Luminor

INTERIM REPORT

FOR Q1 2019

The interim report has been prepared in accordance with the IAS 34 and requirements set by the Bank of Estonia for quarterly reporting by credit institutions.

LUMINOR BANK AS, Estonia

CONTENTS

CEO COMMENT

The first quarter of 2019 started out with a full completion of the legal merger of Luminor. Luminor is an Estonian registered credit institution, with sizable branches in Lithuania and Latvia. From here on we will focus on creating a pan-Baltic, modern, and flexible organization to be a valuable business partner to our customers.

Having been born from the merger of the Baltic operations of two Northern Europe's largest financial institutions we will use this global knowhow to become the best financial partner in the Baltics for the local way of life and doing business, who is independent and free to proceed in our decisions from local interests. We will do this by being entrepreneurial, collaborative and open, and offering the best in customer experience, value management and solutions to meet the needs of our present and future customers.

The economic environment of the Baltic countries has continued to be favorable for our plans. We have taken advantage of healthy growth rates in GDP, almost full employment, balanced current accounts, a as well as healthy levels of saving rates and close to balanced budgets. We see the economic backdrop remaining positive and supportive in the coming quarters as well.

The first quarter of this year has been full of various activities. A lot of emphasis has been put on efficiency, as we have continued the processes of adjusting our operating model and building the foundation for future Luminor. We have harmonized overhead and group functions and removed duplicated activities. Our staff reductions are also progressing as planned. We continue to move ahead with our ongoing initiatives to simplify our products and services portfolio, to make the bank more accessible to all customers. We are launching a major initiative to upgrade online services across our three home markets, towards both households and corporates. Very intense work is going on in the field of system consolidation and migration. Our focus is on carving out and improving Luminor's IT environment and in that way further improve our efficiency.

We are continuously improving our funding position and growing our deposit base. Our deposits across all segments have grown by more than EUR 1 billion compared to the same period in 2018, and the loans to deposits ratio has improved to 120.1% by the end of this quarter. This is a great development in terms of supporting Luminor's funding independence and efficient balance sheet management.

Fighting financial crime will remain one of our key priorities, as it has been since the creation of Luminor. Our proficiency in monitoring and detecting cases of attempted or suspicious money laundering is continuously improving.

A consortium led by funds managed by Blackstone signed an agreement to acquire a majority stake of Luminor in September 2018. While the transaction remains subject to regulatory approval of the European Central Bank and local regulators, then based on the current state of the approval process, the parties expect to close the transaction no later than during second half of 2019. Luminor´s transformation is one of the biggest and most interesting of its kind in the Baltics. We are directing all our investments and efforts towards our vision to create a modern, accessible and truly Baltic financial partner we think our customers deserve.

Erkki Raasuke
CEO

MANAGEMENT REPORT

Overview

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

Luminor is the third-largest financial services provider in the Baltics, with approximately 1 million clients, 2760 employees, 17% market share in deposits and 21% market share in lending as at the end of first quarter 2019. Total shareholders' equity amounts to EUR 1.8 billion and Luminor is capitalized with a CET1 ratio of 20%. Luminor's vision is to become the best financial ecosystem for its customers.

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

Luminor offers a wide range of products and services to its customers in all channels, digital and physical, with 50 customer service centers in Latvia, Lithuania and Estonia. Luminor owns 293 ATMs throughout Baltic countries, and additionally provides services in 362 ATMs in co-partnership with other financial services providers.

31 March 2019				
	Estonia	*Latvia*	*Lithuania*	**Total**
No of customers	*~140 000*	*~240 000*	*~610 000*	~ 1 000 000
Market shares				
Lending	*15.8%*	*25.1%*	*22.8%*	20.9%
Deposits	*10.0%*	*17.6%*	*21.7%*	16.9%
No of client service centers, including meet- up points	*10*	*11*	*29*	50

Luminor has 25 direct subsidiaries in the Baltics: Luminor Asset Management IPAS (Latvia), Luminor Latvijas atklātais pensiju fonds AS (Latvia), UAB Luminor Investiciju valdymas (Lithuania), Luminor Pensions Estonia AS (Estonia) manage pension assets; Recurso UAB (Lithuania), Promano Lit UAB (Lithuania), Industrius UAB (Lithuania), Intractus UAB (Lithuania), Uus-Sadama 11 OÜ (Estonia), Promano Estonia OÜ (Estonia), Luminor Finance SIA (Latvia), Realm SIA (Latvia), Trioleta SIA (Latvia), Skanstes 12 SIA (Latvia), Promano Lat SIA (Latvia), Salvus SIA (Latvia), Salvus 2 SIA (Latvia), Salvus 3 SIA (Latvia), Salvus 4 SIA (Latvia), Salvus 6 SIA (Latvia) are asset management companies; Luminor Kindlustusmaakler OÜ (Estonia) provides insurance broker services; Luminor Liising AS (Estonia), Luminor Līzings SIA (Latvia), Luminor Līzings Latvija SIA (Latvia), Luminor Lizingas UAB (Lithuania) provide leasing services.

On 13 September 2018 Moody's assigned Luminor long- and short-term, foreign and local currency deposit ratings of Baa1/Prime-2.

Macroeconomic overview

During the last two years Euro area, including the Baltic countries, has enjoyed a strong broad-based recovery reflected in above-trend growth and tightening labor markets. The average annual growth rate for 2017-18 has exceeded 4% in Estonia and Latvia, with a robust 3.8% boost in Lithuania. This compares to a close to two percent average GDP advance in the Euro area.

A shift from de-synchronized growth to synchronized moderation of global growth may well be the core economic theme for 2019, with risks emanating from softer global trade and waning momentum across developed and emerging countries. This can also taper export revenues in the open Baltic economies. Euro area annual GDP growth decelerated from 1.6% in third quarter of 2018 to only

1.1% in last quarter, with softer contribution from industrial and trade sectors. Incoming data continues to be weak, especially for the manufacturing sector, mainly on account of the slowdown in external demand, which has been compounded by some country- and sector-specific factors. As the impact of these factors is turning out to be somewhat longer-lasting, the slower growth momentum is expected to extend into the current year. Looking ahead, the effect of these adverse factors is expected to unwind.

