due up to 30 days	177 278	165 805	156 348	141 546
Past due 31-60 days	19 977	43 611	15 302	40 782
Past due 61-90 days	4 273	9 463	4 145	9 247
Past due over 90 days	28	2 084	1	1 216
Total	**201 556**	**220 963**	**175 796**	**192 791**

6. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Debt securities				
Latvian government securities	31 029	46 111	31 029	46 111
OECD financial institutions securities	23 100	30 197	23 100	30 197
Total debt securities	**54 129**	**76 308**	**54 129**	**76 308**

		30 September 2018		31 December 2017	
	Moody's equivalent grades	T EUR	%	T EUR	%
High grade					
Risk rating class 1	**Aaa**	-	-	-	-
Risk rating class 2	**Aa1-A3**	54 129	100	76 308	100
Risk rating class 3	**Baa1-Baa2**	-	-	-	-
Risk rating class 4	**Baa3**	-	-	-	-
Not rated		-	-	-	-
Total		54 129	**100**	76 308	**100**

* Latvian government securities are classified according to credit rating of Latvia; OECD financial institutions securities are classified according to credit rating of covered securities. In February 2015 the international credit rating agency Moody's Investors Service upgraded Latvia's credit rating from Baa1 to A3. In July 2017 Moody's confirmed it's A3 rating.

The effective interest rate on securities at fair value through profit or loss as at 30 September 2018 was 0.1% (31 December 2017: 0.1%).

Notes to the interim condensed financial statements (continued)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Equity instruments				
VISA Inc. shares	3 353	2 526	3 353	2 526
S.W.I.F.T. SCRL shares	80	21	80	21
Total	**3 433**	**2 547**	**3 433**	**2 547**

8. INVESTMENTS IN SUBSIDIARIES

The Bank's investments in subsidiaries are specified as follows:

	Share capital T EUR	Bank's share %	Investment value 30 September 2018 T EUR	Impairment 30 June 2018 T EUR	Net investment Value 30 September 2018 T EUR	Investment value 31 December 2017 T EUR	Impairment 31 December 2017 T EUR	Net investment Value 31 December 2017 T EUR
SIA Luminor Līzings Latvija	4 838	100	4 838	-	4 838	4 838	-	4 838
IPAS Luminor Asset Management	5 000	100	4 382	-	4 382	948	-	948
SIA Skanstes 12	1 181	100	1 181	-	1 181	1 181	-	1 181
SIA Salvus*	9 467	100	13 566	12 068	1 498	9 467	9 467	-
SIA Salvus 2*	3 031	100	3 031	695	2 336	3 031	695	2 336
SIA Salvus 3*	1 307	100	4 007	3 684	323	1 307	1 307	-
SIA Salvus 4*	735	100	1 935	1 851	84	735	735	-
SIA Salvus 6*	300	100	300	-	300	300	-	300
SIA Luminor Līzings	4 410	100	39 083	-	39 083	39 083	-	39 083
AS Luminor Latvijas atklātais pensiju fonds	400	100	200	-	200	200	-	200
IPAS Luminor Pensions Latvia				-		3 434	-	3 434
SIA Promano Lat*	29 999	100	7 054	5 725	1 329	7 054	5 725	1 329
SIA Baltik Īpašums*	3	100	440	-	440	440	-	440
SIA Luminor Finance*	1 088	100	630	-	630	630	-	630
SIA Trioleta*	3 965	100	3 573	1 227	2 346	3 573	1 227	2 346
SIA Realm*	10 002	100	6 332	2 890	3 442	6 332	2 890	3 442
	75 726		**90 552**	**28 140**	**62 412**	**82 553**	**22 046**	**60 507**

* Subsidiaries of Luminor bank AS were established with the aim to ensure sales and/or management of real estate foreclosed in the course of compulsory and/or voluntary collection proceedings.

__Notes to the interim condensed financial statements__ (continued)

9. OTHER ASSETS

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Guarantee deposits for auctions and prepayments for investment property	5 426	122	3 294	6
Prepayments and overpaid taxes	217	963	–	14
Credit card claims and other payment services	8 272	5 690	9 000	6 360
Short term debts	197	11 276	197	11 276
Other	5 645	7 256	2 672	3 349
Total	**19 757**	**25 307**	**15 163**	**21 005**
Less provisions for debtors	(573)	(423)	(353)	(370)
Total	**19 184**	**24 884**	**14 810**	**20 635**

10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments whose value depends on the value of one or more underlying assets defined in the contract.

Derivatives are used to hedge market risk positions arising from ordinary banking operations and from derivative transactions with counterparties.

The Group's and the Bank's counterparty credit risk represents the potential cost to replace derivative contracts if counterparties fail to perform their obligation. Credit risk divides into current and potential credit risk. Current credit risk is the risk that the party owing more than the bank in a derivative contract will default at the reporting date. Potential credit risk is the risk that the counterparty will default at any future time during the life of the contract.

To control the level of credit risk taken, the Group and the Bank assess counterparties using similar techniques as for its lending activities. The counterparty credit risk is managed primarily through limitation of exposures to each counterparty, valuation of exposures on a daily basis and collateralization of exposures.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on off-balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not indicate the Group's and the Bank's exposure to credit risks. The financial result from positions in derivatives becomes favorable or unfavorable as a result of fluctuations in market prices, such as interest rates, foreign exchange rates and commodity prices relative to the terms specified in agreements.

