RISK MANAGEMENT AND CAPITAL ADEQUACY DISCLOSURE (PILLAR 3) REPORT 2018

LUMINOR GROUP AB

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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 as well as European Banking Authority's (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, 440, 442, 450, 451 and 453 on sub consolidated basis as of 31 December 2018 in local internet pages Financial annual 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 evaluation process) with the aim to improve market discipline through disclosure of information regarding risks, risk management and capital.

Pillar 3 report has not been audited, however it includes reconciled information contained in the Annual report for 2018. In addition, all the qualitative and quantitative data used in this report are audited by external or internal audit either as part of Financial accounts or Risk related questions (e.g. Internal Capital Adequacy Assessment Process).

This document includes information based on calculations made according to the law binding at 31 December 2018, provides additional information to Luminor Group AB Consolidated Annual Report 2018 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 (hereinafter – Pillar 3 Report) is produced in accordance with the Information guidelines in respect of Pillar 3 Report. The Information guidelines and the Pillar 3 Report are approved by the Supervisory Council.

BUSINESS TRANSFER AND CROSS-BORDER MERGER

On 1 October 2017 Nordea Bank AB (Swedish company registration No. 516406-0120) and DNB Bank ASA (Org. No. 984 851 006), after all regulatory approvals and competition clearance were received, have combined their Baltic business into a jointly owned bank, Luminor. By business transfer Nordea Bank AB Lithuania branch, Nordea Bank AB Latvia branch and Nordea Bank AB Estonia branch assets and liabilities, including shares of leasing, pension and distressed assets companies in Baltics, were transferred to Luminor Bank AB in Lithuania (prev. AB DNB bankas), Luminor Bank AS in Latvia (prev. DNB banka AS) and Luminor Bank AS in Estonia (prev. Aktsiaselts DNB Pank).

On 2 January 2019 Luminor has completed its cross-border merger and continues its operations in all Baltic countries through the Estonian registered bank and its branches in Latvia and Lithuania. After the completion of the merger, all assets, rights and liabilities of Luminor Latvia and Luminor Lithuania were transferred to Luminor Bank AS in Estonia. The bank will continue the same activities in Latvia and Lithuania through its locally established branches. Internal policy alignment throughout Baltics is in progress.

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). Full list of entities is presented in EU LI3, which outlines the differences in the scopes of consolidation (entity by entity). Luminor Group AB Subsidiaries within the scope of prudential consolidation are subject to local regulatory and tax requirements as well as potentially exchange controls.

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 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 Group 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 Group is calculated and allocated for risk coverage following the regulations in the Capital Requirements Directive (hereinafter - CRD IV), and Capital Requirements Regulation, of European Union and local legal requirements of the FSA applicable in each country.

EU LI1 – Difference between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories.

TEUR	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items			
			Subject to credit risk framework	Subject to the CCR framework	Subject to the market risk framework	Not subject to capital requirement or subject to deduction from capital
Assets	**a**	**b**	**c**	**d**	**f**	**g**
Cash and balances with central banks	3,293,090	3,293,090	3,293,090	-	-	-
Due from banks and other credit institutions	186,853	186,853	186,853	-	-	-
Financial assets held for trading	1,006	1,006	-	-	1,006	-
Financial assets designated at fair value through profit or loss	143,758	143,758	143,758	-	-	-
Derivative financial instruments	45,697	45,697	-	45,697	8,309	-
Bonds and CPs, held to maturity	25,959	25,959	25,959	-	-	-
Loans and advances to customers	10,755,176	10,754,505	10,754,505	-	-	-
Reverse repurchase agreements and other similar	-	-	-	-	-	-
Available for sale financial assets	8,872	8,872	7,574	-	1,298	-
Property, plant and equipment	38,950	38,946	38,946	-	-	-
Intangible assets	7,414	7,412	-	-	-	7,412
Investment in an associate	6,256	6,273	6,273	-	-	-
Investment in subsidiaries	-	512	512	-	-	-
Other assets	71,737	78,967	78,967	-	-	-
Non-current assets and disposal groups held for sale	7,990	2,955	2,955	-	-	-
Finance lease receivables	690,380	690,380	690,380	-	-	-
Deferred tax asset	908	908	-	-	-	908
Investment property	23,970	23,970	23,970	-	-	-
Total assets	**15,308,018**	**15,310,064**	**15,253,743**	**45,697**	**10,613**	**8,320**
Liabilities						
Due to banks and other credit institutions	4,140,295	4,140,295	-	-	-	4,140,295
Due to customers	8,879,080	8,882,193	-	-	-	8,882,193
Derivative financial instruments	42,457	42,457	-	2,312	-	40,145
Provisions	5,914	5,914	-	-	-	5,914
Current income tax liabilities	6,873	6,339	-	-	-	6,339
Other liabilities	433,345	433,257	-	-	-	433,257
Total liabilities	**13,507,964**	**13,510,455**	**-**	**2,312**	**-**	**13,510,243**

Luminor LT contributes to the Group's exposures that are subject to credit risk, counterparty credit risk and market risk. It is also the only Subsidiary in the Group that recognizes a trading book. Luminor LV contributes to the Group's exposures subject to credit risk and counterparty credit risk framework. Luminor EE also contributes to the Group's exposures subject to credit risk and counterparty credit risk framework.

Liabilities of the Group are generally not subject to capital requirements framework except for derivatives, which are considered as liabilities due to negative valuation as of reporting date. In accordance with CRR, a derivative instrument with negative valuation is subject to counterparty credit risk as it generates potential future credit exposure whereas an underlying instrument gives rise to position risk (part of market risk, applicable for Luminor LT only). The Group duly considers such cases in EU LI1.

In the template EU LI1, *Carrying values under scope of regulatory consolidation* (column 'b') does not necessarily constitute sum of exposures under credit risk, counterparty credit risk and market risk frameworks (columns 'c', 'd'). That is because an exposure might be subject to counterparty credit risk and market risk frameworks at the same time.

Accounting treatment for derivatives in Luminor EE has been aligned with the rest of the Group.

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

			Items subject to		
	TEUR	Total	Credit risk framework	CCR framework	Market risk framework
		a	b	c	e
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI 1)**	15,310,064	15,253,743	45,697	10,613
2	Liabilities carrying amount under the regulatory scope of consolidation (as per template EU LI1)	13,510,455	-	2,312	-
3	Total net amount under the regulatory scope of consolidation	15,301,752	15,253,743	48,009	10,613
4	Off-balance sheet amounts	1,969,284	1,969,284	-	-
5	Differences in valuations	35,788	-	35,788	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-
7	Differences due to considerations for provisions	-	-	-	-
8	Differences due to prudential filters	(14)	(14)	-	-
9	Other adjustments	(124,620)	(124,459)	(162)	-
10	**Exposure amounts considered for regulatory purposes**	**17,182,190**	**17,098,554**	**83,636**	**10,613**

EU LI2 starts with carrying values of assets and liabilities that are subject to CRR risk frameworks. Then adjustments are made for:

- Off-balance sheet exposures – total notional off-balance amount is taken for capital requirements purpose,
- Difference in valuation – exposure value of financial derivative for capital requirements purpose and balance sheet valuation differ hence a reconciliation is made,
- Differences due to prudential filters – impact on the carrying amount under the regulatory scope of consolidation of the prudential filters. This adjustment is applicable to Luminor EE only.
- Other adjustment – reconciliation position with COREP values.

Column *Total* in EU LI2 sums items subject to credit risk and counterparty credit risk framework so that values can be reconciled with COREP 07.00.

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.

Details about the scope of prudential consolidation and accounting consolidation are summarized in template EU LI3. Source of differences in consolidation scope are companies outside the banking and financial sector that are included in the consolidated financial statements according to IFRS at sub-consolidated level locally in Lithuania and Estonia. Neither subsidiary has been deducted from own funds. This applies both for consolidated and sub-consolidated level.

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Consolidating entity	Method of accounting consolidation	Method of regulatory consolidation		Description of the entity
			Full consolidation	Neither consolidated nor deducted	
Luminor Bank AB Lithuania (Luminor LT)	Luminor Group	Full	X		Bank
Luminor Bank AS Estonia (Luminor EE)	Luminor Group	Full	X		Bank
Luminor Bank AS Latvia (Luminor LV)	Luminor Group	Full	X		Bank
Luminor Būstas UAB	Luminor LT	Full		X	Real estate management entity
Luminor Investicijų valdymas UAB	Luminor LT	Full	X		Investment asset management entity
UAB Intractus	Luminor LT	Full	X		Real estate management entity
UAB Industrius	Luminor LT	Full	X		Real estate management entity
UAB Recurso	Luminor LT	Full	X		Real estate management entity
Promano Lit UAB	Luminor LT	Full	X		Real estate management entity
Luminor Lizingas UAB	Luminor LT	Full	X		Leasing company
Luminor Liising AS	Luminor EE	Full	X		Leasing company
Promano Est OÜ	Luminor EE	Full	X		Asset management
Uus-Sadama 11 OÜ	Luminor EE	Full	X		Asset management
Luminor Pensions Estonia AS	Luminor EE	Full	X		II and III pillar pension funds
Luminor Kindlustusmaakler OÜ	Luminor EE	Full		X	Insurance broker
SIA Luminor Līzings Latvija	Luminor LV	Full	X		Leasing company
IPAS Luminor Asset Management	Luminor LV	Full	X		Asset management
SIA Skanstes 12	Luminor LV	Full	X		Maintenance of the office building
SIA SALVUS	Luminor LV	Full	X		Real estate management entity
SIA SALVUS 2	Luminor LV	Full	X		Real estate management entity
SIA SALVUS 3	Luminor LV	Full	X		Real estate management entity
SIA SALVUS 4	Luminor LV	Full	X		Real estate management entity
SIA SALVUS 6	Luminor LV	Full	X		Real estate management entity
SIA Luminor Līzings	Luminor LV	Full	X		Leasing company
AS Luminor Latvijas atklātais pensiju fonds	Luminor LV	Full	X		Asset management
IPAS Luminor Pensions Latvia	Luminor LV	Full	X		Asset management
SIA Promano Lat	Luminor LV	Full	X		Real estate management entity
SIA Baltik Īpašums	Luminor LV	Full	X		Real estate management entity
SIA Luminor Finance	Luminor LV	Full	X		Real estate management entity
SIA Trioleta	Luminor LV	Full	X		Real estate management entity
SIA Realm	Luminor LV	Full	X		Real estate management entity

OWN FUNDS AND CAPITAL REQUIREMENTS

The table below provides reconciliation between balance sheet items (in the scope of prudential consolidation) used to calculate own funds and regulatory own funds.

BALANCE SHEET RECONCILIATION

TEUR	31.12.2018
FINREP	
Capital	**10,000**
Paid up capital	10,000
Share premium	**1,645,099**
Accumulated other comprehensive income	**3,510**
Items that will not be reclassified to profit or loss	3,514
Tangible assets	*234*
Items that may be reclassified to profit or loss	(4)
Available-for-sale financial assets	-
Retained earnings	**13,179**
Other equity	**-**
Profit or loss attributable to owners of the parent	**127,821**
TOTAL EQUITY in FINREP	**1,799,609**
Accounting adjustments	
Difference in OCI due to regulatory requirements in tangible assets treatment	(1,879)
This difference due to charges for provisions	-
Profit/loss not eligible	(127,821)
The difference in retained earnings due to Luminor LT merger	-
Other equity (not eligible)	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,669,909
Regulatory adjustments	
Additional Valuation Adjustment (AVA)	(1,065)
Foreseeable tax charge	(913)
Unrealised gains/losses	-
Goodwill and intangibles	(7,411)
Deferred tax assets	(907)
Additional deductions of CET1 due to article 3 CRR	(2,304)
TOTAL CET1	**1,657,306**

MINIMUM CAPITAL REQUIREMENTS

Minimum capital requirements are calculated according to requirements set out in the CRR. Minimum capital requirements are calculated for credit risk, credit counterparty risk, market risk, operational risk and credit valuation adjustment risk.

Pursuant to the CRR, the Group calculates own funds requirement for the following types of risk:

1) Credit risk – using the standardized approach pursuant to part III, title II, chapter 2 of the CRR;
2) Counterparty credit risk – using mark to market method pursuant to part III, title II, chapter 6 of the CRR;
3) Market risk – using standardized approach pursuant to part III, title IV, chapter 2-4 of the CRR) for interest rate risk and equities;
4) Operational risk – using standardized approach for Luminor LT and basic indicator approach for Luminor LV and Luminor EE pursuant to part III, title III, chapter 4 and chapter 3 respectively;
5) Credit valuation adjustment risk – using standardized approach pursuant to part III, title VI of the CRR.