Despite the weaker backdrop in external markets the Baltic countries sustained a strong broad-based economic momentum in second half of 2018 with growth picking up towards the year end, increasing to 4.1%, 5.4%, and 3.3% annual pace respectively in Estonia, Latvia and Lithuania. While the domestic demand has remained the key growth engine, exports have also expanded at a healthy rate especially in Estonia and Lithuania. Latvia continues to exceed expectations with strong performance in consumption and investments, with the help of EU structural funds and industry appetite for investments. Structural changes proceed at a healthy pace with the share of more dynamic high value-added services (ICT, business services), and manufacturing (machinery, chemicals) expanding. The Baltic countries expansion will continue to be supported by rising wages, moderating inflationary pressures and further employment gains, and the ongoing – albeit somewhat slower – expansion in Euro area and Nordic countries.

Activities

On 2 January 2019 Luminor completed its cross-border merger and continues its operations in all Baltic countries through the Estonian head-quartered bank and its branches in Latvia and Lithuania. After the completion of the merger all assets, rights and liabilities of Luminor Bank AS (Latvia) and Luminor Bank AB (Lithuania) were transferred to Luminor Bank AS in Estonia. The bank continues the activities in Latvia and Lithuania through its locally established branches. A new organizational set up, a new governance structure, and new members of management bodies were also introduced.

The deposits and financial instruments of the depositors and customers using investment services of Luminor Bank AS Latvian branch and Luminor Bank AS Lithuanian branch are guaranteed by the deposit guarantee and investor protection scheme established and operated by the Estonian Guarantee Fund.

On 7 January 2019 Luminor proceeded with the next phase of transformation. The bank aims to transform its operating model by simplifying its structure and decision process, unifying and executing IT consolidation, strengthening its controls, and becoming more efficient, more resilient and more resolvable. Due to this Luminor team was reduced by 266 employees during first quarter of 2019.

PRODUCT AND DIGITAL DEVELOPMENT

In first quarter the start of customer data and services transfer to unified Luminor system was announced in Latvia and Lithuania. Digital team continued their efforts on developing new Luminor digital channels and preparing our current channels for customer data transfer process. The main task of this process is to offer similar functional possibilities to customers transferred and secure smooth and uninterrupted services to our customers.

The code cards still used in Latvia and Lithuania as customer authorization tool will be discontinued in the second part of the year. The customers are encouraged to discover other modern digital authorization tools and offered help in starting using them.

Open Banking developer portal was launched in the first quarter. We are also progressing with setting up more automated process in consumer and mortgage loans area.

RETAIL BANKING SEGMENT

The Retail Banking management model has been adjusted to support delivering excellence in customer experience and meeting our customers' needs. In January Luminor announced the transformation of its customer service centers network as part of the bank´s strategic initiative to be carried out during 2019. The plan consists of consolidating certain customer service centers into nearby locations, revisiting customer service model, strengthening the bank´s digital service offer, and introducing customers to cashless platforms and payment systems.

Retail banking team has consolidated its marketing and sales campaigns across the Baltics and initiated the first pan-Baltic sales campaign with aligned offer. The campaign has resulted in the growth of retail customer deposits by 14.1% in the first quarter compared to the same period in 2018. The lending volumes for retail customers remained stable during the quarter.

A lending centralization project has also been implemented and has resulted in knowledge centralization and increased effectiveness in decision making. At the end of first quarter this year, Luminor serviced its customers in total 50 customer service centers across the Baltics.

CORPORATE BANKING SEGMENT

In first quarter of 2019 servicing of the Corporate Banking customers was consolidated into a pan-Baltic Corporate Banking division. As a part of this change, our smaller corporate customers will be served in the Retail Banking division going forward. This change allows Corporate Banking to increase efficiency and improve service quality for our largest corporate customers.

During the quarter, the deposit volumes in the Corporate Banking segment continued to increase with growth rates reaching 17% compared to the same period in 2018. Loan portfolio contracted somewhat due to our focus on improving profitability of our assets. Risk-related costs were slightly positive, as loan write-backs still outweigh new provisions, as a result of positive macro-economic environment.

WEALTH MANAGEMENT SEGMENT

Wealth Management Segment has been introduced in the first quarter 2019 by merging our Private Banking, Asset Management, and Pensions segments.

Wealth Management is focusing on continued consolidation of pan-Baltic operations by transforming from a country based organizational set up to a pan-Baltic set up and development of the team. Cooperation with other business segments, customer satisfaction, participation in pension reforms in Lithuania and Latvia, and developing new sales channels in Estonia were among the main priorities during the quarter.

In the first quarter 2019 pension assets under management in Baltics reached EUR 1.28 billion, up 12% compared to same period in 2018. Luminor had 309 thousand second pillar and 64 thousand third pillar pension customers at the end of the quarter. Luminor's long-term performance of pension funds is among the best in the market in both second and third pillar funds.

Private Banking focuses on growing assets under management and keeping a high level of customer satisfaction, by helping affluent and high net worth individuals and their families to grow, manage, and preserve their wealth. During the quarter Private Banking focused on attracting new customers with several macro- and investments-related seminars. The team has continued the collaboration with Luminor’s other business segments to help deliver results. Efforts were also put towards new products, helping to implement competitive daily banking offering. During the first quarter 2019 assets under management grew 9% compared to the same period in 2018. Luminor has around 3,300 Private Banking customers.

CORPORATE SOCIAL RESPONSIBILITY IN LUMINOR

Luminor is creating a new-generation financial services provider because it is determined to build a better tomorrow – for families and businesses and for the communities and countries in which we live and operate.

Luminor is committed to taking into account corporate governance, social conditions and environment in all the activities, including product and service development, advisory services and sales, investment and credit decisions, and other operations. Luminor does not contribute to the infringement of human or labor rights, corruption, environmental harm or other actions that could be regarded as unethical.

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

ANTI-MONEY LAUNDERING RELATED MATTERS

Luminor has chosen to serve primarily customers having a strong presence and connection to the Baltic countries. When focusing on serving Baltic customers, we continuously aim for a full transparency in customers’ background, availability of KYC data, and economic rationale of activities. Luminor has a zero tolerance towards money laundering, financing of terrorism, and other financial crime. Luminor has developed and implemented a comprehensive set of measures to identify, manage and control its risks. We comply with sanctions laws and follow the guidelines, recommendations and standards issued by regulatory and supervisory authorities and relevant international organizations, as well as those issued by local banking associations and financial intelligence units in each Baltic state.