The notional amounts and fair values of derivative instruments held are set out in the following table (Group and Bank):

	30 September 2018			31 December 2017		
	Contract notional	Fair value		Contract notional	Fair value	
T EUR	amount	Assets	Liabilities	amount	Assets	Liabilities
Derivatives held for trading:						
– currency swaps*	771 410	23 224	18 509	1 080 877	15 673	20 131
– interest rate swaps	300 185	1 126	543	347 901	708	517
– forwards	39 839	312	222	48 078	364	282
– options	49 076	218	145	71 831	354	221
– commodity	30 279	2 122	1 920	1 203	124	118
Total		**27 002**	**21 339**		**17 223**	**21 269**

* Including cross-currency interest rate swaps

Luminor

Notes to the interim condensed financial statements (continued)

11. PROVISIONS FOR IMPAIRMENT LOANS AND OTHER ASSETS (continued)

T EUR	Stage 1	Stage 2	Stage3	IAS 39	Total
Group					
31 December 2016	**-**	**-**	**-**	**76 964**	**76 964**
Fully provided and written off	-	-	-	(14 778)	(14 778)
Charge to statement of comprehensive income	-	-	-	(2 824)	(2 824)
Interest income due to shortening of diuscounting period	-	-	-	(884)	(884)
30 September 2017	-	-	-	**(58 478)**	**(58 478)**
Fully provided and written off	-	-	-	(10 530)	(10 530)
Charge to statement of comprehensive income	-	-	-	10 220	10 220
Interest income due to shortening of diuscounting period	-	-	-	(920)	(920)
Acquired through banks'merger	-	-	-	97,568	97,568
31 December 2017	**-**	**-**	**-**	**154 816**	**154 816**
IFRS 9 impact	4 112	18 269	133 713	(154 816)	1 278
Changes in allowances during the period	(483)	(4 991)	(2 367)	-	(7 841)
Loans written off during the period	(94)	(31)	(40 571)	-	(40 696)
Other changes	4	16	404	-	424
30 June 2018	**3 539**	**13 263**	**91 179**	**-**	**107 981**

T EUR	Stage 1	Stage 2	Stage3	IAS 39	Total
Bank					
31 December 2016	**-**	**-**	**-**	**68 499**	**68 499**
Fully provided and written off	-	-	-	(13 375)	(13 375)
Charge to statement of comprehensive income	-	-	-	(2 771)	(2 771)
Interest income due to shortening of diuscounting period	-	-	-	(884)	(884)
30 June 2017	-	-	-	**51 469**	**51 469**
Fully provided and written off	-	-	-	(6 004)	(6 004)
Charge to statement of comprehensive income	-	-	-	16 232	16 232
Interest income due to shortening of diuscounting period	-	-	-	(920)	(920)
Acquired through banks'merger	-	-	-	96,700	96,700
31 December 2017	**-**	**-**	**-**	**157 477**	**157 477**
IFRS 9 impact	9 583	16 892	130 516	(157 477)	(486)
Changes in allowances during the period	(6 636)	(3 870)	(3 689)	-	(14 195)
Loans written off during the period	(34)	(29)	(40 311)	-	(40 374)
Other changes	4	16	358	-	378
30 June 2018	**2 917**	**13 009**	**86 874**	**-**	**102 800**

***Notes to the interim condensed financial statements** (continued)*

12. LIABILITIES TO CENTRAL BANKS

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Central Bank	26 472	60 500	26 472	60 500
Accrued interest	-	-	-	-
Terms deposits	**26 472**	**60 500**	**26 472**	**60 500**

In June 2018 Luminor Bank AS (Latvia) paid back EUR 34 million of EUR 60.5 million received under the European Central Bank's Targeted Longer-Term Refinancing Operations (TLTRO) into the second series of Targeted Longer-Term Refinancing Operations (TLTRO II) for 4 years. According to the borrowing conditions of TLTROII in June Central Bank of Latvia recalculated interest rate for TLTROII (initial rate was 0%). For Luminor Bank AS it was stated -0.40% for the entire period of this funding.

13. DUE TO OTHER CREDIT INSTITUTIONS

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Demand deposits				
Republic of Latvia credit institutions	1 094	1 684	1 094	1 684
OECD credit institutions	4 341	3 648	4 341	3 648
Non-OECD credit institutions	-	244	-	244
Total demand deposits	**5 435**	**5 576**	**5 435**	**5 576**
Term deposits				
Republic of Latvia credit institutions	376	14 806	376	14 806
OECD credit institutions*	1 112 000	1 150 000	1 112 000	1 150 000
	1 112 376	**1 164 806**	**1 112 376**	**1 164 806**
Accrued interest	282	421	282	421
Total term deposits	**1 112 658**	**1 165 227**	**1 112 658**	**1 165 227**
Total deposits	**1 118 093**	**1 170 803**	**1,118,093**	**1 170 803**

* Including DNB Bank ASA - EUR 556,000 thousand, Nordea Bank AB (Publ), Finnish Branch - EUR 556,000 thousand (Dec 31 2017: DNB Bank ASA: 575,000 thousand; Nordea Bank AB (Publ), Finnish Branch: 575,000 thousand).

Notes to the interim condensed financial statements (continued)

14. DUE TO CUSTOMERS

Analysis of deposits by maturity and client type

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Demand deposits				
Private companies	1 033 574	1 131 626	1 046 068	1 145 826
Individuals	804 651	795 842	804 651	795 842
State institutions	247 033	236 196	247 033	236 196
Funds in transit	21 219	17 745	21 219	17 745
Non-residents OECD	47 516	34 399	47 516	34 399
Non-residents non-OECD	59 207	79 017	59 207	79 017
Total demand deposits	**2 213 200**	**2 294 825**	**2 225 694**	**2 309 025**
Term deposit accounts				
Private companies	173 553	218 237	179 086	222 454
Individuals	269 361	228 975	269 361	228 975
State institutions	4 926	152 992	4 926	152 992
Non-residents OECD	5 099	1 910	5 099	1 910
Non-residents non- OECD	30 110	45 192	30 110	45 192
Accrued interest	987	693	991	695
Total term deposits	**484 036**	**647 999**	**489 573**	**652 218**
Total deposits and transit funds	**2 697 236**	**2 942 824**	**2 715 267**	**2 961 243**