TEUR	31.12.2018
Capital requirements for credit risk, standardised approach	**676,158**
Central governments or central banks	1
Regional governments or local authorities	982
Public sector entities	319
Institutions	5,891
Corporates	359,267
Retail	108,173
Secured by mortgages on immovable property	127,495
Exposures in default	47,161
Items associated with particularly high risk	4,379
Equity	1,149
Other items	21,342
Capital requirements for market risk, standardised approach	**3,844**
Traded debt instruments	3,839
Equities	5
Foreign exchange	-
Commodities	-
Capital requirements for operational risk, basic indicator approach and standardised approach	**55,352**
Capital requirements for credit valuation adjustment risk	**1,330**
Total capital requirements	**736,684**

The Group has established a Trading book. Debt securities in the Trading book portfolio are purchased in limited amounts. Securities trading services for target customer groups are offered aiming to support them with products and prices. The Group does not actively seek to take market risk from fixed income transactions, but rather enter into positions to facilitate client trades. The Group has no securitisation exposures.

CAPITAL ADEQUACY

TEUR	31.12.2018
Total own funds for solvency purposes	1,657,306
Capital requirements	736,684
Surplus of own funds	920,622
Risk weighted assets	9,208,550
Solvency ratio of Tier 1 capital (%)	17.9975%

CAPITAL INSTRUMENTS' MAIN FEATURES

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 CRR rules	Common Equity Tier1
5	Post-transitional CRR rules	Common Equity Tier1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital	EUR 1 655 million
9	Nominal amount 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-up 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

Full terms and conditions of Luminor Group AB ordinary shares available in the Articles of Association published on Luminor website.

TRANSITIONAL OWN FUNDS DISCLOSURE

		(A)	(B)	(C)
(A) Amount at Disclosure Date, thousand EUR				
(B) Regulation (EU) No 575/2013 Article Reference				
(C) Amount Subject to pre-Regulation (EU) No 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) No 575/2013				
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, EBA list 26 (3)	-
	of which: share capital	1,655,099	EBA list 26 (3)	-
	of which: share capital in addition to share capital with full voting rights		EBA list 26 (3)	-
	of which: member certificate		EBA list 26 (3)	-
2	Retained earnings	5,204	26 (1) (c)	-
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,631	26 (1)	-
3.a	Funds for general banking risk	18,383	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, 479, 480	-
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	1,669,908		-
7	Additional value adjustments (negative amount)	(1,065)	34, 105	-
8	Intangible assets (net of related tax liability) (negative amount)	(7,411)	36 (1) (b), 37, 472 (4)	-
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)	(907)	36 (1) (c), 38, 472 (5)	-
25.a	Losses for the current financial year (negative amount)	-	36 (1) (a), 472 (3)	-
25.b	Foreseeable tax charges relating to CET1 items (negative amount)	(913)	36 (1) (l)	-
26.b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	481	-
27.a	Additional deductions of CET1 Capital due to Article 3 CRR	(2,304)		-
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	(12,602)		-
29	Common Equity Tier 1 (CET1) capital	1,657,306		-
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)	1,657,306		-
51	Tier 2 (T2) capital before regulatory adjustments	-		-
56.c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	467, 468, 481	-
	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)	1,657,306		-
60	Total risk weighted assets	9,208,550		-

		(A)	(B)	(C)
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.9975%	92 (2) (a), 465	-
62	Tier 1 (as a percentage of risk exposure amount)	17.9975%	92 (2) (b), 465	-
63	Total capital (as a percentage of risk exposure amount)	17.9975%	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)	4.72%	CRD 128, 129, 130	-
65	of which: capital conservation buffer requirement	2.50%		-
66	of which: countercyclical buffer requirement	0.22%		-
67	of which: systemic risk buffer requirement	0.27%		-
67.a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2%	CRD 131	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.9975%	CRD 128	-

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

In accordance with the European capital and liquidity requirements regulations, the Group has implemented processes for assessing the risk profile and internal capital and liquidity adequacy. The processes are commonly referred to as ICAAP (internal capital adequacy assessment process) and ILAAP (internal liquidity adequacy assessment process).

ICAAP is a continuous process, covering internal risk self-assessment, ILAAP, Stress testing, Risk Appetite Framework review and is held throughout the year. The yearly recurring process usually starts during Q4 and is finalized by the date set by the regulator. ICAAP is considered a working tool that enables the Bank to have a sound capital and liquidity management throughout the year. Consistent with this approach, relevant parts of ICAAP (e.g. Stress test of Financial plan, Liquidity Stress test) could be held more frequently in case it is needed.

The Group estimates its internal capital needs during ICAAP and prepares ILAAP and Stress Tests on the Group level. ICAAP, ILAAP and Stress tests processes are performed on pan-Baltic level.

The objectives and scope of the ICAAP is:

- to be risk-based and forward-looking, and thus consider at least the following aspects: regulatory requirements, economic environment of the Baltic countries, capital targets, identified current and projected risks and available capital;
- the complexity and level of detail of ICAAP is proportionate to the size of the Luminor Group;
- the ICAAP is, where applicable, integrated with the business plans, internal governance framework and internal control systems;
- individual risk types are combined, seeking to assess the scope of the overall risk to be incurred and to calculate capital requirement (ICAAP result);
- to guarantee that an effective and well-functioning mechanism for identifying the internal capital requirement is developed and approved by the Bank's management bodies;
- to guarantee adequate coverage of internal capital needs in consideration of risks assumed.

While conducting ICAAP/ILAAP, remarks from the ECB Joint Supervisory Teams identified during previous SREP (Supervisory Review and Evaluation Process) are addressed. For that purpose, action plan is drafted with input from all relevant departments to follow up SREP remarks and address them in the best way for the next iteration of ICAAP/ILAAP documentation.

The overall ICAAP approach in the Group is to comprehensively assess whether the current, projected and stressed levels of capital and liquidity are adequate considering both the regulatory requirements and targets set by Supervisory Council. An annual Group's ICAAP and ILAAP report is presented to the Bank's Supervisory Authorities, reviewing the ICAAP and ILAAP as part of the SREP. Integration of the 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 to give a holistic view not only on the risk profile but also on financial and strategic matters. The Group has prepared ICAAP Report on the Financial Group level for 2019 based on the financials as of the end of 2018 for the planning period of three years, i.e. 2019-2021.

Group ICAAP is initiated and coordinated by The Risk Strategy and Planning Department.

ICAAP Report 2019 is prepared on Financial Group consolidation level in order to fulfil regulatory requirements and provide a high level view on capital and liquidity structure of the whole Luminor Group. The Group level ICAAP reports incorporate ILAAP as one of the chapters.

During the ICAAP process the Group has performed self-assessment of internal risks in order to assess if each particular risk or group of risks is material, and is subject to Pillar 2 capital add-on calculation if it is not fully covered by Pillar 1 capital. The following risks are identified as not fully covered by Pillar 1 regulatory capital (liquidity risks are covered in ILAAP and are not calculated under Pillar 1 capital):

- Concentration risk (large exposures and economic sectors) within Credit risk.
- Operational risk (includes Model risk, Operational risk, Money Laundering and Terrorism Financing, and Sanction risk, Cyber risk and Compliance risk).
- Interest rate risk in banking book.
- Business risk (additional Pillar 2 capital add-on is not calculated, as risk is covered in the stress test scenario and is used to determine the management buffer).

Stress testing processes are being led by the Risk Quantification Department. Other relevant structural units including Risk Management and Control area are involved in identifying material risks through the process for risks self-assessment, development of methodologies and defining assumptions as well as estimation of the stress testing outcomes under the different stress testing scenarios. The key responsibility for separate parts of both self-assessment and stress testing rests within the Risk and Finance divisions.

Stress testing results are integrated into ICAAP in order to ensure adequate capitalisation and resilience to adverse developments. For the solvency stress testing maximum potential loss, capital adequacy ratios as well as leverage ratios were assessed under three different scenarios – Baseline, Adverse and Severe-Adverse scenarios.

Baseline scenario is based on the financial plan. The Severe Adverse scenario assumes a prolonged international trade and geopolitical tensions and escalation thereof, involving more international market players. The stress-test assumes that before global policy responses takes a full effect, the uncertainty in markets and deteriorating global economic environment will result in broad-based slowdown in euro area including Baltic countries, with euro-area economy falling into recession and Baltic countries following suite. Notably the Severe Adverse risk scenario assumes in addition a harsh double digit fall in real-estate prices to follow the external shock both in 2019 and 2020, with a stabilisation to follow. Slow recovery starting 2021 as global economy adjusts to the new normal in the international trade market, with euro-area and Baltic country growth initially remaining low as a result of sluggish global trade, spare capacities and distressed investment levels in 2019-2020. The assumptions used for Adverse scenario are similar to Severe Adverse scenario set to a softer stress level.

Reverse stress testing was performed to enable assessment of severity and plausibility of the three solvency stress testing scenarios described. Liquidity Stress testing is covered under ILAAP.

Overall, the Group is well positioned to meet 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. The Group Stress testing results on liquidity risk are assessed as acceptable and has low liquidity risk profile that is ensured by the implemented Liquidity Risk Management Strategy.

Internal Audit regularly reviews and assesses the ICAAP and ILAAP processes in the Group. The latest audit of ICAAP, with the ILAAP as the integrated part, was performed in Q1 2019.

EU OV1 – OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

TEUR		RWAs		Minimum capital requirements
		31.12.2018	30.06.2018.	31.12.2018
1	Credit risk (excluding CCR)	8,412,689	8,577,514	673,015
2	of which the standardised approach	8,412,689	8,577,514	673,015
6	CCR	55,911	51,481	4,473
7	of which mark to market	39,283	31,079	3,143
12	of which CVA	16,629	20,402	1,330
13	Settlement risk	-	-	-
14	Securitisation exposures in the banking book (after the cap)	-	-	-
19	Market risk	48,050	62,811	3,844
20	of which the standardised approach	48,050	62,811	3,844
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	276,697	276,697	22,136
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
29	**Total**	**9,208,550**	**9,383,706**	**736,684**

All Subsidiaries use mark to market method for credit counterparty risk.

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	Counter cyclical capital buffer rate 120
Breakdown by country (010):							
CC buffer 0%							
Latvia	3,432,829	-	185,137	-	185,137	27.66%	0.00%
Estonia	3,124,556	156	171,738	2	-	25.66%	0.00%
Luxembourg	118,401	-	9,416	-	9,416	1.41%	0.00%
Other countries	207,002	33	13,781	3	13,784	2.06%	0.00%
CC buffer >0%							
Lithuania	5,318,487	3,819	287,585	305	287,890	43.02%	0.50%
United Kingdom	15,781		551		551	0.08%	1.00%
Sweden	7,930		479		479	0.07%	2.00%
Other countries	6,927		278		278	0.04%	0.0008%
Total (020)	**12,231,915**	**4,010**	**668,966**	**311**	**669,277**	**100%**	

The Group recognizes general credit exposure or trading book exposure in 92 countries. The countercyclical capital buffer is calculated for each of the countries since the Subsidiaries do not use derogation for countercyclical capital buffer calculation neither on country nor Group level.

The countries in the table above are divided into two groups – countries where zero countercyclical capital buffer rates are applied, and countries with above-zero buffer rates. Furthermore, the 3 largest exposures from each group are disclosed. For group “Other countries” (many small exposures) with non-zero countercyclical buffer rates, weighted average of the buffer rates in the cohort are disclosed in column 120 of the table.

Countercyclical capital buffer rate has not been established in two of the three domicile countries (Latvia and Estonia). Institution specific buffer rate at the level of 0.22% is implied by the buffer rates in Lithuania, Sweden, United Kingdom, and other countries with an immaterial amount of exposures.

Amount of institution-specific countercyclical capital buffer.

TEUR		
010	Total risk exposure amount	9,208,550
020	Institution specific countercyclical buffer rate	0.22%
030	Institution specific countercyclical buffer requirement	20,088

RISK MANAGEMENT OBJECTIVES AND POLICIES

CHIEF RISK OFFICER'S COMMENT

Luminor Group is created explicitly for the Baltics. There is no other bank in our region that is independent and self-sustaining while covering all three Baltic states with a significant footprint. The Strategic directions set for Luminor Group are:

- Customer experience excellence,
- Strong local presence with large-scale advantages,
- Data and knowledge driven,
- Operational excellence,
- Values: Collaboration, Curiosity and Focus.

The Group has a well diversified business model. Its risks are spread over a number of industries and customer types, focusing on customers in Estonia, Latvia and Lithuania. Most of Group's risks originate from Corporate Banking, Retail Banking, Private Banking, Leasing and Pensions. Other risks originate from Group functions.