All our anti-financial crime compliance functions are operating at the pan-Baltic level, having competence centers and highly experienced and certified professionals in the following areas: data protection (DPO), AML (CAMS), Fraud Examiners, FATCA, IT compliance and digital channels, business integrity, bank products and new product development. Luminor’s Compliance division employs around 100 professionals, maintaining a robust compliance framework and processes throughout the organization.

EVENTS AFTER 31 MARCH 2019

On 2 May 2019 the Supervisory Council of Luminor has appointed Jonas Eriksson as the CFO and member of the Management Board of Luminor, effective from 1 May 2019.

Being capitalised well above the applicable regulatory requirements and internal targets, Luminor Bank has decided to pay out part of the excess capital to its sole shareholder, Luminor Group AB, the main shareholders of which are Nordea Bank Abp and DNB Bank ASA.

Luminor's current total capital ratio of 20 percent is well above the internal target of 17 percent. The internal target is deemed sufficient to meet all regulatory requirements and the capital needed to deliver Luminor's business strategy.

To facilitate the distribution, Luminor Group as the sole shareholder of Luminor Bank, made a decision on 28 May 2019 to approve Luminor Bank converting part of its share premium to share capital via a bonus share issuance, followed by a share capital reduction to effect the distribution. Luminor has received regulatory approval from the European Central Bank for such actions. The distribution will be paid once the legal waiting period of 3 months has elapsed.

After the completion of the bonus issue and the subsequent reduction of share capital, the share capital of Luminor Bank AS will remain on the same level as it is now at EUR 34 912 230.

Financial Results

On 2 January 2019 Luminor completed its cross-border merger and continues its operations in all Baltic countries through the Estonian registered bank, Luminor Bank AS, and its branches in Latvia and Lithuania. After the completion of the merger, all assets and liabilities of three Banks have been consolidated as of 2 January 2019. The 2018 comparable figures in Q1 2019 interim report of Luminor Bank AS include also the financial results of the Luminor Bank Latvia and Luminor Bank Lithuania, as if they had been merged prior to 2018.

Net profit earned in the first quarter 2019 was EUR 26.4 million, down EUR 7.0 million compared to the same period in 2018. As announced earlier in February this year, Luminor has entered its next phase of transformation and is changing its operating model. To accelerate this transformation, the new model foresees simplifying the bank's business processes and reorganizing duplicated functions and areas, where new technological approaches and organizational solutions are being introduced. As a part of the process, Luminor is also decreasing team size and has filed collective redundancy notification. This has resulted in an increase of total operating expenses in the first quarter by EUR 2.1 million compared to the same period in 2018. Total operating expenses were EUR 59.6 million, including net reversal on loans to customers EUR 7.5 million and extraordinary expenses EUR 17.2 million mostly related to IT expenses (43%), staff expenses (32%) and other transformation costs (25%).

At the same time underlying business performance contributed positively to the results. Interest income was up EUR 1 million during the quarter compared to the same period prior year. The loans to deposits ratio improved by 16% compared to the same period in 2018, from 142.6% to 120.1% in first quarter 2019, due to increase in deposit volumes. However, higher deposit volumes also contributed to an increase in interest expenses by EUR 1.6 million.

KEY FIGURES OF LUMINOR*

T EUR	Q1 2019	Q1 2018	2018 FY**
Net profit	26 367	33 407	124 949
Average equity	1 810 069	1 707 822	1 757 148
Return on equity (ROE) %	5.9	7.9	7.1
Average assets	14 725 789	14 842 924	15 201 023
Return on assets (ROA) %	0.7	0.9	0.8
Net interest income	65 980	66 766	259 733
Average interest earning assets	14 374 728	14 471 261	14 844 146
Net interest margin (NIM) %	1.9	1.9	1.7
Cost / Income ratio (C/I) %	77.2	61.9	62.3
Credit impairment ratio %***	-0.26	0.02	-0.06
Net loans	11 282 787	11 587 126	11 472 138
Deposits from customers	9 391 341	8 123 965	9 069 885
Loans to Deposits ratio %	120.1	142.6	126.4
CET 1 ratio %	20.0	17.6	18.0
NPL ratio (gross) %	4.6	5.5	5.3

* Quarterly ratios and Jan-March 2019 ratios (ROE, ROA, NIM, C/I, Credit impairment ratio) have been expressed on an annualized basis

**Luminor Group AB full year consolidated figures

***If loan recoveries prevail, ratio is negative

Explanations

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

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

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

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

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

Net interest margin (NIM) = Net interest income / Interest earning assets, average * 100

Cost / Income ratio = Total operating expenses / Total net income * 100

Credit impairment ratio = Net losses/reversal on loans to customers / Net loans, average * 100

Loans / Deposits ratio = Loans to customers / Deposits from customers * 100

CET 1 ratio = Common Equity Tier 1 Capital/ Risk-weighted Assets

NPL ratio = Gross impaired Loans (Stage 3 loans) / Gross Loans * 100

LENDING AND DEPOSITS

Loans to customers totaled EUR 11.3 billion at the end of first quarter, down 2% from previous quarter. Loans to non-financial corporate customers comprised 46% and loans to households 52% of the credit portfolio of Luminor. The market share of Luminor's loans in Baltics was 20.9%.

Lending			31 March 2019		
T EUR	**Households**	**Non-financial corporations**	**General governments**	**Other financial corporations**	**Total**
Total	5 878 984	5 156 610	203 938	43 255	11 282 787
Estonia	*1 430 638*	*1 581 580*	*83 341*	*38 497*	*3 134 056*
Latvia	*1 723 905*	*1 492 532*	*5 176*	*3 830*	*3 225 443*
Lithuania	*2 724 441*	*2 082 498*	*115 421*	*928*	*4 923 288*

Deposits			31 March 2019		
T EUR	**Households**	**Non-financial corporations**	**General governments**	**Other financial corporations**	**Total**
Total	3 741 397	3 868 670	1 385 275	393 376	9 388 718
Estonia	*514 034*	*823 779*	*177 361*	*257 615*	*1 772 789*
Latvia	*1 234 718*	*1 295 772*	*169 131*	*105 048*	*2 804 669*
Lithuania	*1 992 645*	*1 749 119*	*1 038 783*	*30 713*	*4 811 260*

Deposits from customers totaled EUR 9.4 billion at the end of the first quarter, up 4% from the previous quarter. Deposits from non-financial corporate clients comprised 41% and deposits from households 40% of the customer deposit portfolio of Luminor. The market share of Luminor's deposits in Baltics was 16.9%.

