

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

LUMINOR LITHUANIA

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 Lithuania (hereinafter referred to as the Bank) as significant subsidiary of EU parent financial holding company Luminor Group AB (Sweden) discloses information specified in Articles 437, 438, 442, 450, 451 and 453 on sub-consolidated basis regarding the Luminor Group in Lithuania (hereinafter referred to as the Group) as of 31 December 2018. 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 Group's 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 Group 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.

CONSOLIDATION GROUP

Luminor Bank AB, registration number 12029270. The following subsidiaries of Luminor Bank AB are included in the consolidation group in Lithuania.

Company name	Share capital, TEUR	Bank's share (%)	Country	Consolidation method
Luminor Būstas UAB	512	100%	Lithuania	Neither consolidated nor deducted
Luminor Investicijų valdymas UAB	1 158	100%	Lithuania	Full consolidation
UAB Intractus	18 968	100%	Lithuania	Full consolidation
UAB Industrious	10 443	99.92%	Lithuania	Full consolidation
UAB Recurso	4 521	100%	Lithuania	Full consolidation
Promano Lit UAB	9 742	100%	Lithuania	Full consolidation
Luminor Lizingas UAB	44 728	100%	Lithuania	Full consolidation

For regulatory purposes in the consolidation scope is not included Luminor Būstas UAB.

OWN FUNDS AND CAPITAL REQUIREMENTS

The Group's regulatory capital is equal to Tier 1 capital which consists of the ordinary shares, share premium, reserve capital, accumulated results of the previous financial years, the audited profit of current financial year, transitional part of revaluation reserves and less the intangible assets and goodwill, current year losses, other elements, required by the Regulation (e.g. Prudent Valuation AVAs) or by the Regulator (e.g. requirements, that are stricter than required by the Regulation), if any.

BALANCE SHEET RECONCILIATION

TEUR	31.12.2018
FINREP	
Capital	190 205
Paid up capital	190 205
Share premium	81 942
Accumulated other comprehensive income	1 875
Retained earnings	59 503
Other reserves	380 798
Other equity	-
Profit or loss attributable to owners of the parent	54 949
TOTAL EQUITY in FINREP	769 272
Accounting adjustments	
Difference in OCI due to regulatory requirements in tangible assets treatment	(1 879)
Profit/loss not eligible	(25 531)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	741 862
Regulatory adjustments	
Additional Valuation Adjustment (AVA)	(357)
Goodwill and intangibles	(2 890)
Deferred tax assets	(908)
Other deductions of CET1	(490)
TOTAL CET1	737 217

MINIMUM CAPITAL REQUIREMENTS

Minimum capital requirements are calculated according to requirements set out in CRR. Minimum capital requirements are calculated for credit risk, credit counterparty risk, market risk and operational risk and CVA. CRR determines not only approaches to be used in calculations but also defines elements of own funds and limitations regarding their inclusion in total own funds.

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 pursuant to part III, title III, chapter 4;
- 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	303 056
Central governments or central banks	-
Regional governments or local authorities	-
Public sector entities	319
Institutions	2 740
Corporates	177 182
Retail	36 751
Secured by mortgages on immovable property	59 120
Exposures in default	19 093
Items associated with particular high risk	4 379
Equity	493
Other items	2 979
Capital requirements for market risk, standardized approach	3 844
Traded debt instruments	3 839
Equities	5
Foreign exchange	-
Commodities	-
Capital requirement for settlement risk	-
Capital requirements for operational risk, standardized approach	22 135
Capital requirements for credit valuation adjustment risk	302
Total capital requirements	329 337

CAPITAL ADEQUACY

TEUR	31.12.2018
Total own funds for solvency purposes	737 217
Capital requirements	329 337
Surplus of own funds	407 880
Risk weighted assets	4 116 718
Solvency ratio of Tier 1 capital (%)	17.91%

CAPITAL INSTRUMENTS' MAIN FEATURES TEMPLATE ACCORDING TO COMMISSION IMPLEMENTING REGULATION (EU) NO 1423/2013

1	Issuer	Luminor Bank AB
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	LT0000100174
3	Governing law(s) of the instrument	Lithuania
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and (Sub-) Consolidated
7	Instrument type	Ordinary share
8	Amount recognised in regulatory capital	EUR 272 million
9	Nominal amount of instrument	EUR 33.31
10	Accounting classification	Shareholders' equity
11	Original date of issuance	2001
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.a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20.b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Non-cumulative
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)	Tier 1

36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

N/A – not applicable

Full terms and conditions of the Group's ordinary shares available in the Articles of Association published in the Group's website near by the Pillar 3 Report.