Credit risk (including Credit Value Adjustment risk) is the Group's dominant risk category representing approximately 92% of RWAs. In 2018, Group's lending portfolio has decreased, continuing to focus on sound credit quality and efforts to right-size and reprice the portfolio, in order to ensure adequate risk adjusted profitability of each individual exposure. Positive portfolio quality trend is supported by lower level of non-performing loans, despite the broader default definition according to IFRS9. Impaired loans were at 5.3% for the end of 2018 (5.5% in 2017), while total on-balance sheet allowances amounted to EUR 190.4 million, adding up to 30.7% provisioning ratio. Majority of the gross impaired loans were related to non-financial corporations' exposures primarily in Latvia and Lithuania.

Operational risk represents 7.5% of RWAs. Operational risk management in the Group is governed by Operational Risk Policy and underlying tools, the main principle of which is that operational risk should be low and risk management should ensure that risk of unexpected losses is reduced. Each manager and process owner is responsible for management of risks inherent to the activities and processes of their area and to foster sound risk management culture in their respective reporting lines.

Market risk represents 0.5% of RWAs. The Group takes on low exposure to market risk, which can be treated as the risk of losses in on- and off-balance sheet positions arising from adverse movements in market parameters such as currency exchange rates (currency risk), interest rates (interest rate risk), equity prices (equity risk) or commodity prices (commodity risk). The most significant part of market risk for the Group is interest rate risk.

Risk Management principles

The Group analyses, evaluates, accepts and manages the risk or combination of risks it is exposed to. All activities in the Group involves risk taking. Risk taking is done for the purpose of value creation for customers and shareholders.

The aim of Risk Management in the Group is to maintain a risk profile that delivers predictable income and loss volatility.

The Risk Management principles are the following:

- Risk Accountability: every area in the Group is accountable for the risks arising from their activities.
- Risk Governance: risk needs to be considered as part of the governance around any and every business decision.
- Risk Identification, Assessment, Decision Making, Management and Reporting: all material exposures must be identified, assessed, managed and reported in a timely and accurate manner.
- Internal Control system: a comprehensive internal control system must be in place to ensure that risk management and controls are executed in accordance with the guiding principles, minimum standards, risk appetite, limits and mandates.

While implementing a sound risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

Risk management in Luminor Group is based on a model with three lines of defence:

- The first line of defence is the operational management's ongoing risk management and internal control. The business units own the risk and they are responsible for daily risk management within their area. The business units are also responsible for the portfolio quality to be within the set Risk Appetite limits;
- The second line of defence is an independent control and reporting function authorized to verify that the first line is operating as intended. The risk control function is independent of the business and support units whose risks it controls but not isolated from them;
- The third line of defence consists of the Internal Audit which provides independent assessments of total risk management and control in the first and second line.

In scope of risk management, the Supervisory Board is responsible for approval of risk management strategy, covering targets and main principles of risk management, including risk appetite, as well as for monitoring of its observance. The Supervisory Board evaluates the risk management system adequacy and efficiency, oversees the conformity of risk policies with the Bank's strategy and financial plan. The Supervisory Board is supported by the Risk Committee. Their most important duty is giving opinions on overall current and future readiness of the Bank to take risk and on reports on risk profile and risk management strategy implementation (in 2018, 9 meetings of the Committee were held).

The Management Board is responsible for meeting strategic goals of risk management. The Board is liable for development, implementation and regular updates of formal strategies and procedures concerning the risk management system, including definition of risk appetite of the Bank and Group. The management Board is responsible for effectiveness of risk management system and its improvement through implementing necessary changes in case of changes to risk level in activities of the Bank and Group, changes to economic environment or flaws in the operation of systems and processes. The Management Board oversees the implementation of relevant processes and internal regulations covering all significant risks connected with the Bank's and Group's activities, concerning identification, measurement, monitoring and control of risks.

The Board is also responsible for introduction of adequate organisational structure for risk management purposes and establishing of reporting rules by relevant organisational units, including the rules of reporting to the Supervisory Board.

The rules for managing each of the risks are defined by internal procedures and policies.

Strong Capitalisation

The Group is well positioned to meet the increasing regulatory requirements towards capitalisation and is able to comply with all established capital buffer requirements. According to the stress testing results 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. The results of the stress testing show the solid capitalisation, which is capable to resist the adverse developments in the economy.

The current capitalisation level enables the Group to exploit growth opportunities in the market, implement the strategic initiatives and strive for the challenging goals set in the business strategy and financial plans. Economic profitability is the key driver in the allocation of capital, therefore only growth creating economic value is considered. This will contribute to ensuring adequate capital levels in the long run and sustainable profitability of the Group.

Solid Liquidity Position

The Group has a low liquidity risk profile. It is ensured by the implemented the Liquidity Risk Management Strategy that the Group does not take any risk positions related to the liquidity management. The general approach is that the balance sheet of the Group as a stand-alone institution in each country would be fully consistent with both the regulatory requirements and potential challenges related to the market environment.

The Group uses a set of liquidity risk metrics to measure its liquidity position, structural liquidity mismatches, and a concentration of funding. In 2018 the Luminor Subsidiaries in each Baltic country were in compliance with the all regulatory liquidity ratios and minimum reserves requirements. The Group's liquidity risk is hedged with sufficient, long-term credit lines and funding deals from parent banks (Nordea Abp and DNB ASA). The Group's consolidated stress tests results on liquidity risk are assessed as acceptable.

The Group CRO is of the opinion, that Luminor Group's AB Risk Management and Capital Adequacy Report gives a good and accurate description of the risk situation and of the way risk is measured, managed and reported in Luminor Group AB.

RISK MANAGEMENT OBJECTIVES, STRATEGIES AND CONTROLS

1. RISK MANAGEMENT AND REPORTING

Risk management principles are disclosed in the consolidated annual report section G7. RISK MANAGEMENT. This section presents:

- The Group risk management process;
- Organisational Risk division structure;
- Risk Committee functions;
- Credit risk:
    - Measurement;
    - Mitigation;
    - Limit control set-up;
    - Impairment policies;
- Market risk:
    - Measurement techniques;
    - Foreign exchange risk;
    - Interest rate risk;
    - Equity risk
- Liquidity risk:

- Liquidity risk management process
- Funding approach

- Operational risk.

In conjunction, the Risk management information is presented in Luminor Group AB Subsidiaries financial annual reports and to a more country specific, focused extent, Pillar 3 reports.
The most important risk report is the comprehensive Risk Report to the Management Board (including Chief Risk Officer), Risk Committee of the Supervisory Council and Supervisory Council. It is provided on a quarterly basis, and includes assessment of the current situation, the main conclusions, as well as information on observed trends. The risk report includes information on credit risk, market risks, liquidity risk, operational risk and reputational risk, acceptable risk level (risk appetite) indicators and development trends, fulfilment of credit strategy targets, capital adequacy, as well as ensuring regular follow-up on recovery plan indicators.
The Risk Report and other more regular narrower scope risk reports provided in the Group ensure that all senior employees have the necessary information regarding the current level of risk and potential development trends.
In order to ensure high quality and independent risk reporting, units that are not related to the core business are responsible for risk reporting.

2. CAPITALISATION POLICY

Capitalisation Policies for Luminor Group are aimed at ensuring that equity is adequate to secure effective and optimal use of equity relative to the scope and risk profile of operations.

The equity of the Group is set at a level enabling to:

- comply with minimum capital requirements and regulatory buffer requirements in a way that is consistent with the Group's risk profile and tolerance,
- exploit growth opportunities in the market,
- achieve a competitive return on equity.

Key element in the capitalisation is the implementation of Basel III / CRD IV capitalisation requirements in the local legislations. The Group is closely following development of regulatory requirements and adjusts Capitalisation Policy accordingly.

Capital Requirements

Luminor must adhere to prudential requirements as decided by the ECB in the 2018 Joint Decision on Capital. According to the 2018 Decision, the Luminor Group is required to hold capital exceeding 11.8% CET1 and 15.3% Total capital. The Decision consists of the following components in terms of Total capital and CET1:

	Total capital	CET1	Comments
Minimum Pillar 1 requirement	8.0%	4.5%	
Pillar 2 requirement	2.0%	2.0%	
O-SII (other systematically important institution) buffer	2.0%	2.0%	
Capital conservation buffer	2.5%	2.5%	
Systematic risk buffer	0.3%	0.3%	1.0% Systemic risk buffer set by Estonian regulator apply for Luminor in Estonia. 0.3% is calculated on Luminor Group level with conservative rounding upwards
Countercyclical buffer	0.5%	0.5%	Countercyclical buffer set by Lithuanian regulator apply for Luminor in Lithuania, as of June 30, 2019 it will be increased to 1.0%. 0.5% is calculated on Luminor Group level with conservative rounding upwards taking into account buffer regulatory requirement as of June 30, 2019.
Total regulatory requirement	15.3%	11.8%	

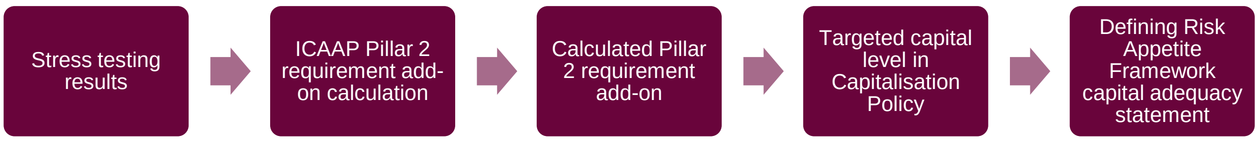
In addition, the Group has Pillar 2 capital guidance of 1.0%.

3. RISK APPETITE FRAMEWORK

The Group risk policy and guidelines are operationalized in the Risk Appetite Framework (RAF) to ensure that risk is managed and integrated with other key steering processes in the organization in a practical, structured, transparent and synchronized manner. RAF is designed as an “early warning system”.
Risk Appetite Framework (RAF) is a core element of risk culture and risk management. It includes policies, processes, limits controls and systems put in place by the Group to define, communicate and monitor how much risk the Group is willing to take on.
To support the framework a set of governance principles and operational procedures and responsibilities are defined. These are vital to ensure risk appetite contributes to risk being managed and integrated with other key steering processes in the organization, while still maintaining the required independence to function as a reference point for risk consequences of the organization’s strategic and financial planning:

- *Ownership:* Ownership of Risk appetite statements rests with the Supervisory Council of the Group. All changes to the framework and governance principles are to be approved by the Supervisory Council.
- *Annual review:* RAF is to be reviewed at least once a year in a process initiated and led by the CRO of the Group. The annual review is to take place independently from strategic and financial planning processes. In addition to the annual review, the framework and risk appetite statement levels are subject to review in case of significant adjustments in the strategic direction of and/or altered external conditions.
- *Reporting:* Quarterly reporting of actual risk exposure on consolidated level in the form of a “traffic light” representation (for each risk are limits in three categories – green, yellow and red). For some of the statements higher frequency of reporting (in accordance with management reporting) could be necessary. Based on this reporting structure, there are pre-defined procedures for follow-up and handling of risks that are approaching critical levels vis-à-vis the risk appetite statements (they are falling in yellow or red category), and for risk elements that may have breached such levels. Risk appetite statements are monitored and reported at least quarterly to the Management and to the Supervisory Board of the Group.
- *Accountability and responsibility*: Each risk appetite statement has assigned an owner who is responsible and accountable for follow-up in case of breach.

All material risks are covered by RAF, stress testing results are incorporated via capital adequacy statement. The RAF flow of data:



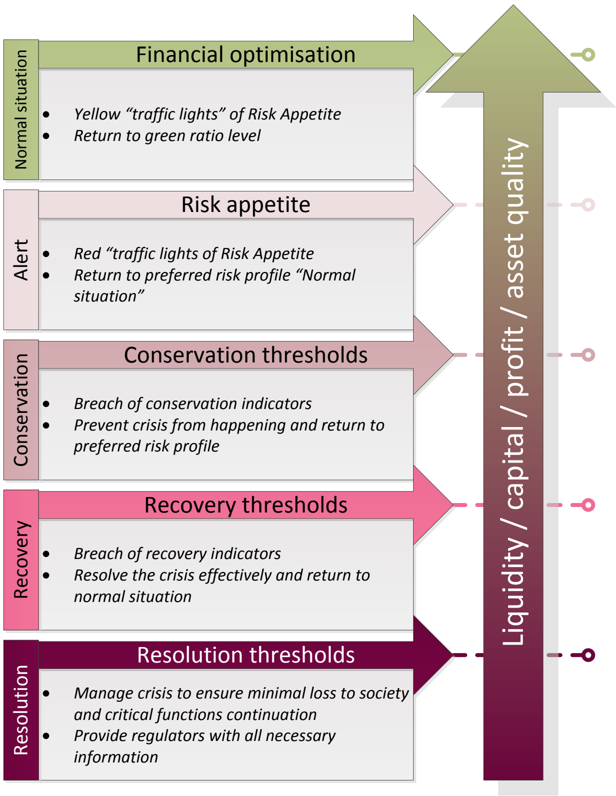
RAF is expressed in the form of metrics and statements. The Risk appetite statements are defined across the different risk types using metrics and qualitative statements. Risk Metrics follow principles of:

- *Applicability*: allowing effective monitoring of the Risk Appetite and, when relevant, the allocation of Risk appetite by business unit or segment.
- *Completeness*: the complete list of metrics covers all various risk types and exposures.
- *Consistency*: whenever relevant, metrics are based on consistent definitions and calculations in order to ensure alignment across the various risk types and businesses.
- *Ownership*: there are clear owners for each of the Risk type and its metrics (CRO, CFO, Head of Compliance depending on risk type). Daily risk decisions are made in relevant committees.

