Luminor

RISK MANAGEMENT AND CAPITAL ADEQUACY (PILLAR 3) DISCLOSURE

Interim report for Q2 2018

LUMINOR GROUP AB

Luminor

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INTRODUCTION

Risk Management and Capital Adequacy Disclosure (hereinafter – Pillar 3) report is prepared according to EU Regulation No 575/2013 (hereinafter – CRR) Part Eight, European Commission implementing regulations and European Banking Authority (hereinafter – EBA) guidelines.

Luminor Bank AS in Latvia, Luminor Bank AS in Estonia and Luminor Bank AB in Lithuania (hereinafter referred to jointly as the “Luminor Group AB Subsidiaries” or in short “Subsidiaries”), as significant subsidiaries of EU parent financial holding company Luminor Group AB (Sweden), disclose information specified in Articles 437, 438, 442, 450, 451 and 453 on sub consolidated basis as of 30 June 2018 on local internet pages, Financial interim accounts directories. Information on full requirements specified in part eight of the CRR is disclosed on consolidated situation of Luminor Group AB (hereinafter – the Group) in this report. Pillar 3 complements Pillar 1 (minimum capital requirements) and Pillar 2 (internal capital adequacy assessment process and supervisory review process) with the aim to improve market discipline through disclosure of information regarding risks, risk management and capital.

This document includes information based on calculations made according to the law binding at 30 June 2018, provides additional information to Luminor Group AB Consolidated Interim Report for 2018 Q2 and must be read in conjunction with it. Only information considered to be material, not proprietary and not confidential is provided here.

The Risk Management and Capital Adequacy Disclosure report is produced in accordance with the Capital Adequacy Information Disclosure Policy.

SCOPE OF APPLICATION OF THE REGULATORY FRAMEWORK

Luminor Group AB is a holding company established in the Kingdom of Sweden and it is a 100% shareholder of each of the Baltic Luminor banks: Luminor Bank AB (Lithuania, hereinafter – Luminor LT), Luminor Bank AS (Estonia, hereinafter – Luminor EE) and Luminor Bank AS (Latvia, hereinafter – Luminor LV). Each Luminor Group AB Subsidiary owns several subsidiaries, including, among others, subsidiaries like pension fund management companies, an insurance broker company (in Estonia) and leasing companies, as well as special purpose vehicles owning repossessed assets and real estate broker company (in Lithuania).

The institution is not aware of any material impediments existing for capital distribution within the Luminor Group AB. Luminor Group AB Subsidiaries’ entities that were not included in the regulatory consolidation due to their immateriality did not have to comply with own minimum capital standards in Q2 2018.

The consolidated financial statements are compiled in accordance with International Financial Reporting Standards (hereinafter – IFRS). As the Parent Company is based in the EU, only EU approved IFRS are applied. The consolidated accounts have been compiled in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559) as Luminor Group AB is regarded as a financial holding company, meaning that the Group also has to apply this law’s provisions on compilation of consolidated accounts. The consolidated accounts have also been compiled in accordance with the Swedish Financial Supervisory Authority’s regulations and general recommendations regarding annual accounts for credit institutions and security companies (FFFS 2008:25), including all applicable amended regulations, the Swedish Financial Reporting Board’s recommendation RFR 1 Supplementary accounting rules for the Group and the Recommendation of the Swedish Financial Reporting Board. The Parent Company’s annual report is prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and with application of the Swedish Financial Reporting Boards RFR 2 Accounting for legal entities. This means that IFRS valuation and information rules are applied with the exceptions and supplements specified in the section concerning the Parent Company’s accounting principles.

Luminor does not apply the transitional arrangements set out in article 473a CRR. Information on equity capital, capital ratios and the leverage ratio reflect the full impact of the IFRS 9 introduction.

The capital of Luminor is calculated and allocated for the risk coverage following the regulations in a Capital Requirements Directive (hereinafter - CRD IV), and Capital Requirements Regulation, of European Union and each country local FSAs legal acts.

As Luminor Group AB is a newly established company, in templates that require the disclosure of data for current and previous reporting periods, in some instances disclosure of data for the previous periods is not required as some data is being reported for the first time for Luminor Group AB.

DIFFERENCES IN BASIS OF CONSOLIDATION FOR ACCOUNTING AND PRUDENTIAL PURPOSES

The Group applies Chapter 2, Title II, Part One of CRR (‘Prudential consolidation’) to consolidate subsidiaries for regulatory purpose. The scope of prudential consolidation is not identical to accounting consolidation conducted in financial statements although the differences are minor and come from prudential sub-consolidation conducted locally in Lithuania and Estonia. Scope of consolidation at Luminor LV is the same for regulatory and accounting purposes.

OWN FUNDS AND CAPITAL REQUIREMENTS

CAPITAL STRUCTURE

The evaluations in the tables below comprehensively illustrate the total own funds available for Luminor Group. These own funds are also the basis for the calculation of the equity capital adequacy.