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

	(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	272 146	26 (1), 27, 28, 29, EBA list 26 (3)	-
	Of which: ordinary shares	272 146	EBA list 26 (3)	-
2	Retained earnings	59 503	26 (1) (c)	-
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	363 759	26 (1)	-
3.a	Funds for general banking risk	17 035	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)	-
	Public sector capital injections grandfathered until 1 January 2018	-	483 (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	29 418	26 (2)	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	741 861		-
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(357)	34, 105	-
8	Intangible assets (net of related tax liability) (negative amount)	(2 890)	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)	(908)	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)	(490)	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 ¹		481	-
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	(4 644)		-
29	Common Equity Tier 1 (CET1) capital	737 217		-
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)	737 217		-
Tier 2 (T2) capital: instruments and provisions				
51	Tier 2 (T2) capital before regulatory adjustments			-
Tier 2 (T2) capital: regulatory adjustments				
56.c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	467, 468, 481	-

¹ Unrealized gains subtracted from CET1 and then reclassified as Tier 2 instrument in row 56.c.

	(A)	(B)	(C)
Of which: filter for unrealised gains	-	468	-
57 Total regulatory adjustments to Tier 2 (T2) capital	-	-	-
58 Tier 2 (T2) capital	-	-	-
59 Total capital (TC = T1 + T2)	737 217	-	-
60 Total risk weighted assets	4 116 718	-	-
Capital ratios and buffers			
61 Common Equity Tier 1 (as a percentage of risk exposure amount)	17.91%	92 (2) (a), 465	-
62 Tier 1 (as a percentage of risk exposure amount)	17.91%	92 (2) (b), 465	-
63 Total capital (as a percentage of risk exposure amount)	17.91%	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)	4.98%	CRD 128, 129, 130, 131, 133	-
65 of which: capital conservation buffer requirement	2.50%	-	-
66 of which: countercyclical buffer requirement	0.48%	-	-
67 of which: systemic risk buffer requirement	0.00%	-	-
67.a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.00%	CRD 131	-
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.91%	CRD 128	-

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

Due to the Luminor Group's cross-border merger completed in January 2, 2019 ICAAP, ILAAP and Recovery planning processes are done for all Luminor Group. Details are provided in the Luminor Group's Risk Management and Capital Adequacy Disclosure 2018.

OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

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)	3 778 415	3 868 415	302 273
2	of which the standardized approach	3 778 415	3 868 415	302 273
6	CCR	13 556	12 803	1 084
7	of which mark to market	9 780	8 188	782
12	of which CVA	3 776	4 615	302
13	Settlement risk	-	-	-
19	Market risk	48 050	62 811	3 844
20	of which the standardized approach	48 050	62 811	3 844
22	Large exposures	-	-	-
23	Operational risk	276 697	276 698	22 136
25	of which the standardized approach	276 697	276 698	22 136
29	Total	4 116 718	4 220 727	329 337

COUNERCYCLICAL CAPITAL BUFFER – DISCLOSURE ACCORDING TO COMMISSION DELEGATED REGULATION (EU) NO 2015/1555

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer. Disclosure follows Commission Delegated Regulation (EU) No 2015/1555.