Appetite for risk in the Group is limited by following principles:
- The Group has a strong Risk Culture that promotes a conservative approach to risk taking.
- The Group does not do business with clients in geographies or industries that could lead to Reputational Risk.
- The Group does not accept dealing with clients when there are reasonable doubts about the credibility of their financials or about the legality of their activities.
- The selling of any given product followes the required Product Approval Governance. It is essential to prevent any miss-selling of products to clients to prevent Conduct Risk. On this respect, the Group does not have any appetite to make decisions that may lead to poor outcomes to the customers.
- The Group has limited risk appetite for complex structured products and for very long dated exposures.

Risk Appetite Statements cover the following categories:
- Solvency
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Reputational risk
- Compliance and AML

4. RECOVERY PLAN



For severe financial stress scenarios, the Recovery Plan (hereinafter – RP) for the Group is being updated and will be finalized till May 2019 (as per set deadline). RP would facilitate the restoration of the Group financial position without the need for any government support, while maintaining performance of critical and systemically important functions. The plan was drawn up using several main principles aiming to be in line with the ethical standards and regulatory rules: preserving the critical banking functions, protecting depositors, taking actions in order to maintain the stability of the financial system, maintaining and enhancing public and market confidence in the stability of the financial system. As a vital part of corporate governance and the overall risk management framework, the document and its principles are to be reviewed at least once a year.

The whole RP document with recovery indicators supplement the other risk management frameworks currently used in the Group such as the RAF and the new resolution regime, create multi-layer protective barriers.

The RP presents different type indicators: marking the recovery and conservation thresholds that would activate the RP. This framework enables to better describe any means taken to restore a normal situation.

The indicators are aligned with RAF and monitoring structure to ensure an appropriate risk governance process. The indicators are based on EBA's minimum list of required indicators, adapted to the Group business model and market position as appropriate to alert the deteriorating conditions that could lead to activation of the RP. As prescribed in EBA's guidelines, the number of indicators should be adequately targeted and manageable by the institution.

The Group has defined RP indicators with corresponding recovery and/or conservation indicator levels within the five categories prescribed by EBA's Guidelines on RP Indicators:

- capitalisation,
- liquidity / funding,
- profitability,
- asset quality and
- macroeconomic reactions.

When calibrating the indicator levels, the Group tried to balance the need to set triggers so high that it will have sufficient time and space to recover, and, on the other hand, to reflect that recovery for the institution would mean a severe stress situation that is not easily resolved.

CREDIT RISK

Until 31 December 2017 the Subsidiaries applied different approaches locally to credit risk and counterparty credit risk reporting. Luminor LT and Luminor LV made a distinction between credit risk framework and credit counterparty risk framework in supervisory reporting while Luminor EE did not make such distinction and all exposures were reported in the credit risk framework. However, during 2018 the approach has been aligned and now all Subsidiaries make a distinction between credit risk and counterparty credit risk.

Consequently, the alignment of approach should be considered when making a comparison with previous Pillar 3 disclosures since templates for which the scope indicates credit risk framework will no longer include exposures subject to counterparty credit risk from Luminor EE.

TOTAL NET AMOUNT OF EXPOSURES

Template EU CRB-B covers exposures subject to credit risk. Reported values do not account for credit risk mitigation techniques or credit conversion factors but adjust for provisions and allowances. Such definition corresponds to the COREP original exposure value less credit risk adjustments in accordance to Annex II of Commission Implementing Regulation (EU) No 680/2014 (hereinafter "net COREP original exposure").

In accordance to Guideline EBA/GL/2016/11, the template CRB-B shall disclose net values of exposures as of 31-12-2018 as well as average of net exposures during 2018.

Credit risk management principles are disclosed in the consolidated annual report section G7: RISK MANAGEMENT.

The Group uses the following definitions:

- Past due – past due exposures (including those delayed at least 1 day) without impairment indications (no default indicators are met);
- Impaired – exposures with impairment indications (any of default indicators is met).

For detailed information on impairment indicators please consult section 1.3: Impairment policies in the consolidated annual report of Luminor AB.

EU CRB-B — Total and average net amount of exposures

TEUR		Net value of exposures 31.12.2018	Average net exposures 2018
16	Central governments or central banks	3,243,229	2,395,904
17	Regional governments or local authorities	189,953	218,792
18	Public sector entities	8,599	43,475
19	Multilateral development banks	-	-
20	International organisations	-	-
21	Institutions	237,921	312,602
22	Corporates	5,534,678	5,543,352
23	*of which: SMEs*	1,789,629	1,448,563
24	Retail	2,329,640	2,551,075
25	*of which: SMEs*	1,305,787	1,440,218
26	Secured by mortgages on immovable property	4,563,936	4,556,386
27	*of which: SMEs*	24,041	25,258
28	Exposures in default	477,806	474,686
29	Items associated with particularly high risk	42,419	55,549
30	Covered bonds	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-
32	Collective investments undertakings	-	-
33	Equity exposures	14,357	13,372
34	Other exposures	456,012	459,240
35	**Total (standardised approach)**	**17,098,554**	**16,624,435**

GEOGRAPHICAL BREAKDOWN OF EXPOSURES

The Group recognizes exposures subject to credit risk or counterparty credit risk in 92 countries. Hence, for the sake of report clarity, the Group assumed that it is relevant to disclose separately exposure in all three domicile countries of Luminor LT, Luminor EE and Luminor LV, as well as three additional countries with the largest amount of exposures. The remaining countries were summed up and disclosed as aggregate values due to their immateriality. The exposure measure in template CRB-C is net COREP original exposure.

EU CRB-C — geographical breakdown of exposures

TEUR		Lithuania	Latvia	Estonia	Finland	Luxembourg	Norway	Other countries	Total
7	Central governments or central banks	1,467,219	1,077,899	710,464	-	-	-	9	3,255,592
8	Regional governments or local authorities	123,155	15,073	51,724	-	-	-	-	189,953
9	Public sector entities	8,599	-	-	-	-	-	-	8,599
10	Multilateral development banks	-	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-	-
12	Institutions	15,637	-	418	100,332	-	116,490	59,778	292,656
13	Corporates	2,412,407	1,523,816	1,304,498	11,638	118,837	788	177,912	5,549,896
14	Retail	801,953	769,469	742,960	3,032	153	945	12,446	2,330,959
15	Secured by mortgages on immovable property	2,093,041	1,323,932	1,077,749	12,565	1,013	4,637	50,997	4,563,936
16	Exposures in default	198,979	179,121	96,894	366	2	237	2,206	477,807
17	Items associated with particularly high risk	42,173	-	-	-	-	-	245	42,419
18	Covered bonds	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-
21	Equity exposures	2,245	3,012	1,526	-	-	-	7,573	14,357
22	Other exposures	166,177	125,050	163,222	309	-	17	1,235	456,012
23	**Total (standardised approach)**	**7,331,590**	**5,017,376**	**4,149,460**	**128,243**	**120,005**	**123,113**	**312,402**	**17,182,190**

CONCENTRATION OF EXPOSURES BY INDUSTRY AND COUNTERPARTY TYPES

Template EU CRB-D covers exposures subject to credit risk framework. The reported values are net COREP original exposures. The basis for division by industry are NACE codes.

EU CRB-D — concentration of exposures by industry and counterparty types

	TEUR	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply; sewerage; waste managment and remediation activities	Construction	Wholesale and retail trade; repair of motor vehicles and motorcycles	Transporting and storage	Accommodation and food service activities	Information and communication	Financials and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence; compulsory social security	Education	Human health and social work activities	Arts, entertainment and recreation	Other services	Activities of households as employers; Private individuals	Total
7	Central governments or central banks	-	-	-	-	-	-	-	20	-	2,889	3,114,650	-	45	-	120,491	4,347	213	241	333	-	**3,243,229**
8	Regional governments or local authorities	-	-	-	-	-	-	-	10,753	-	204	-	33	33	-	178,160	143	39	32	555	-	**189,953**
9	Public sectors entities	51	-	21	80	1,046	217	9	52	-	75	-	3,626	531	124	177	419	1,894	155	123	-	**8,600**
12	Institutions	-	-	-	-	-	-	13	-	-	-	240,926	12,765	-	-	-	-	-	-	1,716	-	**255,420**
13	Corporates	303,452	35,883	938,127	240,540	43,899	449,357	1,261,548	479,656	45,109	33,464	83,479	1,045,972	174,615	217,863	7,109	5,885	18,088	8,577	107,562	16,997	**5,517,180**
14	Retail	308,464	7,601	180,484	5,841	7,710	125,412	224,209	129,545	104,617	16,422	6,825	74,591	59,615	44,815	221	5,108	13,328	8,446	334,658	671,727	**2,329,641**
15	Secured by mortgages on immovable property	4,158	-	2,568	17	-	5,406	6,404	1,311	45,888	810	1,545	23,256	2,608	706	-	538	730	238	1,150,995	3,316,759	**4,563,936**
16	Exposures in default	30,580	2,080	53,194	6,041	99	18,870	16,369	13,321	7,257	507	2,015	119,218	39,677	10,008	-	61	75	704	29,902	127,828	**477,806**
17	Items associated with particularly high risk	-	-	-	-	-	13,503	-	-	-	-	-	24,161	-	-	-	-	-	-	1,957	2,799	**42,419**
21	Equity exposures	-	-	-	-	-	-	-	-	-	90	-	-	-	-	-	-	-	-	8,110	-	**8,200**
22	Other exposures	7,008	1,804	5,934	189	177	7,449	16,725	8,231	579	1,362	4,865	1,929	4,564	10,088	1,484	604	653	625	368,245	19,654	**462,169**
23	**Total (standardised approach)**	**653,713**	**47,368**	**1,180,328**	**252,709**	**52,931**	**620,214**	**1,525,277**	**642,890**	**203,449**	**55,824**	**3,454,306**	**1,305,549**	**281,688**	**283,603**	**307,642**	**17,104**	**35,021**	**19,017**	**2,004,156**	**4,155,763**	**17,098,554**

MATURITY OF EXPOSURES

Template EU CRB-E covers exposures subject to credit risk. Reported values are net COREP original exposure.

EU CRB-E — Maturity of exposures

TEUR		Net exposure value					
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
7	Central governments or central banks	1,730,625	1,426,962	78,956	6,687	0	3,243,229
8	Regional governments or local authorities	1,250	1,530	110,964	76,210	0	189,953
9	Public sector entities	11	1,396	7,158	35	0	8,600
12	Institutions	106,511	105,304	25,464	643	0	237,922
13	Corporates	108,351	2,109,537	2,974,167	342,623	0	5,534,678
14	Retail	38,247	479,625	1,401,174	410,594	0	2,329,641
15	Secured by mortgages on immovable property	2,810	19,493	150,531	4,391,102	0	4,563,936
16	Exposures in default	36,677	177,486	134,651	128,992	0	477,806
17	Items associated with particularly high risk	0	27,459	8,913	6,048	0	42,419
21	Equity exposures	0	511	7,172	0	6,674	14,357
22	Other exposures	0	39,656	289,826	463	126,067	456,012
23	**Total (standardised approach)**	**2,024,482**	**4,388,959**	**5,188,976**	**5,363,397**	**132,741**	**17,098,554**

CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

Template EU CR1-A covers exposures that are 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	-	3,243,230	1	3,243,229
17	Regional governments or local authorities	-	189,963	10	189,953
18	Public sector entities	43	8,631	31	8,643
21	Institutions	2	237,943	22	237,923
22	Corporates	398,726	5,551,857	17,179	5,933,404
23	*Of which: SMEs*	*227,015*	1,794,841	*5,209*	2,016,647
24	Retail	97,037	2,345,793	16,152	2,426,678
25	*Of which: SMEs*	*46,822*	1,311,283	*9,574*	1,348,531
26	Secured by mortgages on immovable property	148,468	4,582,059	18,123	4,712,404
27	*Of which: SMEs*	*1,660*	24,135	*93*	25,701
28	Exposures in default	647,104	-	169,298	477,806
29	Items associated with particularly high risk	-	51,822	9,403	42,419
33	Equity exposures	-	14,867	510	14,357
34	Other exposures	2,828	456,579	567	458,840
35	**Total (standardised approach)**	**647,104**	**16,682,745**	**231,295**	**17,098,554**
37	Of which: Loans	642,120	9,505,393	213,385	9,934,128
38	Of which: Debt securities	-	82,166	-	82,166
39	Of which: Off-balance-sheet exposures	9,843	1,964,002	4,561	1,969,284

CREDIT QUALITY OF EXPOSURES BY INDUSTRY

Template EU CR1-B covers exposures subject to credit risk framework. The reported values are net COREP original exposures. The basis for division by industry are the NACE codes.