The loans to deposits ratio improved and reached 120.1% at the end of the first quarter, compared to 126.5% in the previous quarter. Total equity at the end of the quarter stood at EUR 1.82 billion, up 1.3% from the previous quarter.

ASSET QUALITY FOR Q1 2019

During first quarter 2019 the quality of Luminor loan portfolio has improved. The focus continues to be on sound credit quality and efforts to right-size and re-price the portfolio, in order to ensure adequate risk-adjusted profitability of each individual exposure. The allowances for on-balance sheet exposures amounted to EUR 173.1 million or 1.5% of total loan portfolio, down EUR 19.1 million from the previous quarter (of which EUR 12.0 million decrease in allowances for impaired (Stage 3) loans and EUR 7.1 million for performing (Stage 1 and Stage 2) loans).

The volume of impaired loans decreased by EUR 99.6 million during the first quarter and the share of impaired loans to total loan portfolio decreased by 0.8% to 4.6%. The decrease is related to write-offs, repayments, and return to performing status. The allowances level on the impaired loans was 25.0%.

Asset quality of Luminor as of 31 March 2019

	31 March 2019			
T EUR*	**Total**	***Estonia***	***Latvia***	***Lithuania***
Financial corporations				
Stage1				
Gross carrying amount	38 953	*36 857*	*1 413*	*683*
Allowances	-105	*-101*	*-1*	*-3*
Carrying amount	**38 848**	***36 756***	***1 412***	***680***
Stage 2				
Gross carrying amount	4 451	*1 767*	*2 435*	*249*
Allowances	-53	*-25*	*-27*	*-1*
Carrying amount	**4 398**	***1 742***	***2 408***	***248***
Stage 3				
Gross carrying amount	10	*0*	*9*	*1*
Allowances	0	*0*	*0*	*0*
Carrying amount	**10**	***0***	***9***	***1***
Total carrying amount for financial corporations	**43 256**	***38 498***	***3 829***	***929***
General government				
Stage1				
Gross carrying amount	203 274	*83 335*	*5 104*	*114 835*
Allowances	-8	*-3*	*0*	*-5*
Carrying amount	**203 266**	***83 332***	***5 104***	***114 830***
Stage 2				
Gross carrying amount	647	*9*	*71*	*567*
Allowances	-2	*0*	*0*	*-2*
Carrying amount	**645**	***9***	***71***	***565***
Stage 3				
Gross carrying amount	30	*0*	*0*	*30*
Allowances	-3	*0*	*0*	*-3*
Carrying amount	**27**	***0***	***0***	***27***
Total carrying amount for general government	**203 938**	***83 341***	***5 175***	***115 422***
Private customers (households)				
Stage1				
Gross carrying amount	5 324 783	*1 365 517*	*1 516 884*	*2 442 382*
Allowances	-6 720	*-2 632*	*-1 955*	*-2 133*
Carrying amount	**5 318 063**	***1 362 885***	***1 514 929***	***2 440 249***
Stage 2				

Gross carrying amount	417 720	*54 526*	*154 502*	*208 692*
Allowances	-20 813	*-2 480*	*-11 697*	*-6 636*
Carrying amount	**396 907**	***52 046***	***142 805***	***202 056***
Stage 3				
Gross carrying amount	227 323	*17 926*	*105 388*	*104 009*
Allowances	-63 308	*-2 220*	*-39 213*	*-21 875*
Carrying amount	**164 015**	***15 706***	***66 175***	***82 134***
Total carrying amount for private customers	**5 878 985**	***1 430 637***	***1 723 909***	***2 724 439***
Business customers (non-financial corporates)				
Stage1				
Gross carrying amount	3 726 975	*1 039 853*	*1 216 818*	*1 470 304*
Allowances	-6 050	*-2 685*	*-1 322*	*-2 043*
Carrying amount	**3 720 925**	***1 037 168***	***1 215 496***	***1 468 261***
Stage 2				
Gross carrying amount	1 214 191	*479 958*	*193 455*	*540 778*
Allowances	-7 994	*-3 838*	*-1 318*	*-2 838*
Carrying amount	**1 206 197**	***476 120***	***192 137***	***537 940***
Stage 3				
Gross carrying amount	297 548	*92 996*	*114 117*	*90 435*
Allowances	-68 062	*-24 704*	*-29 220*	*-14 138*
Carrying amount	**229 486**	***68 292***	***84 897***	***76 297***
Total carrying amount for business customers (non-finan corporates)	**5 156 608**	***1 581 580***	***1 492 530***	***2 082 498***
Totals				
Gross carrying amount Stage 1	9 293 985	*2 525 562*	*2 740 219*	*4 028 204*
Gross carrying amount Stage 2	1 637 009	*536 260*	*350 463*	*750 286*
Gross carrying amount Stage 3	524 911	*110 922*	*219 514*	*194 475*
Total Gross carrying amount	**11 455 905**	***3 172 744***	***3 310 196***	***4 972 965***
Allowances Stage 1	-12 883	*-5 421*	*-3 278*	*-4 184*
Allowances Stage 2	-28 862	*-6 343*	*-13 042*	*-9 477*
Allowances Stage 3	-131 373	*-26 924*	*-68 433*	*-36 016*
Total allowances	**-173 118**	***-38 688***	***-84 753***	***-49 677***
Total carrying amount	**11 282 787**	***3 134 056***	***3 225 443***	***4 923 288***
Gross Stage 3 loans vs Gross loans (NPL ratio), %	4.58	*3.50*	*6.63*	*3.91*
Allowances Stage 3 vs Gross Stage 3 loans (Stage 3 impairmen ratio), %	25.03	*24.27*	*31.17*	*18.52*
Allowances vs Gross loans (Impairment ratio), %	1.51	*1.22*	*2.56*	*1.00*

* excluding Loans to Credit Institutions

Explanations:

Gross Stage 3 Loans vs Gross Loans (NPL ratio) % = Gross Stage 3 Loans / Gross Loans

Stage 3 Impairment ratio % = Allowances Stage 3 / Gross Stage 3 Loans

Impairment ratio % = Total Allowances / Total Gross Loans

The credit quality of loans at 31 March 2019 is disclosed in the table below according to the risk scale as set in the Credit Manual: probability of default for low risk rating grades (1 to 4) is in the range from 0.00 % to 0.75 %, for moderate risk rating grades (5 to 7) it is from 0.75 % to 3.00 %, for high risk rating grades (from 8 to 10) it is from 3.00 % to 40.00 %.