TEUR	General credit exposures	Sum of long and short position of trading book	Own funds requirement: General credit exposures	Own funds requirement: Trading book exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
	010	030	070	080	100	110	120

Breakdown by country (010):

CC buffer 0%

Latvia	15 017	-	987	-	987	0.33%	0.00%
Estonia	123 042	156	9 773	3	987	3.25%	0.00%
Other EU countries:	44 775	33	2 962	2	2 965	0.09%	0.00%
Other countries:	9 497	-	538	-	538	0.00%	0.00%

CC buffer >0%

Lithuania	5 286 033	3 820	285 026	335	285 362	95.01%	0.50%
Other EU countries:	12 022	-	545	-	545	0.18%	0.003%
Other countries:	3 471	-	165	-	165	0.06%	0.001%
Total (020)	5 493 858	4 010	299 997	341	300 337	100%	

CC buffer – countercyclical buffer rate

The Group recognizes general credit exposure or trading book exposure in 76 countries. Countercyclical capital buffer does not need to be calculated separately in each of them. Instead, an institution could apply some simplification and combine non-material exposures with its home country exposure (based on Commission Delegated Regulation EU 2015/155). Although, the Group does not use that derogation for countercyclical capital buffer calculation, simplification was applied for purpose of Pillar 3 report clarity.

Countercyclical capital buffer template presents Lithuania, Latvia and Estonia as countries relevant from business perspective. The rest of the countries were grouped into EU and non-EU states (many small exposures) and into non-zero or zero countercyclical buffer. For groups with non-zero countercyclical buffer rates, the column 120 in the table above shows weighted average of the buffer rates in the cohort.

Amount of institution-specific countercyclical capital buffer.

TEUR		
010	Total risk exposure amount	4 116 718
020	Institution specific countercyclical buffer rate	0.48%
030	Institution specific countercyclical buffer requirement	19 711

CREDIT RISK

Credit risk measurement and management, including information about risk limit control, mitigation and impairment policies, is covered in the Annual report of the Group.

EU CRB-B — TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

Table 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 (common reporting framework) original exposure value less credit risk adjustments in accordance to Annex II of Commission Implementing Regulation (EU) No 680/2014 (referred to as “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.

TEUR	Net value of exposures 31.12.2018	Average net exposures over the period
16 Central governments or central banks	1 467 219	1 034 820
17 Regional governments or local authorities	123 155	150 049
18 Public sector entities	8 600	43 475
19 Multilateral development banks	-	-
20 International organisations	-	-
21 Institutions	84 980	114 104
22 Corporates	2 562 711	2 656 009
23 <i>of which: SMEs</i>	619 993	355 716
24 Retail	810 774	863 344
25 <i>of which: SMEs</i>	443 640	478 288
26 Secured by mortgages on immovable property	2 115 40	2 103 587
27 <i>of which: SMEs</i>	9 412	9 606
28 Exposures in default	197 816	199 728
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	6 157	5 948
34 Other exposures	169 909	179 728
35 Total (standardised approach)	7 584 880	7 406 341

EU CRB-C - GEOGRAPHICAL BREAKDOWN OF EXPOSURE

The exposure measure in template CRB-C is net COREP original exposure.

The Group recognizes exposures subject to credit risk or counterparty credit risk in 77 countries. Hence, for the sake of report clarity, the Group assumed that it is relevant to disclose separately exposure in all three Baltic countries: Lithuania, Estonia and Latvia. The remaining countries were summed up and disclosed as aggregate values in categories "Other EU countries" and "Other countries outside EU" due to their immateriality.

TEUR		Lithuania	Latvia	Estonia	Other EU countries	Other countries	Total
7	Central governments or central banks	1 467 219	-	-	-	-	1 467 21
8	Regional governments or local authorities	123 155	-	-	-	-	123 155
9	Public sector entities	8 600	-	-	-	-	8 600
12	Institutions	46 701	356	1 890	22 952	21 279	93 178
13	Corporates	2 383 729	26 825	121 605	35 773	1 297	2 569 229
14	Retail	801 657	46	1 791	6 939	1 313	811 747
15	Secured by mortgages on immovable property	2 092 482	452	152	15 976	6 078	2 115 140
16	Exposures in default	196 295	223	-	1 054	244	197 816
17	Items associated with particularly high risk	42 174	-	-	-	245	42 419
21	Equity exposures	2 245	-	-	-	3 912	6 157
22	Other exposures	165 909	-	-	-	-	165 909
23	Total (standardised approach)	7 330 167	27 901	125 438	82 694	34 639	7 600 570

EU CRB-D - CONCENTRATION OF EXPOSURES BY INDUSTRY AND COUNTERPARTY TYPES

Table covers exposures to credit risk framework. The reported values are net COREP original exposures. The basis for division by industry are the NACE codes.