CAPITAL INSTRUMENTS' MAIN FEATURES

TEMPLATE ACCORDING TO COMMISSION IMPLEMENTING REGULATION (EU) NO 1423/2013

1	Issuer	Luminor Group AB
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Commercial law
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier1
5	Post-transitional CRR Basel III rules	Common Equity Tier1
6	Eligible at solo/group/group & solo	Consolidated
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in millions, as of most recent reporting date)	EUR 1655 million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01.10.2017 (date of foundation)
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	NO
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	NO
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	NO
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A

34	If temporary write-down, description of write-down mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier1
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	N/A

N/A – not applicable

OWN FUNDS DISCLOSURE

OWN FUNDS DISCLOSURE ACCORDING TO COMMISSION IMPLEMENTATION REGULATION (EU) NO 1423/2013

(A) Amount at Disclosure Date, thousand EUR (B) Regulation (EU) No 575/2013 Article Reference		**(A)**	**(B)**	
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	1 655 099	26 (1), 27, 28, 29	-
	of which: share capital	1 655 099	EBA list 26 (3)	-
2	Retained earnings	11 273	26 (1) (c)	-
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	19 533	26 (1)	-
3.a	Funds for general banking risk	-	26 (1) (f)	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)	-
5	Minority Interests (amount allowed in consolidated CET1)	-	84	-
5.a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1 663 359		-
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(1 181)	34, 105	-
8	Intangible assets (net of related tax liability) (negative amount)	(8 123)	36 (1) (b), 37	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(1 374)	36 (1) (c), 38	-
25.a	Losses for the current financial year (negative amount)	-	36 (1) (a)	-
25.b	Foreseeable tax charges relating to CET1 items (negative amount)	(173)	36 (1) (l)	-
27.a	Additional deductions of CET1 Capital due to Article 3 CRR	(2 741)		-
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	(13 592)		-
29	Common Equity Tier 1 (CET1) capital	1 649 767		-
Additional Tier 1 (AT1) capital: instruments				
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-		-
Additional Tier 1 (AT1) capital: regulatory adjustments				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-		-
44	Additional Tier 1 (AT1) capital	-		-
45	Tier 1 capital (T1 = CET1 + AT1)	1 649 767		-
Tier 2 (T2) capital: instruments and provisions				
51	Tier 2 (T2) capital before regulatory adjustments	-		-
Tier 2 (T2) capital: regulatory adjustments				
56.c	Amount to be deducted from or added to Tier 2 capital with regard to	-	467, 468, 481	-

		(A)	(B)	
	additional filters and deductions required pre CRR			
	Of which: possible filter for unrealized gains	-	468	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-		-
58	Tier 2 (T2) capital	-		-
59	Total capital (TC = T1 + T2)	1 649 767		-
60	Total risk weighted assets	9 383 706		-
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.58%	92 (2) (a)	-
62	Tier 1 (as a percentage of risk exposure amount)	17.58%	92 (2) (b)	-
63	Total capital (as a percentage of risk exposure amount)	17.58%	92 (2) (c)	-
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	10.14%	CRD 128, 129, 130, 131, 133	-
65	of which: capital conservation buffer requirement	2.50%		-
66	of which: countercyclical buffer requirement	0.00%		-
67	of which: systemic risk buffer requirement	1.14%		-
67.a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.00%	CRD 131	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.58%	CRD 128	-

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

In accordance with the capital and liquidity adequacy regulations, the Group has implemented a process for assessing the risk profile and internal capital and liquidity adequacy. In preparation of ICAAP reports in all three countries, the Group in addition to the common EU regulations takes into account country specific local FSAs requirements. By means of this process, it is assured that Luminor Group AB and its Subsidiaries are appropriately capitalised with respect to all material risks that arise from current and future operations. Integration of the Internal Capital Adequacy Assessment Process (ICAAP) with the financial and strategic planning processes makes the ICAAP an important tool for efficient capital allocation and for identification of capital needs. This report is intended to be effective tool for the Bank's senior management, which gives a holistic view not only on the risk profile but also on financial and strategic matters. ICAAP is aligned with the uniform guidelines pan-Baltic level for the Luminor Group AB.

Internal Audit regularly reviews and assesses the ICAAP and ILAAP processes in the Luminor Baltic Group. According to the Regulator's requirements during the last ICAAP/ILAAP audit the Self-Assessment, ICAAP, ILAAP and Stress Testing evaluation was carried out in all three countries in Luminor, i.e. Estonia, Latvia and Lithuania. The last ICAAP, with the ILAAP as the integrated part, audit was performed in Q1 2018.

Overall, Luminor Group AB is well positioned to meet the increasing regulatory requirements towards the capitalisation. Moreover, the capital level is adequate to absorb large additional potential losses stemming from risks to which it is exposed or may be exposed in the future. Luminor Stress testing results on liquidity risk are assessed as acceptable and the Group has low liquidity risk profile that is ensured by the implemented Liquidity Risk Management Strategy.

A detailed overview of the ICAAP and ILAAP process is included in 2017 Pillar 3 annual disclosures.