Loans to public, 31 March 2019, T EUR	Stage 1	Stage 2	Stage 3	Total
Low risk	5 321 644	314 094	0	**5 635 738**
Moderate risk	3 812 366	829 456	0	**4 641 822**
High risk	159 974	493 460	0	**653 434**
Default	0	0	524 911	**524 911**
Gross	**9 293 984**	**1 637 010**	**524 911**	**11 455 905**
Allowance for impairment	-12 883	-28 862	-131 373	**-173 118**
Net	**9 281 101**	**1 608 148**	**393 538**	**11 282 787**

Economic sectors

The following tables break down the loans and advances to customers at their carrying amounts, as categorized by the economic sectors of our counterparties.

T EUR	Amount 31 March 2019	%
Financial intermediation	82 623	0.7%
Agriculture, hunting, forestry, fishing	662 530	5.9%
Manufacturing	648 510	5.8%
Electricity, gas, water supply	233 768	2.1%
Construction	240 521	2.1%
Wholesale and retail trade	1 102 427	9.8%
Transport, storage, communication	511 158	4.5%
Real estate activities	1 109 153	9.8%
Public sector	207 395	1.9%
Other industries	838 747	7.4%
Private individuals	5 645 955	50.0%
Total	**11 282 787**	**100.00%**

Information about collaterals of loans

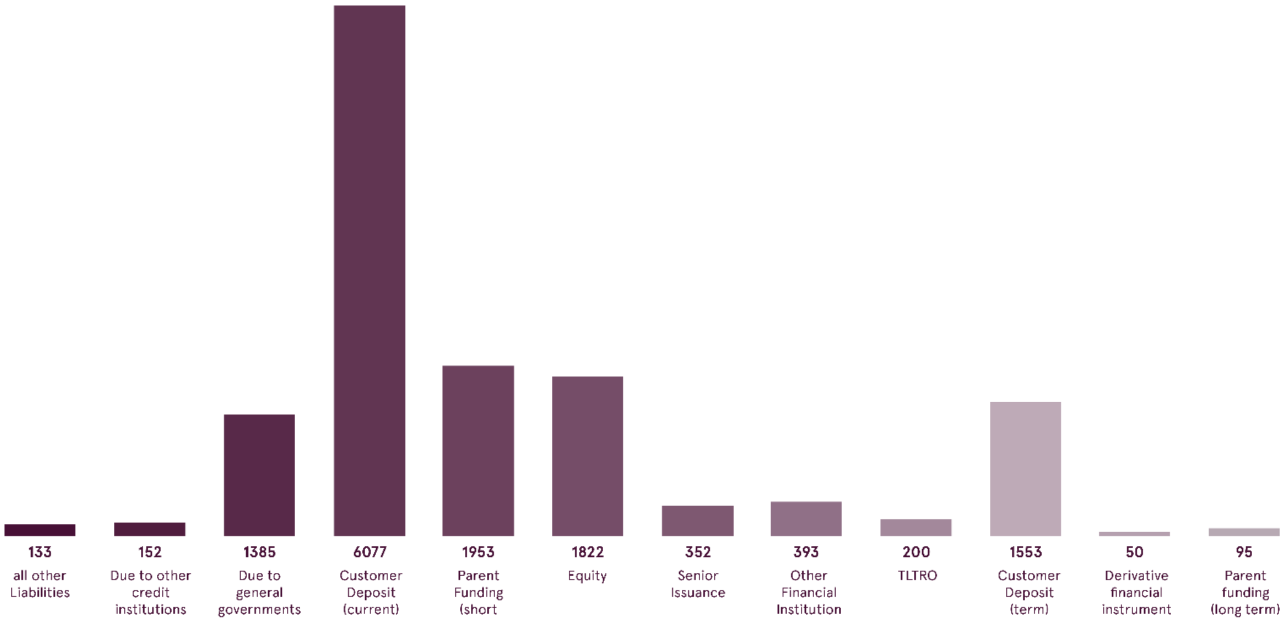
The amount of credit-impaired loans is reported together with the value of related collateral held as security in the tables below. Credit-impaired loans are most often secured by real estate and movable assets. Value for such collateral is equal to its market value (not liquidation value), which is updated shortly after identification of default.

31 March 2019 Credit-impaired loans	Gross	Of which initial impairment	Allowance for impairment	Net	Fair value of collateral
Business customers	297 588	-31 287	-68 065	229 523	260 222
Individual customers	227 323	-4 870	-63 308	164 015	194 866
Total	**524 911**	**-36 157**	**-131 373**	**393 538**	**455 088**

FUNDING

Luminor has a stable funding base with strong funding and liquidity ratios. Deposits from customers are the main funding source for Luminor and make up EUR 9.4 billion or 66.4% of total liabilities and shareholders' equity, as at first quarter 2019. Additionally, Luminor has outstanding debt securities and funding from parent banks, among other items. The funding base is predominantly EUR-denominated.

In September 2018 Moody's assigned Luminor Bank AS Senior Unsecured Medium-Term Note Program rating of Baa2. The assignment of rating was followed by a 350 million senior unsecured inaugural public bond issue with a maturity of 3 years and coupon of 1.50%. The bond is listed on the Euronext Dublin Stock Exchange. Despite the market turbulence at the time of issuance, Luminor was able to attract investors around Europe, supported by strong local demand.



As at the end of first quarter 2019, utilized parent funding amounts to EUR 2,048 million and is provided by the two parent banks in the form of a syndicate, where each parent bank provides 50%. Long-term funding was committed for 6 years (4+2), starting from the 1 October 2017, when Luminor was established, and short-term funding is in the form of revolving credit of 364 days. In addition to the outstanding utilized funding, there is also a committed credit line of EUR 2,456 million in place. When Luminor attracts external wholesale long-term (over one-year term) funding, the equal amount of parent funding will be amortized.

Rating

There were no changes to Luminor's ratings in the first quarter.

LIQUIDITY

The LCR (Liquidity Coverage Ratio) for Luminor was 131.2% at the end of the first quarter 2019, according to the Delegated Act's LCR definition. The liquidity buffer is composed of highly liquid central bank eligible securities and cash.

At the end of first quarter, Luminor's NSFR (Net Stable Funding Ratio) was 122.0% using a RSF (Required Stable Funding) factor of 65% for qualifying collateralized mortgages.