TEUR	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply; sewerage; waste management and remediation activities	Construction	Wholesale and retail trade	Transporting and storage	Accommodation and food service activities	Information and communication	Financial 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	Activities of households as employers	Other services	Total	
7 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83 193	-	-	-	-	-	-	1 467 219
8 Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	33	-123 122	-	-	-	-	-	-	-	123 155
9 Public sector entities	51	-	21	80	1 046	217	9	52	-	75	-	3 626	531	121	177	419	1 894	155	-	123	8 600	
12 Institutions	-	-	-	-	-	-	13	-	-	-	70 486	12 765	-	-	-	-	-	-	-	-	1 716	84 980
13 Corporates	155 553	11 441	503 665	63 863	13 345	141 938	607 823	197 665	20 298	13 105	122 152	379 543	55 088	151 763	196 5 718	5 119	4 373	6 496	103 568	-	2 562 711	
14 Retail	172 148	755	58 522	837	2 304	27 664	90 794	23 935	99 024	3 483	4 022	15 014	7 047	6 206	-	3 419	3 419	1 293	107 631	185 336	810 773	
15 Secured by mortgages on immovable property	2 406	-	1 045	17	-	-	2 663	671	45 704	665	90	-	595	107	-	38	139	12	910 463	1 150 526	2 115 140	
16 Exposures in default	10 937	17	14 668	916	99	14 847	10 043	2 910	6 547	272	928	53 920	469	8 748	-	28	8	627	45 922	25 910	197 816	
17 Items associated with particularly high risk	-	-	-	-	-	13 503	-	-	-	-	-	24 161	-	-	-	-	-	-	2 799	1 957	42 419	
21 Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
22 Other exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	172 066	
23 Total	341 094	12 213	577 920	65 713	16 795	198 169	711 344	225 233	171 572	17 601	489 028	489 028	63 764	166 948	206 688	7 542	10 580	6 460	1 093 310	1 637 291	7 584 880	

EU CRB-E - MATURITY OF EXPOSURES

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

TEUR		Net exposure value				No stated maturity	Total
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years		
7	Central governments or central banks	-	1 410 641	56 578	-	-	1 467 219
8	Regional governments or local authorities	1247	1 326	89 471	31 111	-	123 155
9	Public sector entities	11	1 396	7 158	35	-	8 600
12	Institutions	195	42 677	10 402	31 706	-	84 980
13	Corporates	2 217	1 111 655	1 363 750	85 088	-	2 562 711
14	Retail	849	242 167	407 389	160 368	-	810 773
15	Secured by mortgages on immovable property	22	6 260	32 705	2 076 153	-	2 115 140
16	Exposures in default	70	72 020	70 601	55 125	-	197 816
17	Items associated with particularly high risk	-	24 459	8 913	6 048	-	42 419
21	Equity exposures	-	511	5 646	-	-	6 157
22	Other exposures	-	-	165 909	-	-	165 909
23	Total (standardised approach)	4 612	2 916 113	2 218 523	2 445 633	-	7 584 880

EU CR1-A — CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

Table covers exposures subject to credit risk. 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.