EU OV1 – OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

TEUR		RWAs		Minimum capital requirements
		30.06.2018	31.03.2018	30.06.2018
1	Credit risk (excluding CCR)	8 577 514	8 637 419	686 201
2	of which the standardised approach	8 577 514	8 637 419	686 201
6	CCR	51 481	32 366	4 188
7	of which mark to market	31 079	20 832	2 486

12	of which CVA	20 402	11 534	1 632
13	Settlement risk	-	-	-
14	Securitisation exposures in the banking book (after the cap)	-	-	-
19	Market risk	62 811	68 018	5 025
20	of which the standardised approach	62 811	68 018	5 025
22	Large exposures	-	-	-
23	Operational risk	691 900	691 900	55 352
24	of which basic indicator approach	415 202	415 202	33 216
25	of which the standardised approach	276 698	276 698	22 136
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
29	**Total**	**9 383 706**	**9 429 703**	**750 696**

The Subsidiaries use different approaches for credit counterparty risk. Luminor Bank AB (Lithuania) and Luminor Banks AS (Latvia) use mark to market method while Luminor Bank AS (Estonia) uses original exposure method.

COUNTERCYCLICAL CAPITAL BUFFER

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer.

TEUR	General credit exposures 010	Sum of long and short position of trading book 030	Own funds requirement: General credit exposures 070	Own funds requirement: Trading book exposures 080	Total 100	Own funds requirement weights 110	Countercyclical capital buffer rate 120
Breakdown by country (010):							
Lithuania	5 346 571	2 987	288 368	239	288 607	42,39%	0,00%
Latvia	2 349 484	-	187 558	-	187 558	27,55%	0,00%
Estonia	3 250 518	14	175 153	1	175 153	25,72%	0,00%
Other EU countries: CC buffer 0%	281 966	18	21 059	1	21 060	3,09%	0,00%
Other EU countries: CC buffer >0%	-	-	-	-	-	-	-
Other non-EU countries: CC buffer 0%	88 123	-	6 721	-	6 721	1,00%	0,00%
Other non-EU countries: CC buffer >0%	31 815	-	1 809	-	1 809	0,27%	1,25%
Total (020)	**11 348 466**	**3 019**	**680 668**	**241**	**680 909**	**100,00%**	

The Group recognizes general credit exposure or trading book exposure in 86 countries. Countercyclical capital buffer does not need to be calculated separately in each of them. Instead, the reporting institution is applying some simplification and combining non-material exposures with its home country exposure (based on Commission Delegated Regulation EU 2015/155). Nevertheless, the Subsidiaries do not use that derogation for countercyclical capital buffer calculation, the simplification was applied for the purpose of local Pillar 3 reports and the same is done for the Group's Pillar 3 report.

Materiality threshold has been calculated as a sum of general credit exposure and trading book exposure. Those notions were defined in accordance to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (commonly referred to as the 'CRD IV'). Materiality threshold amounts to TEUR 227 035 at the Group level. Local exposures in Lithuania, Latvia and Estonia are found to be above the threshold and hence shall be deemed as relevant in accordance to Commission Delegated Regulation (EU) 2015/1555. Remaining countries were grouped into EU and non-EU states and into non-zero or zero countercyclical buffer. For groups with non-zero countercyclical buffer rates, the column 120 of the table below shows simple average of the buffer rates in the cohort.

In none of the domicile countries of the Group (Lithuania, Latvia and Estonia) the countercyclical buffer rate has been established. Institution specific buffer rate at the level of 0,0041% is implied by the buffer rates in Sweden and Norway.

However, by the end of this year, banks in Lithuania must have accumulated required capital buffers to meet the requirement of the Bank of Lithuania to form a counter-cyclical capital buffer (CCB) of 0.5%. The CCB rate was historically first raised in Lithuania at the end of 2017 and will become effective on 31 December 2018. Additionally, by decision of the Board of the Bank of Lithuania, the buffer requirement will be raised from 0.5% to 1% starting from 30 June 2019.

Amount of institution-specific countercyclical capital buffer.

Row		Column 10
010	Total risk exposure amount, TEUR	9 383 706
020	Institution specific countercyclical buffer rate	0,0041%
030	Institution specific countercyclical buffer requirement, TEUR	384

RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policies have undergone no material changes since 31 December 2017. Detailed overview of risk management objectives and policies is included in 2017 Pillar 3 annual disclosures.

CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

Template EU CR1-A covers exposures subject to credit risk framework. Reported values are gross exposures as defined in Annex II of Commission Implementing Regulation (EU) No 680/2014 that is an exposure value without taking into account value adjustments and provisions, conversion factors and the effect of credit risk mitigation techniques (hereinafter “gross COREP original exposure”). The template contains also net COREP original exposure calculated as a sum of gross COREP original exposure less specific credit risk adjustment.

EU CR1-A — Credit quality of exposures by exposure class and instrument

	TEUR	Gross carrying values of		Specific credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures		
16	Central governments or central banks		2 177 709	(2)	2 177 707
17	Regional governments or local authorities		209 676	(3)	209 673
18	Public sector entities		39 978	(20)	39 958
21	Institutions		242 175	(342)	241 833
22	Corporates		5 619 059	(13 941)	5 605 118
23	*Of which: SMEs*		981 035	(2 772)	978 263
24	Retail		2 477 233	(23 791)	2 453 442
25	*Of which: SMEs*		1 359 824	(11 036)	1 348 788
26	Secured by mortgages on immovable property		4 584 748	(17 447)	4 567 301
27	*Of which: SMEs*		29 464	(297)	29 167
28	Exposures in default	699 623		(209 954)	489 669
29	Items associated with particularly high risk		62 178	(16 378)	45 800
33	Equity exposures		14 353	(440)	13 913
34	Other exposures		455 780	(665)	455 155
35	**Total (standardised approach)**	**699 623**	**15 882 889**	**(282 983)**	**16 299 529**
37	Of which: Loans	698 415	9 963 221	(258 385)	10 403 251
38	Of which: Debt securities	-	85 391	-	85 391
39	Of which: Off-balance-sheet exposures	16 241	2 000 327	(4 250)	2 012 318

CREDIT QUALITY OF EXPOSURES BY INDUSTRY

Template EU CR1-B covers exposures to non-financial legal entities which are subject to credit risk framework. The basis for division by industry is the NACE codes. Reported values are gross and net COREP original exposure. Net COREP original exposure is calculated as gross COREP original exposure less specific credit risk adjustment.