EU CR1-B — Credit quality of exposures by industry

TEUR		Gross carrying values of			
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Net values
1	Agriculture, forestry and fishing	31,004	633,851	11,142	653,713
2	Mining and quarrying	2,652	45,349	633	47,368
3	Manufacturing	53,927	1,143,950	17,549	1,180,328
4	Electricity, gas, steam and air conditioning supply	6,156	248,162	1,609	252,709
5	Water supply; sewerage; waste management and remediation activities	13	53,113	195	52,931
6	Construction	15,813	620,158	15,757	620,214
7	Wholesale and retail trade; repair of motor vehicles and motorcycles	16,115	1,524,133	14,971	1,525,277
8	Transporting and storage	17,786	634,793	9,689	642,890
9	Accommodation and food service activities	8,689	58,752	3,779	63,661
10	Information and communication	587	56,395	1,158	55,824
11	Financial and insurance activities	5,572	3,452,523	3,789	3,454,306
12	Real estate activities	86,079	1,255,541	36,071	1,305,549
13	Professional, scientific and technical activities	49,624	243,327	11,262	281,688
14	Administrative and support service activities	1,868	283,296	1,561	283,603
15	Public administration and defence; compulsory social security	0	307,658	16	307,642
16	Education	96	17,133	124	17,104
17	Human health and social work activities	144	35,226	349	35,021
18	Arts, entertainment and recreation	133	19,146	261	19,017
19	Other services	19,594	2,156,828	14,979	2,161,443
20	Activities of households as employers; Private individuals	159,816	4,064,850	86,401	4,138,264
21	**Total**	**475,669**	**16,854,181**	**231,295**	**17,098,554**

CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

In template EU CR1-C the same logic has been applied as in EU CRB-C, that is, the Group assumed that it is relevant to disclose separately each domicile country of each credit institution in consolidated by the Group – Luminor LT, Luminor EE and Luminor LV, as well as three additional countries with the largest amount of exposures.

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	Lithuania	275,672	7,143,875	87,956	7,331,590
2	Latvia	261,390	4,856,764	100,778	5,017,376
3	Estonia	123,422	4,065,608	39,570	4,149,460
4	Finland	413	128,060	230	128,243
5	Luxembourg	3	120,022	21	120,005
6	Norway	284	122,904	75	123,113
7	Other countries	3,276	311,790	2,663	312,402
8	**Total**	**664,460**	**16,749,024**	**231,295**	**17,182,190**

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

	Gross carrying values					
TEUR	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 Loans	291,767	44,139	18,624	44,842	27,346	301,564
2 Debt securities	-	-	-	-	-	-
3 Total exposures	**291,767**	**44,139**	**18,624**	**44,842**	**27,346**	**301,564**

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 the table 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	82,166	0	0	0	0	0	0	0	0	0	0	0	0
020	Loans and advances	14,005,046	70,530	45,326	640,046	640,046	640,046	218,521	-46,916	-1,711	-159,171	-70,700	182,381	144,003
030	Off-balance sheet exposures	1,973,846	0	0	8,221	9,843	4,984	0	-413	0	0	0	52	0

CHANGES IN THE STOCK OF SPECIFIC CREDIT RISK ADJUSTMENTS

Template EU CR2-A shall disclose appropriate flows within default class of exposures over the year in accordance with 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	(17,545)
3 Decreases due to amounts reversed for estimated loan losses during the period	12,382
4 Decreases due to amounts taken against accumulated credit risk adjustments	87,101
5 Transfers between credit risk adjustments	2,334
6 Impact of exchange rate difference	(484)
7 Business combinations, including acquisitions and disposals of subsidiaries	-
8 Other adjustments	38,668
9 Closing balance	**(192,203)**
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	8,683
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	(15,017)

CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS

Template EU CR2-B applies the same logic as EU CR2-A. Since the last reporting period numbers of loans and debt securities that have defaulted or impaired amounted to 267 mEUR. Out of that number effect of 86 mEUR was due to changes in accounting methodology, in particular adoption of IFRS 9.

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	267,349
3 Returned to non-defaulted status	(78,071)
4 Amounts written off	(109,262)
5 Other changes	(113,486)
6 Closing balance	**647,104**

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 and counterparty credit risk framework using net original COREP exposures;
- Luminor LV reported loans and debt securities at net original COREP exposure.

In the Group financial asset and liability netting is not used as a CRM technique.

Note that credit risk mitigation is presented in the consolidated annual report RISK MANAGEMENT part 1.2 Risk limit control and mitigation policies. Information regarding credit risk concentration within credit risk mitigation is covered in part 1.5. Loans to public, including finance lease receivables, section b) Information about collaterals of loans.

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	5,348,317	2,169,060	2,126,419	42,640
2	Total debt securities	83,193	-	-	-
3	**Total exposures**	**5,431,510**	**2,169,060**	**2,126,419**	**42,640**
4	Of which defaulted	136,908	60,909	58,121	2,788

Luminor EE					
TEUR		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
1	Total loans	1,501,664	1,094,692	1,094,692	-
2	Total debt securities	25,957	-	-	-
3	**Total exposures**	**1,527,620**	**1,094,692**	**1,094,692**	**-**
4	Of which defaulted	83,019	14,827	14,827	-

Luminor LV					
TEUR		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
1	Total loans	1,956,459	1,427,773	1,402,773	25,000
2	Total debt securities	33,134	23,076	-	23,076
3	**Total exposures**	**1,989,593**	**1,450,849**	**1,402,773**	**48,076**
4	Of which defaulted	126,254	55,760	55,760	-

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 31 December 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	3,243,224	5	3,283,801	2	9	0%
2	Regional government or local authorities	177,643	12,310	180,602	6,164	12,270	6.57%
3	Public sector entities	7,754	845	29,751	299	3,983	13.26%
6	Institutions	221,662	16,260	198,586	12,159	50,361	23.90%
7	Corporates	4,003,355	1,531,323	3,994,466	569,310	4,475,637	98.07%
8	Retail	1,948,592	381,049	1,917,813	151,982	1,351,357	65.29%
9	Secured by mortgages on immovable property	4,556,761	7,175	4,556,761	1,881	1,593,688	34.96%
10	Exposures in default	468,264	9,542	465,477	3,248	589,515	125.77%
11	Exposures associated with particularly high risk	31,644	10,775	31,644	4,844	54,733	150%
15	Equity	14,357	-	14,357	-	14,357	100%
16	Other items	456,012	-	456,012	-	266,779	58.50%
17	**Total**	**15,129,270**	**1,969,284**	**15,129,270**	**749,890**	**8,412,689**	**52.98%**

Template EU CR5 presents exposure subject to credit risk framework by asset class and risk weight. The values reported are regulatory exposure values post conversion factor and post risk mitigation techniques.

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%	Oth.		
1	Central governments or central banks	3,283,794	-	-	-	-	-	-	-	-	9	-	-	-	-	-	3,283,803	3,283,803
2	Regional government or local authorities	125,417	-	-	-	61,349	-	-	-	-	-	-	-	-	-	-	186,766	186,766
3	Public sector entities	22,002	-	-	-	135	-	7,913	-	-	-	-	-	-	-	-	30,050	30,050
6	Institutions	-	-	-	-	183,410	-	27,311	-	-	23	-	-	-	-	-	210,744	162,208
7	Corporates	-	-	-	-	-	-	112	-	-	4,563,664	-	-	-	-	-	4,563,776	4,561,320
8	Retail	-	-	-	-	-	-	-	-	2,069,795	-	-	-	-	-	-	2,069,795	2,069,795
9	Secured by mortgages on immovable property	-	-	-	-	-	4,558,643	-	-	-	-	-	-	-	-	-	4,558,643	4,558,643
10	Exposures in default	-	-	-	-	-	-	-	-	-	227,145	241,580	-	-	-	-	468,724	468,724
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	36,489	-	-	-	-	36,489	36,489
15	Equity	-	-	-	-	-	-	-	-	-	14,357	-	-	-	-	-	14,357	14,357
16	Other items	178,266	-	-	-	13,709	-	-	-	-	264,037	-	-	-	-	-	456,012	455,946
17	**Total**	**3,609,479**	**-**	**-**	**-**	**258,604**	**4,558,643**	**35,336**	**-**	**2,069,795**	**5,069,236**	**278,069**	**-**	**-**	**-**	**-**	**15,879,161**	**15,828,102**

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.

As described in the previous section, until December 31, 2017 counterparty credit risk framework was reported separately from credit risk framework in Luminor LT and Luminor LV. In Luminor EE it was reported jointly with credit risk therefore previously this section included data from two Subsidiaries only. Since the approach has now been aligned, all three Subsidiaries report counterparty credit risk framework separately from credit risk framework. These changes should be taken into account when comparing 2018 YE Pillar 3 disclosure with previous Pillar 3 disclosures.

Exposure to CCR is calculated using mark-to-market method for derivatives and financial collateral comprehensive method for SFT respectively for all Subsidiaries as of January 1, 2018.

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 clients and ISDA (International Swaps and Derivatives Association) Agreements with counterparties. 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 (with an exception of bonds provided as collateral however this is a rare occurrence); 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		45,537	38,099	-	-	83,636	39,283
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	Of which securities financing transactions				-	-	-	-
6	Of which derivatives and long settlement transactions				-	-	-	-
7	Of which from contractual cross-product netting				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						-	-
10	VaR for SFTs						-	-
11	**Total**							**39,283**

EU CCR2 — CVA capital charge

	TEUR	Exposure value	RWAs
4	All portfolios subject to the standardised method	56,866	16,628
5	**Total subject to CVA capital charge**	**56,866**	**16,628**

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

TEUR		Risk weight											Total	Of which unrated
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1	Central governments or central banks	12,363	-	-	-	-	-	-	-	-	-	-	12,363	12,363
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	13,637	41,098	-	-	-	-	-	54,735	10,166
7	Corporates	-	-	-	-	-	-	-	-	15,218	-	-	15,218	15,218
8	Retail	-	-	-	-	-	-	-	1,319	-	-	-	1,319	1,319
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
10.a	Exposures in default	-	-	-	-	-	-	-	-	-	1	-	1	1
11	**Total**	**12,363**	**-**	**-**	**-**	**13,637**	**41,098**	**-**	**1,319**	**15,218**	**1**	**-**	**83,636**	**39,067**

MARKET RISK

The Group is primarily exposed to market risks such as interest rate risk and foreign exchange risk. The Group takes on neither option risk, nor risk in commodity derivatives transactions. In those rare cases when such deals are concluded, they are hedged back-to-back, nevertheless such transactions will be the subject to other risks if applicable, e.g. counterparty risk. All transactions causing volatility risk, to the extent possible, are performed on a back-to-back basis only. The Group does not engage in proprietary stock trading, thus has no open equity positions from Markets operations.

Market risk management and control is organized in three separate lines of defence. The first line consists of the Markets Front Office who is responsible for risk management at the moment of the conclusion of the transaction, whereas the Markets Back Office is mainly responsible for deal execution related routines. The second line involves the Markets and Treasury Middle Office (MTMO) who perform market control and support functions with responsibility covering entire value chain and market risks in particular. The Group's Internal Audit performs validation of all related processes and is the third line of defence.

Interest rate risk

The most significant part of market risk for the Group is interest rate risk, while significance of other risks is lower. The main source of interest rate risk in the Group is repricing risk – risk related to the timing mismatch in the maturity and repricing of assets and liabilities of on- and off-balance sheet positions. Pursuant to the Group's Market Risk policy and the Procedure on Market risk and Liquidity Risk Control, interest rate risk is limited in terms of Basis Point Value (BPV), i.e. the change in net cash flows (gaps) given a one basis point (0.01%) parallel shift in market interest rates. Separate limits for banking and trading activities are approved by the Management Board, which also includes separation by different currencies: EUR, USD, NOK and the rest. When calculating the total exposure the sums of BPV in each currency are aggregated irrespective if the total exposure in each individual currency is a short or long position, i.e. netting of positions between currencies is not allowed. The main part of the interest rate risk arises from the positions that are denominated in euro currency, so the risk mitigation measures are employed for these positions.