15. OTHER LIABILITIES

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Accrued liabilities	1 258	3 325	669	227
Accounts payable	4 589	1 759	186	1 463
Other short-term liabilities	1 853	550	773	823
	7 700	**5 634**	**1 628**	**2 513**

16. OFF-BALANCE SHEET ITEMS

Guarantees, letters of credit and other commitments

Memorandum items T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Contingent liabilities				
Guarantees	168 231	198 785	182 831	198 785
Commitments				
Loan issuing commitments	375 348	424 847	461 304	461 405
Guarantee issue agreements	89 346	73 086	89 346	74 086
Letters of credit	15 290	26 578	15 290	26 578
Total	**648 215**	**723 296**	**748 771**	**760 854**

17. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties are defined as shareholders, members of the Supervisory Council and the Management Board, key management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, foreign currency transactions and financial instruments. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows:

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Due from related parties				
Due from joint venturers:	81 586	102 152	83 259	102 152
Of which DNB group companies	45 094	84 550	46 686	84 550
Of which Nordea group companies	36 492	17 602	36 573	17 602
Due from subsidiaries	-	-	625 674	581 793
Due from other related parties(Luminor group):	94 049	15 160	94 049	15 160
Balances due from related parties	**175 635**	**117 312**	**802 982**	**699 105**

T EUR	30 September 2018 Group	31 December 2017 Group	30 September 2018 Bank	31 December 2017 Bank
Due from related parties				
Due to joint venturers:	1 124 095	1 166 066	1 125 500	1 166 009
Of which DNB group companies	563 173	582 478	564 516	582 421
Of which Nordea group companies	560 922	583 588	560 984	583 588
Due to subsidiaries	-	-	18 053	18 435
Due to other related parties (Luminor group):	854	2 175	854	2 175
Balances due to related parties	**1 124 949**	**1 168 241**	**1 144 407**	**1 186 619**

Notes to the interim condensed financial statements *(continued)*

T EUR	2018 Group	2017 Group	2018 Bank	2017 Bank
	for the nine months ended 30 September			
Group				
Interest received from money market deposits/ loans	**664**	**1 146**	**3 483**	**1 457**
Joint venturers and group companies	339	1 146	339	1 146
of which: DNB group companies	54	1 146	54	1 146
of which: Nordea group companies	285	-	285	-
Subsidiaries	-	-	2 819	311
Other related parties (Luminor group)	325	-	325	-
Commission received	**246**	**416**	**261**	**732**
Joint venturers and group companies	208	88	208	88
of which: DNB group companies	104	88	104	88
of which: Nordea group companies	104	-	104	-
Subsidiaries	-	-	15	316
Other related parties (Luminor group)	38	328	38	328
Dividends received	**-**	**-**	**-**	**2,044**
Subsidiaries	-	-	-	2,044
Other income	**1 927**	**1 305**	**2 752**	**2 904**
Joint venturers and group companies	355	578	57	178
of which: DNB group companies	326	578	28	178
of which: Nordea group companies	29	-	29	-
Subsidiaries	-	-	1 123	1 999
Other related parties (Luminor group)	1 572	727	1 572	727
Interest paid on money market deposits/loans	**(1 734)**	**(1 769)**	**(1 740)**	**(1 342)**
Joint venturers and group companies	(1 734)	(1 768)	(1 734)	(1 339)
of which: DNB group companies	(928)	(1 768)	(928)	(1 339)
of which: Nordea group companies	(806)		(806)	-
Subsidiaries	-	-	(6)	(2)
Other related parties (Luminor group)	-	(1)	-	(1)
Income/Expenses from derivatives	**9 716**	**6 836**	**9 717**	**6 836**
Joint venturers and group companies	9 714	6 836	9 714	6 836
of which: DNB group companies	2 943	6 836	2 943	6 836
of which: Nordea group companies	6 771	-	6 771	-
Subsidiaries	-	-	1	-
Other related parties (Luminor group)	2	-	2	-
Derivative revaluation result	**5 269**	**(22 353)**	**5 269**	**(22 353)**
Joint venturers and group companies	5 269	(22 353)	5 269	(22 353)
of which: DNB group companies	5 379	(22 353)	5 379	(22 353)
of which: Nordea group companies	(110)	-	(110)	-
Subsidiaries	-	-	-	-
Other related parties (Luminor group)	-	-	-	-
Commission paid	**(467)**	**(170)**	**(467)**	**(170)**
Joint venturers and group companies	(368)	(123)	(368)	(123)
of which: DNB group companies	(292)	(123)	(292)	(123)
of which: Nordea group companies	(76)	-	(76)	-
Subsidiaries	-	-	-	-
Other related parties (Luminor group)	(99)	(47)	(99)	(47)
Other expenses	**(5 380)**	**(1 015)**	**(6 459)**	**(1 995)**
Joint venturers and group companies	(3 325)	(601)	(3 325)	(601)
of which: DNB group companies	(53)	(601)	(53)	(601)
Of which : Nordea group companies	(3 272)	-	(3 272)	-
Subsidiaries	-	-	(1 079)	(980)
Other related parties (Luminor group)	(2 055)	(414)	(2 055)	(414)
	10 241	(15 604)	12 816	(11 887)

On March 2017 dividends were paid to AS DNB Banka shareholder in the amount of EUR 30,174 thousand.

18. FAIR VALUES OF ASSETS AND LIABILITIES

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

The Bank and the Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assets

Fair value of securities has been estimated based on quoted price where available. To build the yield curve, debt securities of the same issuer with known average bid yields are used and connected into a curve using a linear interpolation. An average bid yield is used in case the market price is observable from more than one source. In assessing the fair value for other financial assets, the management has performed discounted cash flow analysis; up-to-date market information at assessment moment is being used assessing cash flows. For loans, where base interest rates are pegged to floating market interest rates, the Group has considered difference between average interest margin of issued loans and average interest margin for newly issued loans.