(percentage)	Q1 2019*	Q4 2018*	Q3 2018*	Q2 2018*	Q1 2018*
LCR	131.2%	189.0%	130.4%	131.1%	140.7%
NSFR**	122.0%	114.0%	106.4%	114.0%	108.0%

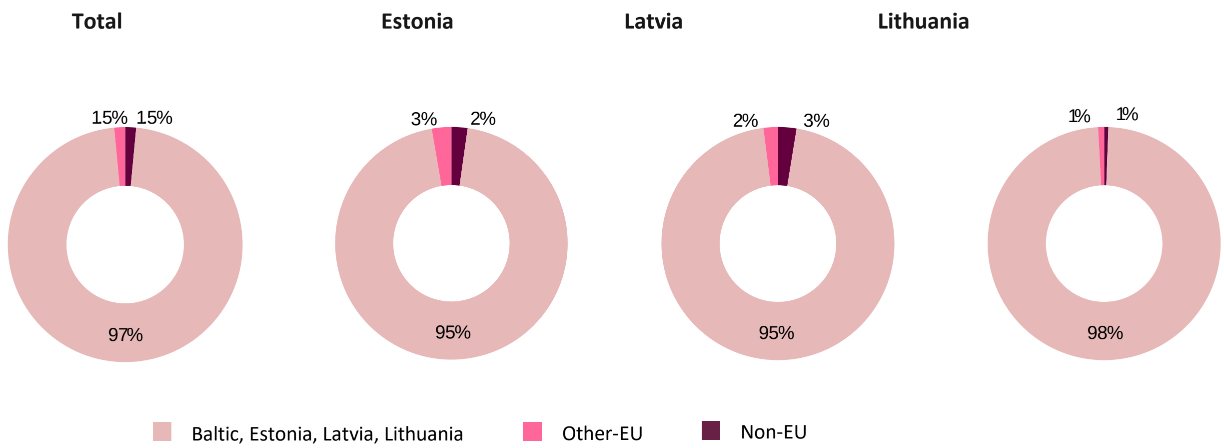
* Luminor Group AB consolidated figures

**mortgages that would qualify for 35% or lower risk weight are calculated with 85% RSF factor, 65% factor implemented since 01.01.2019.

Deposit structure

Deposits from customers are pre-dominantly from residents of Baltics. In total, 98.5% of all deposits from household and non-financial corporates are from EU residents.

Deposits split by residency per country:



CAPITAL

Capitalization of Luminor is sufficient to ensure the financial stability of the Group and satisfy the capital needed to deliver the business strategy. The Total Capital ratio of Luminor was 20.0% as at the end of Q1 2019 (Q4 2018: 18.8%), which is comfortably above the internal target of 17.0%.

The Total Capital ratio is fully covered by Common Equity Tier 1 (CET1) capital. For calculating Credit and Market risk Luminor is using the Standardized method in the Capital Adequacy calculations. Operational risk is calculated using the Basic Indicator Approach method.

At the end of Q1 2019, the Leverage Ratio, calculated according to CRR, was 12.0% (Q4 2018: 10.4%). Leverage ratio is calculated as the bank’s total Tier 1 own funds divided by its total risk exposure measure (including risk position on assets and off the balance sheet liabilities).

Capital ratios

Position	Q1 2019*	Q4 2018*	Q3 2018*	Q2 2018*	Q1 2018*
Capital adequacy	20.02%	18.04%	17.25%	17.58%	17.60%
Leverage Ratio	12.00%	10.38%	10.68%	10.84%	10.66%
CET 1 Ratio	20.02%	18.04%	17.25%	17.58%	17.60%
T1 Capital Ratio	20.02%	18.04%	17.25%	17.58%	17.60%
Total Capital Ratio	20.02%	18.04%	17.25%	17.58%	17.60%

* Luminor Group AB consolidated figures

Own fund requirements

T EUR	31 March 2019	31 December 2018*
TOTAL RISK EXPOSURE AMOUNT	8 914 159	9 208 550
1. RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	8 148 188	8 451 972
1.1 Standardized approach (SA)	8 148 188	8 451 972
1.1.1 SA exposure classes excluding securitization positions	8 148 188	8 451 972
Central governments or central banks	7 977	9
Regional governments or local authorities	15 501	12 270
Public sector entities	6 966	3 983
Institutions	75 746	73 637
Corporates	4 104 305	4 490 837
Retail	1 586 330	1 352 161
Secured by mortgages on immovable property	1 595 592	1 593 688
Exposures in default	414 096	589 516
Items associated with particular high risk	195 791	54 733
Equity	14 238	14 357
Other items	131 645	266 779
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	86 668	48 050
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	661 118	691 900
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	18 185	16 629

* Luminor Group AB consolidated figures

Statement of the Management Board

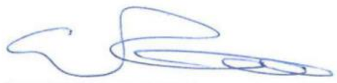
The interim report of Luminor Bank AS for Q1 2019 consists of the following parts and reports:

- Management Report;
- Condensed Consolidated Interim Financial Statements.

The data and additional information presented in the interim report of Luminor Bank AS for Q1 2019 are true and complete. The Condensed Consolidated Interim Financial Statements present a fair and true view of the financial status, economic performance and cash flow of the group.

The Condensed Consolidated Interim Financial Statements have been prepared according to the principles of the International Accounting Standard IAS 34 “Interim Financial Reporting” and the requirements established by the Credit Institutions Act for the disclosure of information.