Derivative financial instruments which are used for trading operations are hedged back-to-back, which means that the impact to interest rate risk from them is immaterial for the Group. Whereas other part of derivatives transactions are performed for the treasury positions management purpose. In general, the Group's assets have longer maturities than liabilities, which creates risk due to open interest rate exposures. Therefore, interbank funding is attracted to decrease the discrepancy between long and short terms. In addition to this, interest rate swaps are used to achieve and maintain an acceptable level of interest rate risk. The BPV calculations are performed by MTMO on a regular basis (at least weekly) and submitted to the Group's Management, as well as Group's Markets and Treasury & ALM (TALM) departments for independent evaluation.

In order to properly evaluate possible shocks from interest rate movements, regular stress testing is applied to interest rate sensitive financial instruments. Using various scenarios for changes in interest rate curves, stressed results should be in line with corresponding limits set in Risk Appetite Framework (RAF). The Group in general applies a conservative approach to managing interest rate risk in an effort to balance the maturity and revaluation profiles of assets, liabilities and off-balance sheet items in order to meet the limits set by the Management Board. In 2018, the Group met all the limits set.

Foreign exchange risk

The Group's main exposure is towards euro currency (EUR), while positions of other currencies are not significant. Conservative approach to Foreign exchange (FX) risk is followed within the Group, which means that the Group is trying to balance assets, liabilities and memorandum items in foreign currencies in a way that FX risk is within the limits set by the Management Board. The limits themselves are low. The exposure is measured as the nominal value of the open FX positions converted to EUR using European Central Bank (ECB) rates. The Group is responsible for staying within the given limits – both intraday and overnight. Some technical deviations from limits are allowed only for short term when servicing customers. The Group has approved limits for USD, sum of other currencies, maximum of other currencies and total currencies.

FX risk is managed by monitoring open FX positions and keeping them close to zero on intraday basis by FX dealers, whereas Close of Business (COB) positions are verified by the MTMO.

FX positions are reported to the Management Board on a monthly basis as the part of monthly risk report. The size of foreign currency positions is insignificant after euro introduction, as the main part of the balance sheet is denominated in euro, while open positions in all other currencies are immaterial and in most cases are well below the limits.

The sensitivity of FX risk is measured regularly by the MTMO stressing open FX positions using different multipliers. For USD this adverse parameter is developed using value-at-risk (VaR) approach based on 99 per cent confidence level and 10 days holding period where the horizon of data analyzed includes the latest financial crisis in 2008-2009 and is at least 5 years of historical developments of FX rates. Whereas the multiplier for all other currencies is increased by additional 50% based on a good market practice. The calculation of sensitivity of FX risk shows immaterial impact for the Group at the end of 2018.

Market risk tolerance

The Group is aiming to keep a conservative overall risk profile in general, and will only assume risk which is comprehensible and possible to follow up. The general approach is that the balance sheet of the Group would be fully consistent with both the regulatory requirements and potential challenges related to the market environment. Market risk tolerance is reflected in the Market Risk Policy where approach to different market risks, roles and responsibilities, and limits are described. The Group is an international group with shareholders DNB Bank ASA in Norway and Nordea Bank Abp in Finland.

Risk Appetite Framework (RAF) additionally represents an operationalization of the Group policy and guidelines for risk management. The purpose of RAF is to ensure that risk management is integrated in the Group's other governance processes. Measuring risks against the RAF provides an overview of the risk situation in the Group, including figures related to market risk.

EU MR1 — MARKET RISK UNDER THE STANDARDISED APPROACH

TEUR		RWAs	Capital requirements
1	Outright products	-	-
2	Interest rate risk (general and specific)	47,982	3,838
3	Equity risk (general and specific)	66	5
4	Foreign exchange risk	-	-
5	Commodity risk	-	-
11	**Total**	**48,049**	**3,843**

EXPOSURES IN EQUITIES NOT INCLUDED IN THE TRADING BOOK

The Group does not perform proprietary stock trading. A part of the amount under position Investment in associates constitute investment in associates or subsidiaries that are outside of scope of prudential consolidation.

BANKING BOOK EQUITY EXPOSURES – BALANCE SHEET AMOUNT AND FAIR VALUE

TEUR	Balance sheet amounts		Fair value amounts	
	Listed on the active market	Unlisted on the active market	Listed on the active market	Unlisted on the active market
Financial assets at fair value through other comprehensive income	-	7,573	-	7,573
Investment in associates	-	6,784	-	6,784
TOTAL	**-**	**14,357**	**-**	**14,357**

BANKING BOOK EQUITY EXPOSURES – GAINS AND LOSSES

TEUR	Gains/losses on derecognision and impairment		Unrealised gains/losses on revaluation	
	Gains	Losses	Gains	Losses
Financial assets at fair value through other comprehensive income	-	-	1,502	-
Investment in associates	-	(780)	-	-
TOTAL	**-**	**(780)**	**1,502**	**-**

EXPOSURES TO INTEREST RATE RISK IN THE BANKING BOOK

Non-traded market risk arises in the course of core banking activities such as lending, deposit taking, and debt issuance. The main component of non-traded market risk is Interest Rate Risk in the Banking Book (IRRBB) that refers to the current or prospective risk to both the Group's capital and net interest income arising from adverse movements in interest rates affecting Group's Banking Book exposures. IRRBB can materialize through changes in the net present value of future cash flow from the Banking Book or change in net interest rate income.

IRRBB is measured as BPV, which is the change in market value per 0.01%, referred to as basis point rate change. Risk - resulting from all types of on- and off-balance sheet instruments is transformed to BPV. IRRBB is monitored using BPV exposure limits for banking activities. The Treasury & ALM (TALM) is responsible for managing IRRBB BPV exposures and keeping them within levels approved by the Management Board. The Markets and Treasury Middle Office (MTMO) coordinates the Group's business and risk units proposal of internal IRRBB limits and is responsible for limit utilization monitoring at least on a weekly basis. IRRBB BPV results are reported to the Management Board on a monthly basis as part of monthly risk report. In case of a limit breach the TALM provides comments on the reasons and the necessary corrective actions to the MTMO. The MTMO provides an immediate limit excesses reporting to the CRO. The Group complies with internal limits established for major currencies separately, for all other currencies and all currencies together, while netting of risk between currencies is not allowed. BPV is calculated according to time bands defined in IRRBB limit approval.

Principles for market risk (including IRRBB) management, measurement, reporting and control throughout the Group are set out in the Market Risk Policy and the Procedure on Market risk and Liquidity Risk Control. Some of the functions mentioned there may be performed by each Subsidiary separately and then consolidation of interest rate risk management, measurement, reporting and control is being made by the Group. IRRBB management and control is organized in 3 lines of defense (LoD). In 1st LoD front office is responsible for risk management at the moment of the conclusion of the transaction and the Group's (or the Branch respectively) the Operations Department, the Savings & Markets Processing unit is mainly responsible for deal execution related routines. In 2nd LoD the MTMO performs market control and support functions with responsibility covering entire value chain and market risks in particular. In 3rd LoD Internal Audit performs validation of all related processes. Any changes in existing interest rate sensitive products or introduction of a new product shall not become effective before the MTMO and the TALM confirm to the product owner the Group's readiness to manage, control and report market risk according to the proposed changes.

Based on European Banking Authority (EBA) guidelines EBA/GL/2018/02 on the management of interest rate risk arising from non-trading book activities, which states that institutions should establish a framework to quantify and monitor the sensitivity of the bank's net interest income to interest rate risk from banking book, the Group measures its exposure to IRRBB in terms of potential changes to both the economic value (EVE) and earnings (NII) at least on the quarterly basis and more often if volatility of interest rates in the market is higher than usual. The latest definition is also applicable to Internal Capital Adequacy Assessment Process (ICAAP). Moreover, corresponding limits for measuring EVE and NII impact to IRRBB are set up in the Risk Appetite Framework (RAF).

EVE measures the change in the net present value of the current balance sheet and therefore of its equity value resulting from an interest rate shock. EVE stress testing is based on a duration analysis which approximates the relative change in the net present value of a financial instruments due to a marginal shift of the yield curve. The starting point is the allocation of all cash flows of interest rate sensitive instruments into time bands. The duration of each instrument is then calculated from the change of its net present value due to a shift of the yield curve. The present value of equity is obtained by multiplying the duration of equity by the value of equity (i.e. assets minus liabilities).

Six different interest rate shocks (parallel shock up; parallel shock down; steepener shock (short rates down and long rates up); flattener shock (short rates up and long rates down); short rates shock up; short rates shock down) are applied for measuring EVE sensitivity based on EBA guidelines EBA/GL/2018/02. The shock size for those six scenarios is based on historical interest rates. More precisely, for capturing the local interest rate environment and cycle, a historical time series ranging from 2000 to 2015 for various maturities is used to calculate the parallel, short-end and long-end shocks for a given currency. What is more, core assumptions based on EBA and ECB guidelines for measuring IRRBB are taken into account together with the idiosyncratic assumptions. In this method the value of equity under alternative stress scenarios is compared with the value under a base scenario. EVE is then computed as the present value of assets less liabilities, not including assumptions about equity capital. The accuracy of the valuation of the balance sheet positions is mostly dependent on the cash flows calculated and the discount rates used.

NII is calculated using static model of gap analysis which is a simple tool for identifying and estimating the interest rate exposure to repricing risk. It measures the arithmetic difference between interest-sensitive assets and liabilities of the Banking Book within the first year. Gaps with a larger volume of assets have a positive sign reflecting increasing value (income) of the Banking Book with rising value (income) of assets. Liability gaps have a negative sign reflecting decreasing value (income) of the Banking Book with rising value (income) of liabilities. Gap analysis allocates all relevant interest-sensitive assets and liabilities into a certain number of predefined time bands according to their next contractual repricing date or behavioral assumptions regarding the maturity or the repricing date. A gap is then multiplied by an assumed change in interest rates (six interest rate shocks) which are defined in the same way as in EVE calculations, i.e. based on EBA guidelines. Similarly, general assumptions based on EBA and ECB guidelines for measuring IRRBB are taken into account together with the idiosyncratic assumptions, and then base scenario NII is compared with alternative stress scenarios NII.

Core and supplementary assumptions based on EBA and ECB requirements include (but are not limited to) evaluating all interest rate sensitive instruments, using conditional cash flow modelling for current accounts, applying constant balance sheet condition, assuming fixed rate instruments to be replaced with a fixed rate instrument of the same type, original maturity and currency while for floating rate instruments the reference rate should be aligned with the one relevant at the last repricing date, considering automatic and behavioral options, taking into account interest rate floor at zero for current negative rates environment, evaluating materiality of non-performing exposures.

OPERATIONAL RISK

The Group is not using the Advanced Measurement Approach for Operational risk assessment purposes, therefore the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for is not required to be disclosed.

LIQUIDITY

Liquidity risk is the risk arising from the Group potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Liquidity risk management framework

The objective of liquidity risk management is to ensure that Luminor can always meet cash flow obligations, including on an intraday basis and across market cycles and during periods of stress. Liquidity risk is comprised of 1) funding liquidity risk, which is the risk that the Bank will not be able to meet both expected and unexpected current and future cash flow, and 2) market liquidity risk, which is the risk that the Bank will not be able, without incurring significant additional cost, to offset or eliminate a position at the market price because of inadequate market depth or market disruption.

Liquidity risk management framework consists of liquidity risk management strategy, policy, contingency funding plan and related procedures. Liquidity risk management framework shall be well aligned with Luminor's strategy and well-integrated into Luminor's enterprise risk management process, including credit, market, operational and reputational risks.

Management of liquidity risk

Liquidity risk management is divided into long-term (1 year), short-term (1 week to 3 months) risk management and intraday liquidity management. To ensure funding in situations where Luminor is in urgent need of cash and normal funding sources do not suffice, Luminor holds a liquidity buffer. The buffer's size is linked to liquidity stress testing results which form the basis of the liquidity risk appetite. The liquidity buffer consists of central bank cash and central bank eligible high-grade liquid securities, that can be readily sold or used as collateral in funding operations. The aim of short-term liquidity management is to meet the daily need for funds to ensure the compliance with the reserve and liquidity requirements set by the ECB, as well as the compliance with internal liquidity limits. Short-term liquidity is maintained through daily monitoring of the liquidity status, day-to-day funding and trading the appropriate financial instruments for liquidity purposes. Long-term liquidity risk management is supported by analysing the estimated future cash flows taking into account the deposit and loan portfolio growth as well as possible refinancing sources.