Liabilities

Fair value of financial liabilities at amortized cost such as Due to credit institutions and Due to customers which are not on demand have been estimated based on discounted cash flow model using interest rates for similar products as at year end. Fair value of those financial liabilities that are on demand or have floating interest rate (e.g. Due to credit institutions) have been estimated to be approximately equal to its carrying amount.

A discounted cash flow model is used to value foreign exchange derivatives, commodity derivatives and over-the-counter vanilla interest rate swaps. The model estimates future variable cash flows and discounts those cash flows, together with the fixed cash flows, to arrive at a net present value. Market value of interest rate option is calculated using Black-Scholes option pricing model.

(a) Fair value hierarchy: assets and liabilities recognized at fair value in the statement of financial position

	30 September 2018				
T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
Group					
Recurring fair value					
Assets					
Derivatives	-	27 002	-	27 002	**27 002**
Financial assets designated at fair value through profit or loss	-	54 129	-	54 129	**54 129**
Financial assets at fair value through other comprehensive income	-	-	3 433	3 433	**3 433**
Investment properties	-	-	24 771	24 771	**24 771**
Liabilities					
Derivatives	-	21 339	-	**21 339**	**21 339**

Luminor

Notes to the interim condensed financial statements (continued)

T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
		30 September 2018			
Bank					
Recurring fair value					
Assets					
Derivatives	-	27 002	-	27 002	**27 002**
Financial assets designated at fair value through profit or loss	-	54 129	-	54 129	**54 129**
Financial assets at fair value through other comprehensive income	-	-	3 433	3 433	**3 433**
Investment properties	-	-	719	719	**719**
Liabilities					
Derivatives	-	21 339	-	21 339	**21 339**

(a) Fair value hierarchy: assets and liabilities recognized at fair value in the statement of financial position (continued)

T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
		31 September 2018			
Group					
Recurring fair value					
Assets					
Derivatives	-	17,223	-	**17,223**	**17,223**
Financial assets designated at fair value through profit or loss	-	76,308	-	**76,308**	**76,308**
Financial assets at fair value through other comprehensive income	-	-	2,547	**2,547**	**2,547**
Investment properties	-	-	34,136	**34,136**	**34,136**
Liabilities					
Derivatives	-	21 269	-	**21 269**	**21 269**

T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
		30 June 2017			
Bank					
Recurring fair value					
Assets					
Derivatives	-	17 223	-	**17 223**	**17 223**
Financial assets designated at fair value through profit or loss	-	76 308	-	**76 308**	**76 308**
Financial assets at fair value through other comprehensive income	-	-	2 547	**2 547**	**2 547**
Investment properties	-	-	1 021	**1 021**	**1 021**
Liabilities					
Derivatives	-	21 269	-	**21 269**	**21 269**

* Under Level 3 of fair value hierarchy there are shares classified, the fair value of which is measured based on estimated fair value.

Notes to the interim condensed financial statements *(continued)*

(b) Fair value hierarchy: assets and liabilities recognized at amortized cost in the statement of financial position

			30 September 2018		
T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
Group					
Assets					
Due from credit institutions on demand	-	**58 667**	-	**58 667**	**58 667**
Loans	-	-	**3 525 764**	**3 525 764**	**3 458 721**
Liabilities					
Liabilities to credit institutions on demand	-	**5 435**	-	**5 435**	**5 435**
Financial liabilities at amortized cost	-	-	**3 810 400**	**3 810 400**	**3 809 894**

			31 September 2018		
T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
Bank					
Assets					
Due from credit institutions on demand	-	58 339	-	**58 339**	**58 339**
Loans	-	-	3 514 872	**3 514 872**	**3 447 829**
Liabilities					
Liabilities to credit institutions on demand	-	5 435	-	**5 435**	**5 435**
Financial liabilities at amortized cost	-	-	3 828 431	**3 828 431**	**3 827 925**

			31 December 2017		
T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
Group					
Assets					
Due from credit institutions on demand	-	34 634	-	34 634	**34 634**
Loans	-	-	3 348 391	3 348 391	**3 443 271**
Liabilities					
Liabilities to credit institutions on demand	-	5 576	-	5 576	**5 576**
Financial liabilities at amortized cost	-	-	4 108 278	4 108 278	**4 108 051**

			31 September 2018		
T EUR	Level 1	Level 2	Level 3	Total fair value	Statement of financial position
Bank					
Assets					
Due from credit institutions on demand	-	33 865	-	33 865	**33 865**
Loans	-	-	3 359 531	3 359 531	**3 455 321**
Liabilities					
Liabilities to credit institutions on demand	-	5 576	-	5 576	**5 576**
Financial liabilities at amortized cost	-	-	4 126 697	4 126 697	**4 126 470**

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the nine-month period ended 30 September 2018.

18. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Fair value: investment properties and fixed assets (building)

Classes of investment properties

Level 3 measurement of fair value is applied for all investment properties. Properties are categorized according to the real estate segment:

- residential (apartments, living houses)
- land plots
- commercial objects

Fair value measurement, valuation techniques, changes in valuation techniques, inputs and other key information

Valuation methods in fair value measurement have remained as before – market comparable method, income capitalization method and discounted cash flow method (DCF). All valuations are carried out according to the market value definition and calculations are performed at highest and best use.

Portfolio	Valuation technique	Inputs		Average per square meter 2018, EUR	Range* per sqm 2018, EUR
Residential					
Apartments	comparable method			1080	23-2 667
Living house	comparable method			493	102 -1 963
Land plots					
Residential (incl. agricult.)	comparable method			7.38	1-212
Commercial	comparable method, DCF			47	1- 11 358
Commercial					
Offices	DCF	rent rate	3 – 8.5 EUR/sqm		
		occupancy	70%-90%		
		discount rates	9%-12%		
		exit yield	8%-11%		
Industrial	DCF	rent rate	0.5 – 3 EUR/sqm		
		occupancy	70%-90%		
		discount rates	10%-15%		
		exit yield	9%-14%		

* Due to extensive variety of properties in real estate portfolio, indicated price ranges are wide. Each portfolio consists of properties in different technical conditions/with different zoning, located in different regions of Latvia. Value difference between capital city and other cities/country side is very substantial.