TEUR		Gross carrying values of		Specific credit risk adjustment	Accumulated write-offs	Net values
		Defaulted exposures	Non-defaulted exposures			
16	Central governments or central banks	-	1 467 219	-	(317,00)	1 467 219
17	Regional governments or local authorities	-	123 158	(3)	-	123 155
18	Public sector entities	43	8 631	(31)	-	8 643
21	Institutions	-	84 996	(16)	(20,00)	84 980
22	Corporates	165 664	2 571 650	(8 939)	(44,00)	2 728 375
23	<i>Of which: SMEs</i>	87 899	101 338	(959)	-	188 278
24	Retail	25 164	814 182	(3 409)	(277 885)	835 937
25	<i>Of which: SMEs</i>	15 105	422 687	(1 464)	(193 552)	436 328
26	Secured by mortgages on immovable property	64 386	2 122 522	(7 381)	-	2 179 526
27	<i>Of which: SMEs</i>	1 608	8 552	(38)	-	10 121
28	Exposures in default	255 257	-	(57 441)	-	197 816
29	Items associated with particularly high risk	-	51 822	(9 402)	-	42 419
33	Equity exposures	-	6 157	-	-	6 157
34	Other exposures	-	165 909	-	-	165 909
35	Total (standardised approach)	255 257	7 416 246	(86 623)	(278 267)	7 584 880
37	Of which: Loans	250 273	3 864 605	(69 900)	-	34 044 978
38	Of which: Debt securities	-	-	-	-	-
39	Of which: Off-balance-sheet exposures	4 984	818 883	(1 709)	-	822 158

EU CR1-B — 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 NACE codes.

TEUR		Gross carrying values of		Specific credit	Accumulated	Net values
		Defaulted exposures	Non-defaulted exposures	risk adjustment	write-offs	
1	Agriculture, forestry and fishing	4 599	339 841	(3 346)	(5 126)	341 094
2	Mining and quarrying	-	12 224	(11)	(242)	12 213
3	Manufacturing	1515	578 391	(1 986)	(43 300)	577 920
4	Electricity, gas, steam and air conditioning supply	2	65 874	(163)	-	65 713
5	Water supply; sewerage; waste management and remediation activities	13	16 930	(149)	(67)	16 795
6	Construction	8 669	200 661	(11 162)	(49 863)	198 169
7	Wholesale and retail trade; repair of motor vehicles and motorcycles	6 168	713 482	(8 306)	(25 679)	711 344
8	Transporting and storage	1 133	226 385	(2 285)	(5 419)	225 233
9	Accommodation and food service activities	7 876	27 397	(3 488)	(2 937)	31 785
10	Information and communication	7	17 806	(212)	(77)	17 600
11	Financial and insurance activities	3 320	1 585 548	(3 254)	-	1 585 615
12	Real estate activities	1 941	502 551	(15 463)	(54 986)	489 028
13	Professional, scientific and technical activities	243	64 072	(551)	(10 178)	63 764
14	Administrative and support service activities	363	167 352	(767)	(1 093)	166 948
15	Public administration and defence; compulsory social security	-	206 692	(4)	-	206 688
16	Education	0	7 582	(40)	(32)	7 542
17	Human health and social work activities	22	10 617	(60)	(452)	10 580
18	Arts, entertainment and recreation	9	6 621	(169)	(470)	6 460
19	Activities of households as employers	33 332	1 045 292	(22 813)	-	1 055 811
20	Other services	14 609	1 792 363	(12 394)	(78 346)	1 794 578
21	Total	83 822	7 587 682	(86 623)	(278 267)	7 584 880

EU CR1-C — CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

In table, the Bank assumed that it is relevant to disclose separately exposure in home country and two other Baltic states. A reporting institution is mandated to set up materiality threshold with respect to geographical breakdown disclosure based on EBA's guidelines EBA/GL/2016/11 and EBA/GL/2014/14. The remaining countries were summed up and disclosed as aggregate values in categories "Other EU countries" and "Other countries outside EU" due to their immateriality.

TEUR	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	Accumulated write-offs	Net values
1 Lithuania	270 060	7 145 128	(85 022)	(276 635)	7 330 167
2 Latvia	490	27 931	(320)	(467)	27 902
3 Estonia	0	126 237	(799)	0	125 438
4 Other EU countries	1 192	81 798	(291)	(979)	83 269
5 Other countries	291	34 265	(191)	(185)	33 795
6 Total	272 033	7 415 159	(86 623)	(278 267)	7 600 570

EU CR1-D — AGEING OF PAST-DUE EXPOSURES

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

TEUR	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 Loans	49 801	26 308	8 307	16 150	9 619	229 488
2 Debt securities	-	-	-	-	-	-
3 Total exposures	49 801	26 308	8 307	16 150	9 619	229 488

EU CR1-E — 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).