EU CR1-B — Credit quality of exposures by industry

TEUR		Gross carrying values of		Specific credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Agriculture, forestry and fishing	35 227	646 143	(5 614)	675 756
2	Mining and quarrying	2 821	48 990	112	51 923
3	Manufacturing	86 461	1 161 367	(6 938)	1 240 891
4	Electricity, gas, steam and air conditioning supply	4 448	272 988	(3 250)	274 187
5	Water supply	282	60 800	(203)	60 879
6	Construction	33 710	641 000	(12 120)	662 590
7	Wholesale and retail trade	31 231	1 490 494	(9 576)	1 512 148
8	Transporting and storage	21 222	654 313	(4 534)	671 000
9	Accommodation and food service activities	11 414	174 452	(4 041)	181 825
10	Information and communication	848	55 301	(74)	56 075
11	Real estate activities	179 996	1 145 155	(62 506)	1 262 645
12	Professional, scientific and technical activities	50 533	237 510	9 395	297 438
13	Administrative and support service activities	1 376	322 144	(381)	323 108
14	Public administration and defence; compulsory social security	-	223 192	(3)	223 190
15	Education	218	27 168	33	27 418
16	Human health and social work activities	203	22 623	(122)	22 705
17	Arts, entertainment and recreation	898	17 413	(248)	18 064
18	Other services	12 969	2 322 640	7 360	2 342 969
19	**Total**	**473 857**	**9 523 662**	**(92 710)**	**9 904 810**

CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

In template EU CR1-C, the Group assumed that it is relevant to disclose separately each domicile country of each credit institution consolidated by the Group – Luminor LT, Luminor EE and Luminor LV.

EU CR1-C — Credit quality of exposures by geography

TEUR		Gross carrying values of		Specific credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Baltic countries total	689 329	15 233 625	275 021	15 647 932
2	Lithuania	277 683	6 690 074	104 685	6 863 072
3	Latvia	286 645	4 583 255	128 335	4 741 564
4	Estonia	125 001	3 960 296	42 002	4 043 295
5	Other countries	10 838	728 221	7 961	731 098
6	**Total**	**700 167**	**15 961 846**	**282 982**	**16 379 030**

AGEING OF PAST-DUE EXPOSURES

Template EU CR1-D presents gross COREP original exposures which are at least 1 day past-due.

EU CR1-D — Ageing of past-due exposures

TEUR		Gross carrying values					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	431 395	68 008	39 129	33 312	38 439	211 880
2	Debt securities	-	-	-	-	-	-
3	**Total exposures**	**431 395**	**68 008**	**39 129**	**33 312**	**38 439**	**211 880**

NON-PERFORMING AND FORBORNE EXPOSURES

Template EU CR1-E reports gross COREP original exposures divided in accordance to performing/non-performing status, forbearance status and default status. The definitions of abovementioned statuses are aligned with those used in FINREP, therefore the total of defaulted exposure might differ from total COREP defaulted class exposure (as reported e.g. in CR1-A).

EU CR1-E — Non-performing and forborne exposures

TEUR		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which: forborne
						Of which: defaulted	Of which: impaired	Of which: forborne		Of which: forborne		Of which: forborne		
010	Debt securities	85 391	-	-	-	-	-	-	-	-	-	-	-	-
020	Loans and advances	13 791 264	70 943	41 119	725 844	725 884	725 884	248 840	(43 529)	(1 955)	(200 223)	(79 195)	353 709	172 206
030	Off-balance sheet exposures	1 550 830	-	-	11 804	16 390	6 807	-	(3 193)	-	-	-	1 404	-

CHANGES IN THE STOCK OF SPECIFIC CREDIT RISK ADJUSTMENTS

Template EU CR2-A discloses half-year flows within default class of exposures. The Pillar 3 disclosure report begins with the closing balance from the EU CR2-A as disclosed in 2017 annual disclosure and allocates appropriate flows in accordance to EBA/GL/2016/11.

EU CR2-A — Changes in the stock of general and specific credit risk adjustments

TEUR		Accumulated specific credit risk adjustment
1	**Opening balances**	**-314,660**
2	Increases due to amounts set aside for estimated loan losses during the period	-12,879
3	Decreases due to amounts reversed for estimated loan losses during the period	6,761
4	Decreases due to amounts taken against accumulated credit risk adjustments	36,842
5	Transfers between credit risk adjustments	5,095
6	Impact of exchange rate difference	-345
7	Business combinations, including acquisitions and disposals of subsidiaries	0
8	Other adjustments	35,436
9	**Closing balance**	**-243,750**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	3,008
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-182

CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS

Template EU CR2-B applies the same logic as EU CR2-A.