Reconciliation of balances of classes of investment property

T EUR	Apartments	Land plots	Living houses	Commercial objects	Total
Group					
Book value as at 31 December 2017	**12 281**	**8 990**	**7 287**	**5 578**	**34 136**
Additions, purchases of new properties	10	133	4	-	**147**
Net result from adjustment to fair value projects	(44)	(73)	(29)	(44)	**(190)**
Disposal	(5 336)	(882)	(3 104)	-	**(9 322)**
Reclasification	686	496	1 124	(2 306)	**-**
Book value as at 30 June 2018	**7 597**	**8 664**	**5 282**	**3 228**	**24 771**

T EUR	Apartments	Land plots	Living houses	Commercial objects	Total
Bank					
Book value as at 31 December 2017	**312**	**118**	**161**	**430**	**1 021**
Additions, purchases of new properties	-	-	3	-	**3**
Net result from adjustment to fair value projects	(3)	(6)	(11)	(44)	**(64)**
Disposal	(92)	(44)	(105)	-	**(241)**
Book value as at 31 December 2017	**217**	**68**	**48**	**386**	**719**

Reconciliation of balances of classes of investment property

T EUR	Apartments	Land plots	Living houses	Commercial objects	Total
Group					
Book value as at 31 December 2017	**9 929**	**11 663**	**3 244**	**12 018**	**36 854**
Additions, purchases of new properties	15 285	4 959	8 733	12 075	**41 052**
Net result from adjustment to fair value projects	(3 391)	(3 764)	(1 649)	(1 037)	**(9 841)**
Disposal	(8 478)	**(2 486)**	(2 831)	(17 478)	**(31 273)**
Reclasification	(1 064)	**(1 382)**	(210)	-	**(2 656)**
Book value as at 31 December 2017	12 281	**8 990**	**7 287**	**5 578**	**34 136**

T EUR	Apartments	Land plots	Living houses	Commercial objects	Total
Bank					
Book value as at 31 December 2016	**2 497**	**655**	**930**	**668**	**4 750**
Additions, purchases of new properties	14	-	-	-	**14**
Net result from adjustment to fair value projects	(196)	(284)	(15)	(82)	**(577)**
Disposal	(1,703)	(244)	(544)	(156)	**(2,647)**
Reclasification	(300)	(9)	(210)	-	**(519)**
Book value as at 31 December 2017	**312**	**118**	**161**	**430**	**1 021**

General approach

Process

Revaluation was conducted by virtue of the new guidelines:

Fair value measurement principles are applied for the whole repossessed real estate portfolio where assets are classified as investment property and property for sale (in Banks' balance sheet). Total fair value adjustment result is approved at a relevant authority level.

Annual fair value adjustment is performed for total portfolio. Quarterly fair value adjustment covers properties with sales prices below book values.

Fair value measurement is performed as case by case on the following principles:

	Book value above EUR 300 thousand	Book value below EUR 300 thousand
External valuation should be made	Once per year	Once per 3 years
Book value adjustments if lower sale price is applied	Quarterly	Quarterly

When adjusting balance sheet value of property, last evaluation and also sales price (after taxes) set by the Bank has to be compared. Lowest of the two values has to be used as new book value.

Depending on type of property, acquisition conditions and other aspects different level of VAT might be applicable when property is sold. When fair value adjustment is done book value has to be set to the value which would be received after VAT is paid.

Additional Value Decrease by 10%

All individual valuations can be considered as subjective, so there exists and can exist a difference between two valuators/ valuations (i.e. market values) for one property. Luminor uses a number of valuation counterparties and also experiences that external evaluations among them differ. Latvian Association of Property Appraisers accepts difference up to +/- 15% depending on the complexity of the property. To avoid reflecting over-optimistic valuations in Luminor books additional downward adjustments by 10% are applied.

Note: Such additional adjustment was applied also previously by DNB for assets with value up to EUR 500 thousand and recent results show that such practice is reasonable (average transactions in Q3 2017 were with -1% margin to the balance values which included particular buffer).

Exception:

As to properties with signed purchase agreements (if applicable is made the VAT adjustment), the transaction amount is the new revaluation result (proposed book value), including situations, where the transaction amount exceeds the Current book value.

Sensitivity information

Fair value measurement inputs (i.e. rent rates and their growth, occupancy rates, discount rates, yield etc.) used in income method calculations (direct income capitalization method or discounted cash flow method) can significantly influence outcome of calculations. Higher rent rates and occupancy rates gives higher value and vice versa if the rates are lower. Higher discount rates and exit yields gives lower value and vice versa if the rates are lower.

However all those inputs are connected and significant changes in one input trigger changes in other inputs; e.g. if an optimistic rent rates and long term occupancy rates are used then it affects discount rate and it should go up and this understanding is maintained through the whole valuation process.