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 performing but past due > 30 days and ≤ 90 days	of which performing forborne	of which: defaulted	of which: impaired	of which: forborne	of which: forborne	of which: forborne	of which: forborne	of which: forborne						
010 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
020 Loans and advances	6 571 591	34 615	14 212	251 436	251 436	251 436	127 670	(17 079)	(108)	(47 044)	(37 241)	178 323	70 473		
030 Off-balance sheet exposures	823 867	0	0	4 984	4 984	4 984	-	1572	-	0	-	52	-		

EU CR2-A — CHANGES IN THE STOCK OF GENERAL AND 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.

TEUR	Accumulated specific credit risk adjustment
1 Opening balance	(107 832)
2 Increases due to amounts set aside for estimated loan losses during the period	(6 697)
3 Decreases due to amounts reversed for estimated loan losses during the period	5 134
4 Decreases due to amounts taken against accumulated credit risk adjustments	35 660
5 Transfers between credit risk adjustments	1 408
6 Impact of exchange rate difference	(289)
7 Business combinations, including acquisitions and disposals of subsidiaries	-
8 Other adjustments	8 493
9 Closing balance	(64 123)
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	5 748
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	-

EU CR2-B — CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS

Table contains year flows within default class exposures. The closing balance of 31-12-2018 has been reconciled with the COREP value of default class reported e.g. in the table CR1-A. In the table below are presented gross original exposures.

TEUR	Gross carrying value defaulted exposures
1 Opening balance	268 783
2 Loans and debt securities that have defaulted or impaired since the last reporting period	65 116
3 Returned to non-defaulted status	(27 853)
4 Amounts written off	(39 576)
5 Other changes	(11 213)
6 Closing balance	255 257

CREDIT RISK MITIGATION

EU CR3 — CRM TECHNIQUES – OVERVIEW

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

EU CR4 -STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

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

TEUR	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		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	1 467 219	-	1 484 720	-	-	0,0%
2	Regional government or local authorities	121 743	1 412	124 702	705	-	0,0%
3	Public sector entities	7 754	845	29 751	299	3 983	13,3%
6	Institutions	50 792	34 187	50 791	32 196	31 537	38,0%
7	Corporates	1 952 749	609 962	1 943 859	280 096	2 208 273	99,3%
8	Retail	653 332	157 441	622 554	77 542	458 828	65,5%
9	Secured by mortgages on immovable property	2 112 590	2 551	2 112 590	817	739 004	35,0%
10	Exposures in default	192 832	4 984	190 044	2 729	238 657	123,8%
11	Exposures associated with particularly high risk	31 644	10 775	31 644	4 844	54 733	150,0%
15	Equity	6 157	-	6 157	-	6 157	100,0%
16	Other items	165 909	-	165 909	-	37 244	22,4%
17	Total	6 762 722	822 158	6 762 722	399 238	3 778 415	52,8%

LEVERAGE

The leverage ratio is determined as Tier 1 capital divided by the total 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 10,26%. 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.

TABLE LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

Table begins with FINREP total assets and then discloses reconciliation between that amount and leverage ratio total exposure measure. Starting with FINREP total assets makes adjustment for prudential consolidation scope obsolete. Disclosure of the leverage ration follows Commission Delegated Regulation (EU) No 2016/200.