EU CR2-B — Changes in the stock of defaulted and impaired loans and debt securities

TEUR		Gross carrying value defaulted exposures
1	**Opening balance**	**680,574**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	180,047
3	Returned to non-defaulted status	-44,231

	TEUR	Gross carrying value defaulted exposures
4	Amounts written off	-62,183
5	Other changes	-54,479
6	**Closing balance**	**699,728**

CREDIT RISK MITIGATION

Overview of CRM techniques, as presented in Template EU CR3, is given separately for each of the Group's Subsidiaries due to different scope of exposures and exposure definition applied locally for Pillar 3 reporting. In the Template EU CR3, following exposure scope and definition have been used:

- Luminor LT reported exposures subject to credit risk and counterparty credit risk framework using net original COREP exposures
- Luminor EE reported exposures subject to credit risk (which includes exposures subject to counterparty credit risk) using net original COREP exposures
- Luminor LV reported loans and debt securities at net original COREP exposure

EU CR3 — CRM techniques – Overview

	Luminor LT				
TEUR		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
1	Total loans	4 984 708	2 206 827	2 122 263	84 564
2	Total debt securities	-	-	-	-
3	**Total exposures**	**4 984 708**	**2 206 827**	**2 122 263**	**84 564**
4	Of which defaulted	140 870	65 757	62 107	3 650
	Luminor EE				
TEUR		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
1	Total loans	1 891 317	1 102 766	1 102 766	-
2	Total debt securities	31 095	-	-	-
3	**Total exposures**	**1 922 412**	**1 102 766**	**1 102 766**	**-**
4	Of which defaulted	83 951	8 093	8 093	-
	Luminor LV				
TEUR		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
1	Total loans	1 891 219	1 423 193	1 398 126	25 067
2	Total debt securities	31 159	23 137	-	23 137
3	**Total exposures**	**1 922 378**	**1 446 330**	**1 398 126**	**48 204**
4	Of which defaulted	127 967	53 373	53 373	-

CREDIT RISK AND CRM IN THE STANDARDISED APPROACH

Within the calculation of its own funds requirements for credit risk, the Group uses the credit assessments assigned by the external credit assessment institutions. As at 30 June 2018, the Group used external ratings based on Fitch Ratings Services or their equivalent.

Template EU CR4 presents exposure subject to credit risk framework at values in accordance to net original COREP exposure definition.

EU CR4 — Standardised approach – Credit risk exposure and CRM effects

TEUR		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	2 177 689	18	2 219 478	5	-	0.00%
2	Regional government or local authorities	196 806	12 867	199 833	6 414	13 355	6.48%

TEUR		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
3	Public sector entities	39 118	841	61 981	288	4 669	7.50%
6	Institutions	210 561	31 271	187 424	19 688	58 944	28.46%
7	Corporates	4 087 548	1 517 569	4 078 455	526 416	4 558 944	99.00%
8	Retail	2 046 553	406 890	2 014 754	158 349	1 418 758	65.29%
9	Secured by mortgages on immovable property	4 556 133	11 168	4 556 133	2 677	1 593 232	34.95%
10	Exposures in default	474 187	15 482	470 537	7 199	590 353	123.57%
11	Exposures associated with particularly high risk	29 588	16 212	29 588	7 722	55 965	150.00%
15	Equity	13 913	-	13 913	-	13 913	100.00%
16	Other items	455 115	-	455 115	-	269 382	59.19%
17	**Total**	**14 287 211**	**2 012 318**	**14 287 211**	**728 758**	**8 577 514**	**57.12%**

Template EU CR5 presents exposure subject to counterparty credit risk framework at values in accordance to net original COREP exposure definition.

EU CR5 — Standardised approach – BREAKDOWN OF CREDIT RISK EXPOSURE BY ASSET CLASS AND RISK WEIGHT

TEUR		Risk weight															Total	Of which unrated
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	2,219,483	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,219,483	1,958,369
2	Regional government or local authorities	139,471	-	-	-	66,775	-	-	-	-	-	-	-	-	-	-	206,247	171,093
3	Public sector entities	52,872	-	-	-	98	-	9,299	-	-	-	-	-	-	-	-	62,269	62,269
6	Institutions	-	-	-	-	148,712	-	58,398	-	-	2	-	-	-	-	-	207,112	39,029
7	Corporates	-	-	-	-	91	-	679	-	-	4,604,022	79	-	-	-	-	4,604,871	4,546,893
8	Retail	-	-	-	-	0	-	-	-	2,173,103	-	-	-	-	-	-	2,173,103	1,882,869
9	Secured by mortgages on immovable property	-	-	-	-	-	4,558,810	-	-	-	-	-	-	-	-	-	4,558,810	3,867,529
10	Exposures in default	-	-	-	-	-	-	-	-	-	252,504	225,233	-	-	-	-	477,737	477,737
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	37,310	-	-	-	-	37,310	37,310
15	Equity	-	-	-	-	-	-	-	-	-	13,913	-	-	-	-	-	13,913	13,913
16	Other items	181,846	-	-	-	4,858	-	-	-	-	268,411	-	-	-	-	-	455,115	447,869
17	**Total**	**2,593,673**	**-**	**-**	**-**	**220,534**	**4,558,810**	**68,376**	**-**	**2,173,103**	**5,138,851**	**262,621**	**-**	**-**	**-**	**-**	**15,015,969**	**13,504,882**

CREDIT COUNTERPARTY RISK

Counterparty credit risk (CCR) exposure arises from business activities in derivatives and securities financing transactions (SFT). It is the risk that the counterparty of a transaction may default before completing the satisfactory settlement of the transaction.