***Notes to the interim condensed financial statements** (continued)*

The table below allocates the Group's assets and liabilities to maturity groupings based on the time remaining from the statement of financial position date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 30 September 2018 was as follows:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	Over 12 months	Total
ASSETS					
Cash and balances with central banks	759 251	-	-	-	759 251
Due from other credit institutions (demand)	58 339	-	-	-	58 339
Derivatives_assets	1 826	1 941	3 796	19 439	27 002
Financial assets designated at fair value through profit or loss:	54 129	-	-	-	54 129
Debt securities and other fixed income securities	54 129	-	-	-	54 129
Investment funds	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	3 433	3 433
Loans and advances	25 158	91 948	494 297	2 836 426	3 447 829
Due from other credit institutios (term)	0	1 678	1 627	9 765	13 070
Loans to customers	25 158	90 270	492 670	2 826 661	3 434 759
Accrued income and deferred expenses	1 539	526	29	5	2 099
Investment property	-	-	-	719	719
Property and equipment	-	-	-	3 755	3 755
Intangible assets	-	-	-	1 851	1 851
Investments in subsidiaries	-	-	-	62 412	62 412
Investments in associated companies	-	-	-	2 687	2 687
Other assets	13 459	1 275	94	0	14 828
Total assets	**913 701**	**95 690**	**498 216**	**2 930 727**	**4 438 334**
LIABILITIES					
Liabilities to central banks	-	-	-	26 472	26 472
Liabilities on credit institutions on demand	5 435	-	-	-	5 435
Derivatives_liabilities	561	498	2 059	18 221	21 339
Financial liabilities at amortised cost	2 462 867	95 950	977 620	291 488	3 827 925
Due to credit institurions (term)	1	385	837 025	275 247	1 112 658
Deposits from customers and other financial liabilities*	2 462 866	95 565	140 595	16 241	2 715 267
Accrued expenses and deffered income	29	-	12 769	-	12 798
Income tax liability	-	-	-	-	-
Other liabilities	1 535	68	0	25	1 628
Provisions	288	13	516	228	1 045
Total liabilities	**2 470 715**	**96 529**	**992 964**	**336 434**	**3 896 642**
Shareholders` equity	**-**	**-**	**-**	**541 691**	**541 691**
Total liabilities and shareholders` equity	2 470 715	96 529	992 964	878 125	4 438 333
Contingent liabilities (guarantees)	17 100	16 340	60 338	89 053	182 831
Commitments**	160 596	3 511	14 890	46 650	225 647
Liquidity risk	**(1 734 710)**	**(20 690)**	**(569 976)**	**1 916 899**	**(408 477)**

* Including demand deposits from customers in amount of EUR 2,225,694 thousand.

** Excluding uncommitted commitments.

***Notes to the interim condensed financial statements** (continued)*

The table below allocates the Group's assets and liabilities to maturity groupings based on the time remaining from the statement of financial position date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 30 September 2018 was as follows:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	Over 12 months	Total
ASSETS					
Cash and balances with central banks	759 251	-	-	-	759 251
Due from other credit institutions (demand)	58 667	-	-	-	58 667
Derivatives_assets	1 826	1 941	3 796	19 439	27 002
Financial assets designated at fair value through profit or loss:	54 129	-	-	-	54 129
Debt securities and other fixed income securities	54 129	-	-	-	54 129
Investment funds	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	3 433	3 433
Loans and advances	237 235	131 673	579 613	2 510 200	3 458 721
Due from other credit institutios (term)	-	1 678	1 627	9 765	13 070
Loans to customers	237 235	129 995	577 986	2 500 435	3 445 651
Accrued income and deferred expenses	1 913	787	29	5	2 734
Investment property	-	-	-	24 771	24 771
Property and equipment	-	-	-	26 519	26 519
Intangible assets	-	-	-	2 229	2 229
Investments in subsidiaries	-	-	-	-	-
Investments in associated companies	-	-	-	2 960	2 960
Deffered corporate income tax	-	-	-	-	-
Current corporate income tax	346	-	-	-	346
Non-current assets and disposal groups classified as held for sale	-	-	147	-	147
Other assets	18 071	1 275	94	-256	19 184
Total assets	**1 131 438**	**135 676**	**583 679**	**2 589 300**	**4 440 093**
LIABILITIES					
Liabilities to central banks	-	-	-	26 472	26 472
Liabilities on credit institutions on demand	5 435	-	-	-	5 435
Derivatives_liabilities	561	498	2 059	18 221	21 339
Financial liabilities at amortised cost	2 446 659	95 950	975 797	291 488	3 809 894
Due to credit institurions (term)	1	385	837 025	275 247	1 112 658
Deposits from customers and other financial liabilities	2 446 658*	95 565	138 772	16 241	2 697 236
Accrued expenses and deffered income	-412	464	13 122	0	13 174
Income tax liability	52	-	-	-	52
Other liabilities	7 513	68	27	92	7 700
Provisions	371	13	515	235	1 134
Total liabilities	**2 460 179**	**96 993**	**991 520**	**336 508**	**3 885 200**
Shareholders` equity				**554 892**	**554 892**
Total liabilities and shareholders` equity	**2 460 179**	**96 993**	**991 520**	**891 400**	**4 440 092**
Contingent liabilities (guarantees)	17 100	16 340	45 738	89 053	168 231
Commitments**	202 245	3 511	14 890	46 650	267 296
Liquidity risk	**(1 548 086)**	**18 832**	**(468 469)**	**1 562 197**	**(435 526)**