Funding strategy forms an important element in Luminor's liquidity risk management framework. Therefore, diversification of funding in terms of investor types, regions, products and instruments is an important element. A key objective of the funding strategy is to create a self-sustainable banking group. To achieve this, one key component is to gradually replace parent funding with other forms of funding – deposits and wholesale borrowing from 3rd parties. Deposits are and will remain the main funding source for Luminor, and Luminor expects to further improve the loan-to-deposits ratio in the coming years. In building the self-sustainable funding platform, access to stable and competitive funding whilst considering external requirements (e.g. regulatory requirements including management buffers), and internal requirements, as well as secure prudent liquidity management, are the key considerations. Moreover, the strategy considers market conditions such as market capacity and credit rating. To that end the strategy strives to preserve and improve Luminor's credit rating, enabling access to customer deposits and wholesale funding both in periods of stress and at an attractive cost.

Intra-day liquidity arises from intra-day timing mismatches of payments, where Luminor sends payments and expects to receive funds back later in the day to meet other outgoing payment obligations. Luminor mitigates the intra-day risk by effective operational management of intra-day liquidity (e.g. via position monitoring, payment and collateral management, client and product management). In addition, intra-day liquidity risk can be mitigated by having access to surplus of intra-day liquidity, such as balances at central banks, unencumbered liquid assets that can converted to intra-day liquidity by pledging with the central banks, or balances with other banks that can be used for intra-day settlement. An infrastructure of systems and controls is in place which enables the timely production of reports, as well as the appropriate levels of analysis needed to assess Luminor's liquidity position on an ongoing basis.

Liquidity stress testing

Liquidity stress testing is carried out to identify liquidity risk drivers and stress scenarios, which could impair Luminor's ability to meet cash-flow obligations when they come due, either because of scarce liquidity resources or significant increased costs in funding needed to generate liquidity. Liquidity stress testing is an important tool for evaluating the impact of exceptional but plausible events on the liquidity position of Luminor.

Liquidity stress-testing is conducted according to at least three scenarios: idiosyncratic, market-wide and a combination of the two. Stress-testing period shall include at least two phases: short-term acute phase and a prolonged but less acute phase. To the extent practical, Luminor seeks to analyse the behavioural characteristics of its assets, liabilities and off-balance sheet items, including those, that are non-contractual in nature, to facilitate understanding of how these items may contribute to, or place demands on, its liquidity under stress scenarios. Planned customer loan repayments may be less than contractual to reflect possible delinquencies in payments. A degree of decrease may be based on historical rates and adjusted to reflect future expectations.

Idiosyncratic crisis scenario is associated with the either real or perceived problems of the Bank, which affect public confidence (e.g. asset quality problems, solvency concerns, rumours on the Bank's credibility). The essence of the scenario is a loss of a volatile portion of deposits and inability to roll-over or replace many of the Bank's liabilities, resulting in the need to utilize a liquidity buffer. In this scenario the rest of the financial sector is not directly affected. Market-wide crisis scenario is associated with an event, such as global financial distress, local government crisis, sudden and deep economic recession, a set of negative economic indicators, etc. The essence of the scenario is a decline in the liquidity value of some assets and deterioration in funding-market conditions. Combined crisis scenario generally accumulates the worst assumptions from the idiosyncratic and market-wide scenarios.

Pricing of liquidity risk

Appropriate transfer pricing mechanisms are maintained to ensure that transactions are subject to market-based charges or benefits and incentivise behaviours that ultimately drive the Luminor's balance sheet and liquidity profile according to the strategy of Luminor. The Internal Funds Transfer Pricing framework indicates how the Luminor's funding costs, as well as those costs associated with maintaining liquidity buffers, are allocated to specific businesses or product areas.

Contingency Funding

The Contingency Funding plan addresses the strategy for managing a liquidity crisis. Contingency Funding plan ensures that Luminor's management is able to make well-informed, timely and effective decisions in the event of a liquidity crisis. It sets out a plan for the protection of the Luminor from negative and potentially damaging consequences of a liquidity crisis. The plan describes the activities to be performed and measures that will be applied during such crisis as well as monitoring and reporting of events that would lead to the implementation of the contingency funding plan. CEO of Luminor (in his absence – CFO) makes a decision as to whether the liquidity crisis has occurred / discontinued, according to the information received from Head of Market and Liquidity Risk Management Department.

Governance of liquidity risk

Luminor's liquidity risk management is governed through different layers. Liquidity risk management policy and strategy are approved by the Supervisory Council, liquidity risk management framework is established and maintained by the Management Board of Luminor. Luminor is subject to various liquidity regulations. On a consolidated level, the Luminor is regulated by the FSA in Estonia and must comply with Estonian regulatory requirements. Luminor's branches in Latvia and Lithuania are subject to local oversight by the local regulators, while still being subject to FSA requirements on a consolidated basis. Subsidiaries of Luminor are subject to local jurisdictional requirements on a stand-alone basis.

Liquidity risk is managed across three lines of defence. The First Line of Defence comprises the Group's Treasury & ALM (TALM) and the Business Areas. TALM is responsible for the daily liquidity management and Funds Transfer Pricing (FTP). To ensure funding in situations where Luminor is in urgent need of cash and the normal funding sources do not suffice, Luminor holds a liquidity buffer that consists of central bank cash and high-quality securities that can be readily sold or used as collateral in funding operations. Market Risk department acts as the Second Line of Defence and is responsible for providing independent oversight of liquidity risk. The Third Line of Defence includes the Group's Internal Audit, which is responsible for providing independent oversight of the First and Second Lines of Defence.

Measurement

Liquidity risk is measured and monitored through liquidity gap, LCR and NSFR. For the purposes of liquidity risk-assessment liquidity gap is analysed taking into account the maturity of cash flows. Liquidity risk is restricted by imposing internal limits on liquidity gap. Utilization of this limit is subject to regular monitoring and reporting to various management bodies in the Group. Liquidity gap is calculated by analysing the Group's net refinancing situation within one week, one month and three months applying a "business as usual" approach. Liquid assets and short-term liabilities are included in liquidity gap calculation for respective terms (1 week to 3 months).

Liquidity Coverage Ratio is calculated as the ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30-calendar day stress period and shall be expressed as a percentage. Since Lithuania, Latvia and Estonia are all members of the EU, LCR is applicable to the Group as a Europe wide requirement. Minimum limit of LCR is set at 100%, however the Group has substantial buffer and maintains a higher ratio. LCR is intended to promote short-term resilience of the Group's liquidity risk profile and requires to hold risk-free assets that may be easily liquidated on markets in order to meet required payments for outflows net of inflows during a thirty-day crisis period without the support from the central bank. The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding relative to the amount of required stable funding over the one-year time horizon. Minimum requirement for NSFR is 100%, however the Group has a substantial buffer and maintains a higher ratio.

ILAAP

An Internal Liquidity Adequacy Assessment Process (ILAAP) is a continuous process for Luminor. The ILAAP provides an assessment of liquidity adequacy through a comprehensive analysis of liquidity risk management practices in the respective entities.

LIQ1 PART I – LCR DISCLOSURE TEMPLATE

TEUR		Total unweighted value (average)				Total weighted value (average)			
		31.03.2018.	30.06.2018.	30.09.2018.	31.12.2018	31.03.2018.	30.06.2018.	30.09.2018.	31.12.2018
Number of data points used in the calculation of averages		3	3	3	3	3	3	3	3
1	**Total high-quality liquid assets (HQLA)**				-	2,421,868	2,299,690	2,348,641	2,737,610
2	Retail deposits and deposits from small business customers, of which:	4,198,441	4,155,880	4,210,633	4,431,566	315,020	308,417	312,319	330,253
3	*Stable deposits*	2,457,065	2,467,218	2,502,351	2,624,256	122,853	123,361	125,118	131,213
4	*Less stable deposits*	1,741,376	1,688,662	1,708,281	1,807,311	192,166	185,056	187,201	199,040
5	Unsecured wholesale funding	3,586,848	3,511,059	3,591,004	3,537,543	1,528,523	1,506,137	1,571,377	1,537,364
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	10,246	30,929	56,127	154,579	2,562	7,732	14,032	38,645
7	*Non-operational deposits (all counterparties)*	3,576,602	3,480,130	3,534,877	3,382,964	1,525,961	1,498,405	1,557,345	1,498,719
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	959,738	962,548	967,060	1,049,359	102,313	103,770	103,491	113,213
11	*Outflows related to derivative exposures and other collateral requirements*	5,429	3,180	4,247	7,263	5,429	3,180	4,247	7,263
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	954,308	959,368	962,813	1,042,096	96,884	100,590	99,244	105,950
14	Other contractual funding obligations	55,435	64,228	64,381	52,121	27,955	36,070	31,663	24,885
15	Other contingent funding obligations	650,621	600,298	571,146	522,251	36,308	33,000	30,265	26,651

TEUR		Total unweighted value (average)				Total weighted value (average)			
		31.03.2018.	30.06.2018.	30.09.2018.	31.12.2018	31.03.2018.	30.06.2018.	30.09.2018.	31.12.2018
Number of data points used in the calculation of averages		3	3	3	3	3	3	3	3
16	**Total cash outflows**					**2,010,120**	**1,987,394**	**2,049,114**	**2,032,366**
17	Secured lending (e.g. reverse repos)	46,200	56,692	-	-	46,200	56,692	-	-
18	Inflows from fully performing exposures	431,547	349,833	344,653	269,906	284,743	234,330	267,836	195,761
19	Other cash inflows	23,907	24,008	28,057	26,863	23,907	24,008	28,057	26,863
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**Total cash - inflows**	501,653	430,533	372,710	296,769	354,849	315,030	295,894	222,624
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	501,653	430,533	372,710	296,769	354,849	315,030	295,894	222,624
21	**Liquidity buffer**					2,421,868	2,299,690	2,348,641	2,737,610
22	**Total net cash outflows**					1,655,271	1,672,364	1,753,220	1,809,742
23	**Liquidity coverage ratio**					146.31%	137.51%	133.96%	151.27%

LIQ1 PART I contains the 12-month rolling average values from LCR COREP reports captured in 4 different points in time (end of each quarter in the one year period preceding the reporting date) prepared by the Group, as stipulated by EBA/GL/2017/01.

The weighting in template LIQ1 PART I is conducted in COREP reports in line with requirement laid out in Part Six of CRR. Already-weighted values are then imported and disclosure to LIQ1 PART I.

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 the end of year 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.

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**	213,127	-	14,429,559	-
030	Equity instruments	-	-	11,263	-
040	Debt securities	77,421	77,421	91,133	59,176
070	of which: issued by general governments	77,421	-	62,908	35,442
080	of which: issued by financial corporations	-	-	23,118	23,118
090	of which: issued by non-financial corporations	-	-	4,476	1,159
120	Other assets	132,882	-	14,253,368	-
121	of which: loans	132,882	-	13,873,783	-
121.a	of which: loans on demand	132,884	-	11,592,322	-
121.b	of which: mortgage loans	-	-	7,298,846	-

TEMPLATE B – COLLATERAL RECEIVED

TEUR		Fair value of encumbered collateral received or own debt securities issued	Unencumbered
			Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	**64,976**	**7,892**
140	Loans on demand	-	-
150	Equity instruments	-	-
160	Debt securities	64,976	-
190	of which: issued by general governments	64,976	-
200	of which: issued by financial corporations	54,125	-
210	of which: issued by non-financial corporations	-	-
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	7,892
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	**-**	**-**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**278,104**	-

Currently the Group utilizes three types of collateral – loans to government entities, liquid bonds and cash. The sources that consume collateral are TLTRO loans issued from central banks to LV and LT entities, and derivative deals that are made against three counterparties – DNB, Nordea and Barclays.

Under TLTRO set up, the Group is obliged to pledge collateral which after the ECB haircut is at least equal in value to TLTRO disbursement. Valuations are performed daily by the central bank and in case the value of the collateral drops below the required minimum, margin call is sent. All transactions are performed by back-office team, based on Treasury & ALM (TALM) requests.

For derivative deals separate accounts are established, where according to ISDA and CSA agreements both counterparts have to place collateral depending on the market value of the deals currently outstanding. In case of margin call, counterparty informs TALM immediately. Similarly to TLTRO, collateral is posted/withdrawn by back-office based on TALM requests.