Credit counterparty risk framework is reported separately from credit risk framework in Luminor LT and Luminor LV. In Luminor EE it is reported jointly with credit risk therefore this section will generally involve data from two Subsidiaries only.

Exposure to CCR is calculated using mark-to-market method for derivatives and financial collateral comprehensive method for SFT respectively for Luminor LT and Luminor LV. Original exposure method is used to calculate the exposure value of derivatives in Luminor EE.

The Group establishes credit limits for transactions with derivative financial instruments in order to reduce counterparty and settlement risk. The assignment and approval of limits is an integral part of the Group's credit risk policy. The Group signs the CSA (credit support annex) contracts with majority of its customers. This means that the market value of the transaction and collateral claims are recalculated daily. Derivative financial transactions may be secured by collateral. Collateral contracts are not tied to credit ratings; accordingly, the downgrading of the credit rating does not affect the collateral requirements.

To determine the exposure value of a derivative, that is, the exposure value of the counterparty's exposure to the credit risk, mark-to-market method is applied. The exposure value is the sum of the present replacement value and the potential future value of the credit exposure transaction value.

The Group has no credit derivatives transactions.

EU CCR1 — Analysis of CCR exposure by approach

TEUR		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		45,323	34,994			80,316	31 020
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	Corporates				-	-	-	-
5	Retail				-	-	-	-
6	Secured by mortgages on immovable property				-	-	-	-
7	Exposures in default				-	-	-	-
8	Equity						-	-
9	Other items						297	59
10	VaR for SFTs						-	-
11	**Total**							**31 079**

EU CCR2 — Analysis of CCR exposure by approach

TEUR		Exposure value	RWAs
4	All portfolios subject to the standardised method	56 252	20 402
5	**Total subject to CVA capital charge**	**56 252**	**20 402**

EU CCR3 — Standardised approach – CCR exposures by regulatory portfolio and risk

TEUR Exposure classes	Risk weight 0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	Of which unrated
1 Central governments or central banks	12,176	-	-	-	-	-	-	-	-	-	-	12,176	12,176
2 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	20,005	38,311	-	-	-	-	-	58,316	16,483
7 Corporates	-	-	-	-	2,576	-	-	-	6,117	-	-	8,693	8,693
8 Retail	-	-	-	-	-	-	-	886	-	-	-	886	885

TEUR	Risk weight												
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	Of which unrated
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
10.a Exposures in default	-	-	-	-	-	-	-	-	41	503	-	544	544
11 Total	12,176	-	-	-	22,581	38,311	-	886	6,158	503	-	80,614	38,781

EU CCR5-B — Composition of collateral for exposures to CCR

No collateral posted or received by banks to support or reduce CCR exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP as at interim reporting date.

MARKET RISK

The Group is primarily exposed to market risks such as interest rate risk, foreign exchange risk. The Group shall take nor option risk, neither risk in commodity. In those rare cases when such transactions are concluded, they shall be hedged back to back, nevertheless such transactions will be subject to other risks if applicable, e.g. counterparty risk. All transactions causing volatility risk, to the extent possible, shall be performed on a back-to-back basis only.

A detailed disclosure of market risk is available in annual Pillar 3 disclosure of 2017.

EU MR1 — MARKET RISK UNDER THE STANDARDISED APPROACH

TEUR		RWAs	Capital requirements
1	Outright products		
2	Interest rate risk (general and specific)	62 775	5 022
3	Equity risk (general and specific)	36	3
4	Foreign exchange risk	-	-
5	Commodity risk	-	-
11	**Total**	**62 811**	**5 025**

UNENCUMBERED ASSETS

Assets shall be deemed unencumbered where the Group is not subject to any legal, contractual, regulatory or other restriction preventing it from liquidating, selling, transferring, assigning or, generally, disposing of such asset via active outright sale or repurchase agreement.

The Group has established a liquidity portfolio with intention to accumulate high quality liquid debt securities. The securities held in the portfolio are by definition unencumbered and available for instant raise of funds in unexpected or stressed situations.

At 30 June 2018 part of this portfolio has been pledged as collateral in order to get Targeted Long Term Refinancing Operations (TLTRO) low cost funding through Eurosystem's open market operations. The Group actively utilizes Eurosystem's open market operations and in particular TLTRO program.

Pledged debt securities are accounted separately from the liquidity portfolio and are not included into liquid assets. Loans issued to entities with the government rating (municipalities and government institutions) were pledged as a collateral as well.

Additionally, in line with the EBA technical standards on regulatory asset encumbrance reporting, the Group considers assets placed with settlement systems as encumbered, as well as other assets pledged which cannot be freely withdrawn such as mandatory minimum reserves at central banks. The Group also includes derivative margin receivable assets as encumbered under these EBA guidelines.