* Including demand deposits from customers in amount of EUR 2,213,201 thousand

** Excluding uncommitted commitments in amount of EUR 206,124 thousand.

***Notes to the interim condensed financial statements** (continued)*

The table below allocates the Group's assets and liabilities to maturity groupings based on the time remaining from the statement of financial position date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 30 September 2018 was as follows:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	Over 12 months	Total
ASSETS					
Cash and balances with the Central banks	1,067,214	-	-	-	1,067,214
Due from other credit institutions (demand)	33,865	-	-	-	33,865
Derivatives	5,052	299	574	11, 298	17,223
Financial assets at fair value through profit or loss	76,308	-	-	-	76,308
Debt securities and other fixed income securities	76,308	-	-	-	76,308
Investment funds	-	-	-	-	-
Financial assets available-for-sale	-	-	-	2,547	2,547
Loans and advances to customers	26,645	474,870	666,280	2,287,526	3,455,321
Due from other credit institutions (term)	-	56,160	3,272	11,391	70,823
Loans	26,645	418,710	663,008	2,276,135	3,384,498
Accrued income and deferred expenses	1,736	374	6	29	2,145
Investment property	-	-	-	1,021	1,021
Property and equipment	-	-	-	4,174	4,174
Intangible assets	-	-	-	1,297	1,297
Investments in subsidiaries	-	-	-	60,507	60,507
Investments in associated companies	-	-	-	2,687	2,687
Deffered corporate income tax	-	-	-	-	-
Current corporate income tax	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale				519	519
Other assets	19,285	1,254	83	13	20,635
Total assets	**1,230,105**	**476,797**	**666,943**	**2,371,618**	**4,745,463**
LIABILITIES					
Liabilities to central banks	-	-	-	60,500	60,500
Liabilities on demand to credit institutions	5,576	-	-	-	5,576
Derivatives	6,349	2,180	2,370	10,370	21,269
Financial liabilities at amortised cost:	2,554,540	263,054	1,027,344	281,532	4,126,470
Due to credit institutions (term)	12,555	2,256	887,030	263,386	1,165,227
Deposits from customers and other financial liabilities	2,541,985*	260,798	140,314	18,146	2,961,243
Accrued expenses and deferred income	580	1,031	9,701	-	11 ,312
Deferred tax liability	-	-	-	-	-
Income tax liabilities	154	-	1,079	-	1,233
Other liabilities	2,463	27	-	23	2,513
Provisions	80	-	148	-	228
Total liabilities	**2,569,742**	**266,292**	**1,040,642**	**352,425**	**4,229,101**
Shareholders` equity	**-**	**-**	**-**	**516,362**	**516,362**
Total liabilities and shareholders` equity	**2,569,742**	**266,292**	**1,040,642**	**868,787**	**4,745,463**
Contingent liabilities (guarantees)	15,855	13,764	64,509	104,657	198,785
Commitments**	249,055	16,732	13,747	35,226	314,760
Liquidity risk	**(1,604,547)**	**180,009**	**(451,955)**	**1,362,948**	**(513,545)**

* Including demand deposits from customers in amount of EUR 2 309 025 thousand

** Excluding uncommitted commitments in amount of EUR 247 309 thousand.

19. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below allocates the Groups' assets and liabilities to maturity groupings based on the time remaining from the statement of financial position date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 30 December 2017 was as follows:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	Over 12 months	Total
ASSETS					
Cash and balances with the Central banks	1 067 214	-	-	-	1 067 214
Due from other credit institutions (demand)	34 634	-	-	-	34 634
Derivatives	5 052	299	574	11 298	17 223
Financial assets at fair value through profit or loss	76 308	-	-	-	76 308
Debt securities and other fixed income securities	76 308	-	-	-	76 308
Investment funds	-	-	-	-	-
Financial assets available-for-sale	-	-	-	2 547	2 547
Loans and advances to customers	52 361	216 834	549 699	2 624 377	3 443 271
Due from other credit institutios (term)	-	56 160	3 272	11 391	70 823
Loans to customers	52 361	160 674	546 427	2 612 986	3 372 448
Accrued income and deferred expenses	1 833	1 858	6	29	3 726
Investment property	-	-	-	34 136	34 136
Property and equipment	-	-	-	27 583	27 583
Intangible assets	-	-	-	1 681	1 681
Investments in subsidiaries	-	-	-	-	-
Investments in associated companies	-	-	-	2 987	2 987
Deffered corporate income tax	-	-	-	-	-
Current corporate income tax	90	-	-	-	90
Non-current assets and disposal groups classified as held for sale	-	-	-	2 656	2 656
Other assets	19 547	5 295	29	13	24 884
Total assets	**1 257 039**	**224 286**	**550 308**	**2 707 307**	**4 738 940**
LIABILITIES					
Liabilities to central banks	-	-	-	60 500	60 500
Liabilities on demand to credit institutions	5 576	-	-	-	5 576
Derivatives	6 349	2 180	2 370	10 370	21 269
Financial liabilities at amortised cost:	2 539 272	262 704	1 024 543	281 532	4 108 051
Due to credit institutions	12 555	2 256	887 030	263 386	1 165 227
Deposits and other financial liabilities	2 526 717*	260 448	137 513	18 146	2 942 824
Accrued expenses and deferred income	580	1 045	10 152	-	11 777
Deferred tax liability	-	-	-	-	-
Income tax liabilities	204	-	1 079	-	1 283
Other liabilities	1 662	3 949	0	23	5 634
Provisions	113	-	148	-	261
Total liabilities	**2 553 756**	**269 878**	**1 038 292**	**352 425**	**4 214 351**
Shareholders` equity	**-**	**-**	**-**	**524 589**	**524 589**
Total liabilities and shareholders` equity	**2 553 756**	**269 878**	**1 038 292**	**877 014**	**4 738 940**
Contingent liabilities (guarantees)	15 855	13 764	64 509	104 657	198 785
Commitments**	250 661	16 732	12 747	36 136	316 276
Liquidity risk	**(1 563 233)**	**(76 088)**	**(565 240)**	**(1 689 500)**	**(515 061)**

* Including demand deposits from customers in amount of EUR 2,294,824 thousand

** Excluding uncommitted commitments in amount of EUR 208,235 thousand.

Notes to the interim condensed financial statements *(continued)*

The following table represents the analysis of the remaining cash flows of financial liabilities.