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



Erkki Raasuke
Chairman of the Board

Jonas Eriksson
CFO

Tallinn, 29 May 2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

T EUR	Notes	Q1 2019	Q1 2018
Interest income calculated using the effective interest method	4	74 214	73 231
Other similar income	4	2 502	2 686
Interest and similar expense	4	-10 736	-9 151
Net interest income		**65 980**	**66 766**
Fee and commission income	5	25 259	26 247
Fee and commission expense	5	-6 545	-5 995
Net fee and commission income		**18 714**	**20 252**
Net gain on financial assets and liabilities designated at fair value through profit/loss		360	-278
Net gain on financial assets and liabilities held for trading		4 811	207
Net gain from operations with foreign currency		-235	4 472
Dividend income		29	21
Other operating income		2 613	1 564
Other operating expenses		-4 611	-1 215
Net other operating income		**2 967**	**4 771**
Net total operating income		**87 661**	**91 789**
Salaries and other personnel expenses		-35 684	-28 674
Other administrative expenses		-28 402	-26 153
Depreciation and impairment of property, plant and equipment and intangible assets		-3 571	-1 995
Share of profit from an associate		214	192
Net impairment (losses)/ reversal on loans to customers		7 485	-709
Net impairment (losses)/ reversal on other assets, change in fair value of investment property and provisions		307	-170
Total operating expenses		**-59 651**	**-57 509**
Profit before Tax		**28 010**	**34 280**
Tax expense related to profit or loss from continuing operations		-1 644	-873
Profit for the period		**26 366**	**33 407**
Items that will be reclassified to the income statement			
Changes in the fair value of assets at fair value through other comprehensive income		-6	0
Total items that will be reclassified to the income statement		**-6**	**0**

Items that will not be reclassified to the income statement		
Changes in the fair value of assets at fair value through other comprehensive income	-129	165
Total items that will not be reclassified to the income statement	**-129**	**165**
Changes in comprehensive income after tax	**-135**	**165**
Comprehensive income after tax	**26 231**	**33 572**
Profit attributable to:		
Equity holders of the Bank	**26 366**	**33 407**
Total comprehensive income attributable to:		
Equity holders of the Bank	**26 231**	**33 572**
Profit attributed to equity holders of the parent	26 231	33 572

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T EUR	Notes	31.03.2019	31.12.2018
Assets			
Cash and balances with central banks	6	2 287 072	3 293 090
Loans to credit Institutions	7	187 710	185 346
Loans to customers	9	11 282 787	11 472 138
Financial assets held for trading	14	3 617	1 006
Financial assets at fair value through profit or loss	14	139 944	143 758
Derivative financial instruments	8, 14	57 779	46 664
Financial assets at fair value through other comprehensive income	14	10 023	8 872
Investments in associates		6 470	6 256
Intangible assets		7 655	7 414
Property, plant and equipment		47 128	16 383
Investment properties		16 320	23 970
Current tax assets		335	886
Deferred tax assets		910	908
Other assets		71 202	75 957
Non-current assets and disposal groups held for sale		24 456	25 522
Total assets		**14 143 408**	**15 308 170**
Liabilities			
Loans and deposits from credit institutions	10	2 398 905	3 939 396
Deposits from customers	11	9 388 718	9 069 885
Debt securities issued	12	351 649	351 235
Derivative financial instruments	8, 14	49 503	42 457
Tax liabilities		9 100	8 850
Lease liabilities		33 175	0
Other financial liabilities		26 735	27 914
Other liabilities		56 934	64 308
Provisions		6 761	5 914
Total liabilities		**12 321 480**	**13 509 959**
Shareholders' equity			
Issued capital		34 912	34 912
Share premium		1 628 274	1 628 274
Retained earnings		154 684	128 931
Other reserves		4 058	6 094
Total shareholders' equity attributable to the shareholders of the Bank		**1 821 928**	**1 798 211**
Total liabilities and shareholders' equity		**14 143 408**	**15 308 170**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

T EUR	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Restated equity as at 1 January 2018 (restated)	**34 912**	**1 628 274**	**4 498**	**7 894**	**1 675 578**
Profit (loss) for the period	0	0	0	121 037	121 037
Other comprehensive income	0	0	1 596	0	1 596
Total equity at 31 December 2018	**34 912**	**1 628 274**	**6 094**	**128 931**	**1 798 211**
Profit (loss) for the period	0	0	0	26 366	26 366
Other comprehensive income	0	0	-135	0	-135
Total comprehensive income for the period	**0**	**0**	**-135**	26 366	26 231
Application of IFRS 16	0	0	0	-2 514	-2 514
Other reserves	0	0	-1 901	1 901	0
Total equity at 31 March 2019	**34 912**	**1 628 274**	**4 058**	**154 684**	**1 821 928**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

T EUR	Notes	Q1 2019	Q1 2018
Cash flows from operating activities			
Profit before tax		28 010	34 280
Adjustment for non-cash items in profit/loss:			
-Net impairment (losses)/ reversal on loans to customers		-7 485	709
-Net impairment (losses)/ reversal on other assets, change in fair value of investment property and provisions		-307	170
-Dividend received		-29	-21
-Loss/(Profit) from foreign currency revaluation		235	-4 472
-Depreciation, amortization and impairment		3 571	1 995
-Interest Income		-76 716	-75 917
-Interest expenses		10 736	9 151
Cash flow before from current operations before changes in working capital		**-41 985**	**-34 105**
Cash flow from changes in working capital			
Increase (-) / decrease (+) of lending to customers		208 323	82 054
Increase (-) / decrease (+) of other assets		5 736	24 605
Increase (-) / decrease (+) of client deposits		-1 221 607	-467 118
Increase (-) / decrease (+) of liabilities		8 093	-23 692
Interest received		67 400	72 883
Interest paid		-18 981	-6 830
Income tax paid		-1 394	-939
Cash flow form current operations		**-952 430**	**-319 037**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		-2 632	-1 797
Acquisition of investment property		0	-14
Proceeds from disposal of property and equipment and intangible assets		800	131
Proceeds from disposal of investment property		8 401	717
Dividend received		29	21
Cash flow from investing activities		**6 598**	**-942**
Net increase/(decrease) in cash and cash equivalents		**-987 817**	**-354 084**
Cash and cash equivalents at the beginning of the period		3 165 066	2 514 591
Effects of currency translation on cash and cash equivalents		-235	4 472

Net increase/(decrease) in cash and cash equivalents	-987 817	-354 084
Cash and cash equivalents at the end of the period	**2 177 014**	**2 164 979**

Cash and Cash equivalents comprises		
Cash on hand	171 779	46 008
Non-restricted current account with central bank	2 005 235	2 118 971
Total	**2 177 014**	**2 164 979**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

On 2 January 2019 Luminor has completed its cross-border merger and continues its operations in all Baltic countries through the Estonian registered bank, Luminor Bank AS, and its branches in Latvia and Lithuania. After the completion of the merger, all assets and liabilities of three Banks have been consolidated as of 02 January 2019. The 2018 comparatives in 2019 Q1 interim report of Luminor Bank AS include also the financial results of the Luminor Bank Latvia and Luminor Bank Lithuania, as if they had been merged prior to 2018 already.