TEMPLATE C – SOURCES OF ENCUMBREANCE

TEUR		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	205,446	239,423
011	Derivatives	9	9
	of which: Over-The-Counter	9	9
	Deposits	205,410	233,422
	Repurchase agreements	-	-
	of which: central banks	-	-
	Collateralised deposits other than repurchase agreements	205,410	233,422
	of which: central banks	26,485	27,861

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 of 31 December 2018, the leverage ratio of the Group was 10.52%. 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.

Due to the merger in 2018 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.

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 2019 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 31 December 2018, the leverage ratio for the Group is 10.35%.
2.	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	Leverage ratio has decreased in 2018 mainly due to lower Tier 1 capital and higher total risk exposure.

LRSUM: RECOHNCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES.

TEUR		Applicable amount
1	Total assets as per published financial statements	15,310,064
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	3,397
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	38,099
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)	785,014
{ES-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)	-
{ES-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	136,349
8	**Leverage ratio total exposure measure**	**16,000,225**

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)	15,139,895
2	(Asset amounts deducted in determining Tier 1 capital)	(8,319)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**15,131,575**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	45,537
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	38,099
{ES-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)**	**-**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
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	-

TEUR		CRR leverage ratio exposures
{EU-15a}	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	1,970,933
18	(Adjustments for conversion to credit equivalent amounts)	(1,185,978)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**785,014**
	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**	**1,657,306**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**16,000,226**
	Leverage ratio	
22	**Leverage ratio**	**10.3580%**
	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**
ES-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:	15,139,893
EU-2	Trading book exposures	2,304
EU-3	Banking book exposures, of which:	15,137,590
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	3,364,968
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	63,654
EU-7	Institutions	221,662
EU-8	Secured by mortgages of immovable properties	4,556,761
EU-9	Retail exposures	1,948,592
EU-10	Corporate	4,003,355
EU-11	Exposures in default	468,264
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	510,333

REMUNERATION POLICY

The Group's remunerations strategy and objectives for remuneration are set out in the Total Remuneration Policy approved by the Board of Directors of the Group (hereinafter - the "Policy"). The Policy aligns remuneration with prevailing strategies, values and goals while promoting and inciting sound risk management and cover all staff within the Group. The Policy is aligned with the remuneration regulations for credit 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.

The process of developing the Policy is integrated into the internal control framework and mechanisms established by the Group. In particular, the process for obtaining views on the proposals related to the Policy conforms to relevant general internal regulations of the Group defining requirements and responsibilities in the area of developing, updating and approving policies and other governing documents within the Group.

The Board of Directors of the Group (hereinafter – the "Board of Directors") approves the Policy 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 the Group generally conform to effective risk management and are designed to reduce the risk of excessive risk-taking. The Nomination and Remuneration Committee of the Board of Directors consists of at least 3 members from among members of the Board of Directors. The members and the chair of the Nomination and Remuneration Committee of the Board of Directors are appointed by the Board of Directors. Members of the Nomination and Remuneration Committee of the Board of Directors should possess, individually and collectively, the necessary knowledge, skills and expertise to fully understand the duties to be performed by the respective committee. In particular, members of the Nomination and Remuneration Committee of the Board of Directors should have collectively appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to credit institution's risk and capital profiles.

The Risk Committee of the Board of Directors assists the Board of Directors in the setting up sound remuneration policies, practices and processes for the Group. The Risk Committee of the Board of Directors at least once per year analyses whether the incentives envisaged in the Policy take account of the Group's operating risk, capital, liquidity and the likelihood and timing of earnings. The Risk Committee of the Board of Directors consists of at least 3 members from among the Board of Directors members.

Once approved by the Board of Directors, the requirements set out in the Policy shall be approved by competent management bodies of the relevant Group's entities (including, among other things, through development, approval and application of the relevant policies and other internal regulations of the respective Group's entities to the extent necessary according to applicable local regulatory enactments) in accordance with legal and regulatory requirements applicable at national level, taking into account that the requirements set out in the Policy are prevalent, except when the regulations applicable at national level to particular Group's entity are more stringent.

The Remuneration Committee established by the Supervisory Council of each Group's Subsidiary verifies that remuneration systems in the respective Group's Subsidiary and its subsidiaries generally conform to effective risk management and are designed to reduce the risk of excessive risk-taking. The Remuneration Committee of the Supervisory Council of Group's Subsidiary, in particular, reviews the remuneration policies, practices and processes of the respective Group's Subsidiary and its subsidiaries and prepares the decisions to be taken by the Supervisory Council of the respective Group's Subsidiary regarding the variable remuneration awarded directly to the Group's staff by or on behalf the Group (hereinafter also – the "Variable Remuneration").

The Risk Committee established by the Supervisory Council of each Group's Subsidiary assists in the establishment of sound remuneration policies, practices and processes of the respective Group's Subsidiary and its subsidiaries and, without prejudice to the tasks of the Remuneration Committee established by the Supervisory Council of the respective Group's Subsidiary, examines whether the respective incentives provided under the remuneration system (policies, practices and processes) of the respective Group's Subsidiary and its subsidiaries take into consideration the risk, capital, liquidity and the likelihood and timing of earnings of the respective Group's entity.

During 2018 the following number of meetings of the Nomination and Remuneration Committee of the Board of Directors and the Remuneration Committees of the Supervisory Councils of Luminor EE, Luminor LV and Luminor LT were held:

Name of the Committee	Number of meetings in 2018
Nomination and Remuneration Committee of the Board of Directors	9
Supervisory Council Remuneration Committee EE	6
Supervisory Council Remuneration Committee LV	3
Supervisory Council Remuneration Committee LT	3

Relevant corporate functions of the Group (including, among other, the People and Culture Division (responsible for the human resources function), relevant departments of the Finance Division responsible for financial planning and the Legal Department) and relevant independent control functions of the Group (the Compliance Division (responsible for the compliance function) and the Risk Division (responsible for the risk management function)) support the Board of Directors, its Nomination and Remuneration Committee, other decision making bodies of the Group and other stakeholders within the Group in designing and applying the Policy and the processes related thereto. The Group Internal Audit at least once per year checks implementation of the requirements set out in the Policy across the Group.

Variable Remuneration

The Variable Remuneration is designed to differentiate the Group from other sector players adopting culture focused on performance and long term company value. Where the Variable Remuneration is awarded, such awards shall take into account also the risks taken and shall support the Group in achieving and maintaining a sound capital base in line with applicable regulatory enactments. The Variable Remuneration shall promote the Group's long-term interests, which are in line with legitimate interests of the depositors and other clients, and is determined by financial and non-financial targets set to the Group's staff and an overall assessment based on the compatibility of the Group's staff with the Group's values, leadership principles and the Code of Conduct applicable within the Group, as well as overall contribution of the Group's staff to a sustainable performance of the Group. Therefore, the Variable Remuneration awards are conditional, discretionary and contingent upon a sustainable and risk-adjusted performance.

The Variable Remuneration system is based on the methodology that defines principles for calculating and allocating the Variable Remuneration pool, as well as calculating the individual reward. The Group-level and structural unit performance are considered to estimate and distribute the Variable Remuneration pool, while individual performance evaluation leads to the calculation of individual reward as part of the allocated Variable Remuneration pool.

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

- The amount of a staff member's Variable Remuneration cannot exceed 100% of the annual fixed remuneration of that staff member in a given performance year. The foregoing maximum level of the ration between the fixed and variable components of remuneration applies to the Variable Remuneration awarded to any member of staff of any Group's entity, except when the requirements under the regulatory enactments applicable to the respective Group's entity are more stringent.
- The Variable Remuneration to staff members of internal control functions established by the Group (that include risk management function performed by the Risk Division, compliance function performed by the Compliance Division and internal audit function performed by the Group Internal Audit) does not depend on performance of the business units of the Group they control.
- The severance payments should reflect performance achieved over time and not reward failure or misconduct.
- The members of staff whose professional activities have a material impact on the Group's risk profile (hereinafter also – the "Material Risk Takers") are identified in accordance with the criteria set out in Commission Delegated Regulation (EU) 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

With regard to the potential risk related to the evaluated performance of the Material Risk Takers, payment of at least 50% of the Variable Remuneration awarded to them shall be deferred over a period which is not less than 3 to 5 years and shall be paid out in suitable instruments which shall be subject to an appropriate retention policy designed to align incentives with the longer-term interests of the Group.

Equality and diversity commitments

The Group has Equality, Non-discrimination and Diversity Policy (hereinafter – ENDD) approved by the Supervisory Council. ENDD has been drawn up in accordance with legislation of labour relations as well as other legal acts in order to promote and support an environment whose values and affirms equal opportunity, diversity and inclusion in accordance with universal principles of equality, fairness and social justice.

The Group commits to:

- creating an environment in which individual differences and the contributions of all team members are recognized and valued and that promotes dignity and respect for every employee;
- promoting equality in the workplace, which facilitates collaboration and helps to create business value for customers, stakeholders, employees and society, which includes:
    - ✓ applying equal selection criteria and conditions for recruitment;
    - ✓ using equal work evaluation criteria;
    - ✓ setting equal salary ranges for equal work;
    - ✓ creating equal working conditions and providing equal privileges;
    - ✓ providing equal opportunities for improvement, professional development, requalification, acquiring practical working experience;
- not tolerating any form of intimidation, bullying, scapegoating, harassment, sexual harassment at workplace based on discrimination and from any instructions to discriminate and to discipline those that breach this Policy;

- encouraging anyone who feels they have been subject to discrimination to raise their concerns;
- avoiding victimisation and protecting employees from adverse treatment or negative consequences as a reaction to complaints against discrimination or involvement in proceeding against discrimination when such situation arises.

In 2018 45% of the Group's Executive Management (LEM) members were female and 55% were males. The Group is aiming to ensure the solid balance of male and female managers at all levels.

Directorships effectively held by Management Board members

According to the Estonian Credit Institutions Act the Management Board members of the Credit Institution cannot have any Management Board memberships outside of the Credit Institution thereby Management Board members of the Group have no effectively held directorships outside the Group.

Quantitative 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. Numbers shown below are based on gross payments to respective persons, i.e. employer taxes are not included.

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*
Estonia	2 896	224	1 349	1 900	490	6 859
Latvia	1 233	646	1 819	1 095	409	5 202
Lithuania	810	443	1 987	1 375	635	5 250
Total remuneration	**6 427**	**1 313**	**5 155**	**4 370**	**1 534**	**18 799**

*local numbers do not fully sum up to Baltic number as those members which are functionally fully Baltic are not included in local numbers.
**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
Total Remuneration = 2018 fixed pay + awarded 2018 variable remuneration + awarded severance 2018 + paid out sign-on bonus

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, TEUR		Senior management	Identified staff
1	Fixed remuneration	Number of employees	28	165
2		**Total fixed remuneration**	**6 713**	**9 422**
3	Variable remuneration	Number of employees	24	149
4		**Total variable (5+7+9)**	**1 027**	**1 636**
5		Of which: cash-based	514	818
6		Of which: deferred	-	-
7		Of which: shares or other share-linked instruments	514	818
8		Of which: deferred	-	-
9		Of which: other forms	-	-
10		Of which: deferred	-	-
	Total remuneration (2+4)		**7 740**	**11 058**

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, TEUR	Vested	Unvested
Senior management		230
Identified staff		75

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		
TEUR	Awarded during period	Paid-out during period	Reduced through performance adjustment during period
Senior management	514	-	-
Identified staff	818	-	-

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	
TEUR	Number of incumbents	Amount of payments	Number of incumbents	Amount of payments
New sign-on and severance payments	13	2 920	6	100

REM6 Severance payments

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

	Senior management			Identified staff		
TEUR	Number of incumbents	Amount of payments	Highest individual payout	Number of incumbents	Amount of payments	Highest individual payout
Payments related to severance	2	191	167	8	142	35

REM7 Remuneration of high earners

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

Salary band, mEUR	No of employees
1.0 – 1.5	1
1.5 – …	0

REFERENCE TABLE (Group and country level disclosures)

For additional information on risk management and capital adequacy in the Group please consult here:

Source	Link
Luminor Group AB annual report 2018	https://www.luminor.ee/en/financial-reports#estonia-financial-reports-2018
Luminor EE Annual report 2018	https://www.luminor.ee/en/financial-reports#estonia-financial-reports-2018
Luminor LV Annual report 2018	https://www.luminor.ee/en/financial-reports#latvia-financial-reports-2018
Luminor LT Annual report 2018	https://www.luminor.ee/en/financial-reports#lithuania-financial-reports-2018
Luminor Group Articles of Association	Published near by Pillar 3 Report
Luminor EE Articles of Association	Published near by Pillar 3 Report
Luminor LV Articles of Association	Published near by Pillar 3 Report
Luminor LT Articles of Association	Published near by Pillar 3 Report