The table below allocates the Bank's financial liabilities undiscounted cash flows as at 30 September 2018:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	1-5 years	More than 5 years	Total
Short term funding	**(3 069)**	**(375)**	**-**	**-**	**-**	**(3 444)**
Long term funding	(3 670)	(375)	(837 213)	(302 999)	-	**(1 144 257)**
Demand deposits	(2 352 136)	-	-	-	-	**(2 352 136)**
Term deposits	(61 777)	(102 020)	(154 439)	(19 877)	(2 357)	**(340 470)**
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
Inflow	1 386	1 330	2 013	26 946	-	**31 675**
outflow	(462)	(37)	(82)	(26 891)	-	**(27 472)**
Foreign exchange derivatives						
inflow	13	123	201	41		**378**
outflow	-	(113)	(156)	(34)		**(303)**
Derivatives settled on a net basis	58	707	2 211	7 771	3	**10 750**
Total	**(2 419 657)**	**(100 760)**	**(987 465)**	**(315 043)**	**(2 354)**	**(3 825 279)**
Memorandum items	**(408 478)**	**-**	**-**	**-**	**-**	**(408 478)**
Financial guarantees	**(182 831)**	**-**	**-**	**-**	**-**	**(182 831)**
Commitments	**(225 647)**	**-**	**-**	**-**	**-**	**(225 647)**
Total financial liabilities and memorandum items	**(2 828 135)**	**(100 760)**	**(987 465)**	**(315 043)**	**(2 354)**	**(4 233 757)**

The table below allocates the Grop's financial liabilities cash flows as at 30 September 2018:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	1-5 years	More than 5 years	Total
Short term funding	**(3 069)**	**(375)**	**-**	**-**	**-**	**(3 444)**
Long term funding	(3 670)	(375)	(837 213)	(302 999)	-	**(1 144 257)**
Demand deposits	(2 335 929)	-	-	-	-	**(2 335 929)**
Term deposits	(61 777)	(100 640)	(153 993)	(19 877)	(2 357)	**(338 644)**
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
inflow	1 386	1 330	2 013	26 946	-	**31 675**
outflow	(462)	(37)	(82)	(26 891)	-	**(27 472)**
Foreign exchange derivatives						
inflow	13	123	201	41	-	**378**
outflow	0	(113)	(156)	(34)	-	**(303)**
Derivatives settled on a net basis	58	707	2 211	7 771	3	**10 750**
Total	**(2 403 450)**	**(99 380)**	**(987 019)**	**(315 043)**	**(2 354)**	**(3 807 246)**
Memorandum items	**(435 527)**	-	-	-	-	**(435 527)**
Financial guarantees	**(168 231)**	-	-	-	-	**(168 231)**
Commitments	**(267 296)**	-	-	-	-	**(267 296)**
Total financial liabilities and memorandum items	**(2 622 795)**	**(119 231)**	**(1 047 647)**	**(403 394)**	**(49 706)**	**(4 242 773)**

***Notes to the interim condensed financial statements** (continued)*

The following table represents the analysis of the remaining cash flows of financila liabilities:

The table below allocates the Bank's financial liabilities cash flows as at 31 December 2017:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	1-5 years	More than 5 years	Total
Short term funding	**(18 133)**	**(2 257)**	**-**	**-**	**-**	**(20 390)**
Long term funding	-	-	(887 150)	(328 144)	-	(1 215 294)
Demand deposits	(2 454 537)	-	-	-	-	(2 454 537)
Term deposits	(69 722)	(260 920)	(140 966)	(16 252)	(1 975)	(489 835)
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
inflow	1 458	237	1 020	21 793	-	**24 508**
outflow	(2 578)	(1 719)	(1 589)	(21 407)	-	**(27 293)**
Foreign exchange derivatives						
inflow	-	28	90	225	-	343
outflow	(21)	(24)	(48)	(175)	-	(268)
Derivatives settled on a net basis	(5)	365	600	879	6	1 845
Total	**(2 543 538)**	**(264 290)**	**(1 028 043)**	**(343 081)**	**(1 969)**	**(4 180 921)**
Memorandum items	**(513 545)**	-	-	-	-	**(513 545)**
Financial guarantees	**(198 785)**	-	-	-	-	**(198 785)**
Commitments	**(314 760)**	-	-	-	-	**(314 760)**
Total financial liabilities and memorandum items	**(3 057 083)**	**(264 290)**	**(1 028 043)**	**(343 081)**	**(1 969)**	**(4 694 466)**

The table below allocates the Group's financial liabilities undiscounted cash flows as at 31 December 2017:

T EUR	Up to 1 month	1 - 3 months	3 – 12 months	1-5 years	More than 5 years	Total
Short term funding	**(18 133)**	**(2 257)**	**-**	**-**	**-**	**(20 390)**
Long term funding	-	-	(887 150)	(328 144)	-	(1 215 294)
Demand deposits	(2 439 270)	-	-	-	-	(2 439 270)
Term deposits	(69 722)	(260 570)	(138 164)	(16 252)	(1 975)	(486 683)
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
Inflow	1 458	237	1 020	21 793	-	**24 508**
outflow	(2 578)	(1 719)	(1 589)	(21 407)	-	**(27 293)**
Foreign exchange derivatives						
inflow	-	28	90	225	-	343
outflow	(21)	(24)	(48)	(175)	-	(268)
Derivatives settled on a net basis	(5)	365	600	879	6	1 845
Total	**(2 528 271)**	**(263 940)**	**(1 025 241)**	**(343 081)**	**(1 969)**	**(4 162 502)**
Memorandum items*	**(515 061)**	-	-	-	-	**(515 061)**
Financial guarantees	**(198 785)**	-	-	-	-	**(198 785)**
Commitments	**(316 276)**	-	-	-	-	**(316 276)**
Total financial liabilities and memorandum items	**(3 043 332)**	**(263 940)**	**(1 025 241)**	**(343 081)**	**(1 969)**	**(4 677 563)**

***Notes to the interim condensed financial statements** (continued)*

20 LITIGATION AND CLAIMS

Due to its extensive operations in Latvia, the Luminor Bank AS and its subsidiaries will regularly be party to a number of legal actions. The foregoing actions, in most cases, are related to recovery of debts owed to Luminor Bank AS or its subsidiaries under loan agreements or other financial services agreements or to disputes connected with real estates which are or were pledged to Luminor Bank AS or its subsidiaries. However, none of the current disputes are expected to have any material impact on Luminor bank AS or its subsidiaries financial position.

21 SUBSEQUENT EVENTS

Theres is no subsequent events since the last date of the reporting year which would have a significant effect on the financial position of the Group or the Bank as at 30 September 2018.

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	30 September 2018
Reporting period	1.07.2018 - 30.09.2018
Reporting currency	Euro