Encumbered assets disclosures have been prepared in accordance with EU Regulation 2017/2295. The values have been calculated as three-point median values for the three quarters since establishment of the Group.

TEMPLATE A – ENCUMBERED AND UNENCUMBERED ASSETS

TEUR	Carrying amount of encumbered assets 010	Fair value of encumbered assets 040	Carrying amount of unencumbered assets 060	Fair value of unencumbered assets 090
010 Assets of the reporting institution	210,926	-	14,346,718	-
020 Loans on demand	-	-	2,257,936	-
030 Equity instruments	-	-	10,356	6,203
040 Debt securities	77,298	77,298	92,113	59,535
050 of which: covered bonds	-	-	-	-
060 of which: asset-backed securities	-	-	-	-
070 of which: issued by general governments	77,298	77,298	63,546	36,383
080 of which: issued by financial corporations	-	-	23,168	23,168
090 of which: issued by non-financial corporations	-	-	3,946	1,483
100 Loans and advances other than loans on demand	159,433	-	11,592,323	-
110 of which: mortgage loans	-	-	7,298,847	-
120 Other assets	-	-	390,156	-

TEMPLATE B – COLLATERAL RECEIVED

	TEUR	Fair value of encumbered collateral received or own debt securities issued 010	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance 040
130	**Collateral received by the reporting institution**	**236,939**	**6,653**
140	Loans on demand	-	-
150	Equity instruments	-	-
160	Debt securities	236,939	-
190	of which: issued by general governments	102,100	-
200	of which: issued by financial corporations	-	-
210	of which: issued by non-financial corporations	-	-
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	6,653
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	**-**	**-**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**424,754**	**-**

TEMPLATE C – SOURCES OF ENCUMBREANCE

	TEUR	Matching liabilities, contingent liabilities or securities lent 010	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered 030
010	**Carrying amount of selected financial liabilities**	**396,507**	**422,180**
011	Derivatives	60	60
	of which: Over-The-Counter	60	60
	Deposits	396,500	422,172
	Repurchase agreements	-	-
	of which: central banks	-	-
	Collateralised deposits other than repurchase agreements	396,500	422,172
	of which: central banks	96,500	98,689

LEVERAGE

The leverage ratio is determined as Tier 1 capital divided by the total leverage exposure measure. This ratio ensures additional level of protection against model risks and assessment errors.

As at 30 June 2018, the leverage ratio of the Group was 9.57%. The capital measure is Tier 1 capital, the total exposure measure is the aggregate amount of assets and off balance sheet items. The leverage ratio is calculated using end of reporting period data. The Group is not exposed to the risk of excessive leverage.

The Group regularly evaluates the leverage risk. The information on leverage ratio is regularly presented to the Group's Management Board that in case of necessity make decisions on appropriate actions in order to decrease the risk of excessive leverage. Such actions may include increase of own capital, sales of assets or lending limitation.

LRQUA: QUALITATIVE ITEMS.

Row		
1.	Description of the processes used to manage the risk of excessive leverage	Subsidiaries and the Group regularly evaluates the leverage risk. Every quarter the information on leverage ratio is included in the Risk report and presented to the Group's Management Board and Supervisory Council Risk Committee that in case of necessity make decisions on appropriate actions in order to decrease the risk of excessive leverage. Such actions may include increase of own capital, sales of assets or lending limitation. In Q1 2018, the Supervisory Council approved the reviewed Risk Appetite framework where also the minimum level of leverage ratio is set. Neither the Bank, nor the Group are exposed to the risk of excessive leverage. As at 30 June 2018 , the leverage ratio for the Group 9.57%.
2.	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	Due to the merger, in 2017 both Tier 1 capital and total risk exposure increased. However, the growth of capital and exposure was proportional therefore the leverage ratio has not changed substantially compared to the end of 2016.

LRSUM: RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES.

TEUR		Applicable amount
1	Total assets as per published financial statements	14 558 647
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	1 003
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	34 994
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	770 705
{EU-6a}	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
{EU-6b}	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	1 866 511
8	**Leverage ratio total exposure measure**	**17 232 863**

Relatively high value of *Other adjustments* in LRSUM template comes mostly from Luminor EE. This is due to the local specificities in treatment of operating lease.

LRCOM: LEVERAGE RATIO COMMON DISCLOSURE.

TEUR		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	14 379 262
2	(Asset amounts deducted in determining Tier 1 capital)	(9 903)

TEUR		CRR leverage ratio exposures
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	14 369 359
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	45 323
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	34 994
{EU-5a}	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	**80 317**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	297
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
{EU-14a}	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
{EU-15a}	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**297**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	2 014 199
18	(Adjustments for conversion to credit equivalent amounts)	(768 691)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	2 782 890
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
{EU-19a}	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
{EU-19b}	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposure measure	
20	**Tier 1 capital**	1 649 767
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	17 232 863
	Leverage ratio	
22	**Leverage ratio**	**9,57%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

LRSPL: SPLIT-UP OF ON BALANCE SHEET EXPOSURES.