TEUR		Applicable amount
1	Total assets as per published financial statements	6 777 133
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	93
4	Adjustments for derivative financial instruments	7 380
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)	406 824
7	Other adjustments	(4 247)
8	Leverage ratio total exposure measure	7 187 183

TABLE 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)	6 768 823
2	(Asset amounts deducted in determining Tier 1 capital)	(4 154)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	6 764 699
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	8 310
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	7 380
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)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivatives exposures (sum of lines 4 to 10)	15 689
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	-
{ES-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	-
{ES-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	823 867
18	(Adjustments for conversion to credit equivalent amounts)	(417 043)
19	Other off-balance sheet exposures (sum of lines 17 and 18)	406 824
Capital and total exposure measure		
20	Tier 1 capital	737 217
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	7 187 183
Leverage ratio		
22	Leverage ratio	10.26%
Choice on transitional arrangements and amount of derecognised fiduciary items		
ES-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	-

TABLE LRSPL: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

TEUR		CRR leverage ratio exposures
ES-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6 768 823
ES-2	Trading book exposures	2 304
ES-3	Banking book exposures, of which:	6 766 520
ES-5	Exposures treated as sovereigns	1 588 962
ES-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	7 754
ES-7	Institutions	50 792
ES-8	Secured by mortgages of immovable properties	2 112 590
ES-9	Retail exposures	653 332
ES-10	Corporate	1 952 749
ES-11	Exposures in default	192 832
ES-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	207 508

TABLE LRQUA: QUALITATIVE ITEMS

Row	
1.	<p>Description of the processes used to manage the risk of excessive leverage</p> <p>The Bank 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 Bank'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.</p> <p>In 2019, the Supervisory Council approved the reviewed Risk Appetite framework where also the minimum level of leverage ratio is set.</p> <p>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 10.26%.</p>
2.	<p>Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers</p> <p>During 2018 the leverage ratio of the Group increased mainly due to decrease in total exposure and increase in Tier 1 capital.</p>

REMUNERATION POLICY

Principles of variable remuneration are disclosed in the Luminor Group consolidated Pillar 3 Report.

REM1: AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY BUSINESS AREA

TEUR	LEM (Luminor Executive Management) members	Local Management Boards (excl. LEM members)	Front office	Back office	Internal control and legal functions	Total
Total remuneration	810	443	1 987	1 375	635	5 249

* 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: THE AMOUNTS OF REMUNERATION FOR DURING THE REPORTING PERIOD, SPLIT INTO FIXED AND VARIABLE REMUNERATION, AND THE NUMBER OF BENEFICIARIES

TEUR	Remuneration amount	Senior management	Identified staff
Fixed remuneration	Number of employees	6	59
	Total fixed remuneration	1 054	3 441
Variable remuneration	Number of employees	6	51
	Total variable remuneration (5+7+9)	198	555
	Of which: cash-based	99	278
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	99	278
	Of which: deferred	99	278
	Of which: other forms	-	-
	Of which: deferred	-	-
Total remuneration (2+4)		1 252	3 996

Luminor data only; the obligations taken over from ex-organizations prior the merger transaction regarding deferred amounts are not included

REM3: THE AMOUNTS OF OUTSTANDING DEFERRED REMUNERATION, SPLIT INTO VESTED AND UNVESTED PORTIONS

Outstanding deferred remuneration, TEUR	Vested	Unvested
Senior management	-	52
Identified staff	-	31

Luminor data only; the obligations taken over from ex-organizations prior the merger transaction regarding deferred amounts are not included

REM4: THE AMOUNTS OF DEFERRED REMUNERATION AWARDED DURING THE REPORTING PERIOD, PAID OUT AND REDUCED THROUGH PERFORMANCE ADJUSTMENTS

TEUR	Deferred remuneration		
	Awarded during period	Paid-out during period	Reduced through performance adjustment during period
Senior management	99	0	0
Identified staff	278	0	0

Luminor data only; the obligations taken over from ex-organizations prior the merger transaction regarding deferred amounts are not included

REM5: NEW SIGN-ON AND SEVERANCE PAYMENTS MADE DURING THE REPORTING PERIOD, THE NUMBER OF BENEFICIARIES OF SUCH PAYMENTS

TEUR	Senior management		Identified staff	
	Number of incumbents	Amount of payments	Number of incumbents	Amount of payments
New sign-on and severance payments	1	*	1	*

Information on severance payments is disclosed in the Luminor Group consolidated Pillar 3 Report taking into account that on country level the number of incumbents is so low that persons could be identifiable.

In 2018 there were no individuals being remunerated 1 million euro or more.