TEUR		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	14 379 261
EU-2	Trading book exposures	82 554
EU-3	Banking book exposures, of which:	14 296 707
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	2 336 662
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	100 155
EU-7	Institutions	187 424
EU-8	Secured by mortgages of immovable properties	4 556 133

EU-9	Retail exposures	2 043 976
EU-10	Corporate	4 090 058
EU-11	Exposures in default	474 187
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	508 112

REMUNERATION POLICY

The Remuneration Policy (hereinafter - the "Policy") of Luminor aligns remuneration with prevailing strategies, values and goals while promoting and inciting sound risk management. The Policy is aligned with the remuneration regulations for banks and financial institutions as set out in such EU legislation as the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR), among other regulations. The Policy is reviewed annually to ensure compliance with both international and local remuneration regulations and guidelines.

The Policy is approved by The Board of Directors, after examining the recommendation of the Nomination and Remuneration Committee of the Board of Directors in respect of the Policy. The Nomination and Remuneration Committee of the Board of Directors verifies that remuneration systems in Luminor generally conform to effective risk management and are designed to reduce the risk of excessive risk-taking. The Risk Committee of the Board of Directors at least once per year analyses whether the incentives envisaged in the Policy take account of Luminor operating risk, capital, liquidity and the likelihood and timing of earnings.

The remuneration system is verified by the Remuneration Committee established by the Supervisory Council of each Bank to ensure that remuneration systems in the Bank and its subsidiaries generally conform to effective risk management and are designed to reduce the risk of excessive risk-taking. The Risk Committee established by the Supervisory Council of each Bank assists in the establishment of sound remuneration policies, practices and processes of the Bank and its subsidiaries and, without prejudice to the tasks of the Remuneration Committee established by the Supervisory Council of the respective Bank, examines whether the respective incentives provided under the remuneration system (policies, practices and processes) of the Bank and its subsidiaries take into consideration the respective Luminor Entity's risk, capital, liquidity and the likelihood and timing of earnings.

The following principles, among other embedded in the Policy, are examples of the framework applied to ensure sound risk management:

- The amount of an employee's Variable Remuneration cannot exceed 100% of the annual Fixed Remuneration of the employee per annum.
- The Variable Remuneration to employees of Internal Control Functions does not depend on performance of the business units they control.
- Severance Payments should reflect performance achieved over time and not reward failure or misconduct.
- Performance-related remuneration of employees identified as Risk Takers is partially deferred in accordance with international regulations and EBA guidelines

Remuneration information

The disclosure and breakdown of remuneration data pursuant to Article 450 of Regulation (EU) No. 575/2013 is shown in the following tables.

REM1 Quantitative information on remuneration by business area

Pursuant to Article 450 (EU) 575/2013 Paragraph 1 (g).

TEUR	LEM (Luminor Executive Management members)	Local Management Boards (excl. LEM members)*	Front office**	Back office***	Internal control and legal functions	Total
Total remuneration	1 529 741	553 323	1 328 897	1 314 903	860 952	**5 587 817**

*some of the local management board members are also LEM members, to avoid duplication their remuneration is reported under LEM members

**includes employees from the following business functions - household, corporate, business, markets, private banking, pensions, leasing

***includes employees from the following support functions - finance, products, people & culture, IT

REM2 Quantitative information on remuneration of senior management and Identified Risk Takers

Pursuant to Article 450 (EU) 575/2013 Paragraph 1 (h) (i) and (ii).

	Remuneration amount		Senior management	Identified staff
1	Fixed remuneration	Number of employees	25	103
2		**Total fixed remuneration**	**1 766 554**	**3 348 321**
3	Variable remuneration	Number of employees	23	87
4		**Total variable (5+7+9)**	**316 511**	**156 431**
5		Of which: cash-based	316 511	156 431
6		Of which: deferred	229 750	75 459
7		Of which: shares or other share-linked instruments	-	-
8		Of which: deferred	-	-
9		Of which: other forms	-	-
10		Of which: deferred	-	-
			-	-
	Total remuneration (2+4)		**2 083 064**	**3 504 751**

This data is for Luminor only; the obligations taken over from ex-organizations regarding deferred amounts are not included.

REM3 Deferred remuneration

Pursuant to Article 450 (EU) 575/2013 Paragraph 1 (h) (iii).

Outstanding deferred remuneration	Vested	Unvested
Senior management	N/A	229 750
Identified staff	N/A	75 459

This data is for Luminor only; the obligations taken over from ex-organizations regarding deferred amounts are not included

REM4 Deferred remuneration

Pursuant to Article 450 (EU) 575/2013 Paragraph 1 (h) (iv).

	Deferred remuneration		
	Awarded during period	Paid-out during period	Reduced through performance adjustment during period
Senior management	229 750	-	-
Identified staff	75 459	-	-

This data is for Luminor only; the obligations taken over from ex-organizations regarding deferred amounts are not included

REM5 Sign-on and severance payments

Pursuant to Article 450 (EU) 575/2013 Paragraph 1 (h) (v).

	Senior management		Identified staff	
	Number of incumbents	Amount of payments	Number of incumbents	Amount of payments
Senior management	15*	0*	-	-
Identified staff	1	**	5	83 906

*Senior managers will receive their sign-on bonuses after one year of employment; therefore there were no outgoing payments during the first half of 2018

** As there is one person only, the amount is not disclosed

Disclosure of the number of individuals being remunerated EUR 1 million or more per financial year pursuant to Article 450 (EU) 575/2013 Paragraph 1 Sentence (i) includes no such persons as at 30 June 2018.