As at 31 March 2019 Luminor Bank AS owned following subsidiaries (100%):

Registered country

Republic of Estonia:

- Luminor Liising AS
- Luminor Pensions Estonia AS
- Luminor Kindlustusmaakler OÜ
- Promano Est OÜ
- Uus-Sadama 11 OÜ

Registered country

Republic of Latvia:

- Luminor Asset Management IPAS
- Luminor Finance SIA
- Luminor Latvijas atklātais pensiju fonds AS
- Luminor Līzings SIA
- Luminor Līzings Latvija SIA
- Promano Lat SIA
- Realm SIA
- Skanstes 12 SIA
- Salvus SIA
- Salvus 2 SIA
- Salvus 3 SIA
- Salvus 4 SIA
- Salvus 6 SIA
- Trioleta SIA

Registered country

Republic of Lithuania:

- Industrius UAB
- Intractus UAB
- Promano Lit UAB
- Recurso UAB
- Luminor Investiciju valdymas UAB
- Luminor Lizingas UAB

The condensed interim financial information of Luminor Bank AS (the Bank or the Group) was prepared in accordance with IAS 34 Interim Financial reporting as adopted by the European Union. The condensed interim financial information does not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Luminor Group AB (holding) annual financial statements as at 31 December 2018.

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the Luminor Group AB (holding) annual financial statements for the year ended 31 December 2018, except for the adoption of new and amended standards as set out below.

CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

IFRS 16 "Leases" was issued on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and account for those two types of leases differently.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Adjustments recognised on adoption of IFRS 16

The Group decided that it will apply the standard using the modified retrospective method and has not restated comparatives for the 2018 reporting period. The Group recognized a right of use asset of 30,7 million Euro against a corresponding lease liability in the amount of 33,2 million Euro and the impact to the equity as of 1 January 2019 amounts to 2,5 million Euro, decreasing its balance.

The lease liabilities as at 1 January 2019 is reconciled to the operating lease commitments as of 31 December 2018 as follows:

T EUR	Q1 2019
Operating lease commitments disclosed as at 31 December 2018	**36 656**
Weighted average incremental borrowing rate as at 1 January 2019	2,45%
Discounted operating lease commitments at 1 January 2019	**31 847**
Less	
Commitments relating short-term leases	158
Add	
Payments in optional extension periods not recognized as at 31 December 2018	1 518
Total lease liability recognized as at 1 January 2019	**33 207**
Of which are:	
Current lease liabilities	4 201
Non-current lease liabilities	29 006
Total	**33 207**

The recognised right-of-use assets relate to the following types of assets (TEUR):

T EUR	31 March 2019	1 January 2019
Properties	30 529	30 529
Other assets	94	164
Total right-of-use assets	**30 623**	**30 693**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019 (TEUR):

- property, plant and equipment – increase by 30 257 TEUR
- lease liabilities – increase by 33 207 TEUR

The net impact on retained earnings on 1 January 2019 was a decrease of 2,5 million Euro.

Amounts recognized in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

T EUR	Properties	Other fixed assets	Total right-of use assets	Lease liabilities
As at 01 January 2019	**30 529**	**164**	**30 693**	**33 207**
Additions	1 182	0	1 182	1 182
Reductions	-110	-58	-168	-168
Depreciation expense	-1 072	-12	-1 084	0
Interest expense	0	0	0	147
Payments	0	0	0	-898
As at 31 March 2019	**30 529**	**94**	**30 623**	**33 471**

The Group recognised rent expense from short-term leases, leases of low-value assets and variable lease payments of totally 500 thousand Euros for the 3 months ended 31 March 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group's leasing activities and how these are accounted for

The Group leases various offices and other assets (IT equipment and cars). Rental contracts are typically made for fixed periods of 4 to15 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, IT equipment and cars were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine incremental borrowing rate we have considered:

1. existing borrowings (own funding cost) that need to be adjusted for amount, security, term etc. and
2. property yield that need to be adjusted for term, amount, quality of property, potential weighted average cost of capital (WACC) element in yields etc.

For property leases we have decided the usage of the Bank's own funding cost as a discount rate. For other assets we use the interest rate implicit in the lease as discount rate, as it is readily determinable.

After the commencement date, a lessee shall measure the lease liability by:

(a) increasing the carrying amount to reflect interest on the lease liability;

(b) reducing the carrying amount to reflect the lease payments made; and

(c) remeasuring the carrying amount to reflect any reassessment or lease modifications (like changes in lease term, in the assessment of an option to purchase the underlying asset, in the amounts expected to be payable under a residual value guarantee, in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review and in floating interest rates, or to reflect revised in-substance fixed lease payments (payments are structured as variable lease payments, but there is no genuine variability in those payments and those payments contain variable clauses that do not have real economic substance).

At the commencement date, the right-of-use asset is measured applying a cost model.

The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability at the present value of the lease payments that are not paid at that date;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the right-of-use asset measured at cost:

(a) less any accumulated depreciation and any accumulated impairment losses; and

(b) adjusted for any remeasurement of the lease liability carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture below 5 000 EUR.

Estimation uncertainty arising from variable lease payments

Some property leases contain variable payment terms that are linked to consumer price index. The management has assessed that effect from the consumer price index change is not material to the lease payments.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, the management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- evaluating the criteria for assessment of significant increase in credit risk and allocation of loans to stage 1, 2 or 3;
- assessing accounting interpretations and modelling assumptions used to build the models that calculate ECL, including the various formulas and the choice of inputs;
- the modelling and calculation of key parameters of ECL model, including probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- determining the macro-economic indicators and incorporating forward-looking information into the ECL model;
- estimating the above-mentioned indicators for reliable future period and for three different scenarios (baseline, optimistic and pessimistic) and assigning probabilities to those scenarios; and
- estimating ECL under base case and risk case scenarios for Stage 3 individual assessments and assigning probabilities to those scenarios

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

One important driver for size of allowances under IFRS 9 is the trigger for transferring an asset from Stage 1 to Stage 2. Luminor uses a mix of absolute and relative changes (0.6 p.p. and 2.5 times) in 12-month point-in-time Probability of Default (PD) to determine whether there has been a significant increase in credit risk. In addition, customers with risk grade 9 or 10, with forbearance measures, included in watch list and contracts with payments more than thirty days past due are also transferred to Stage 2.

3. GENERAL RISK MANAGEMENT POLICIES

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Luminor Group AB (holding) annual financial statements as at 31 December 2018.

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

4. NET INTEREST INCOME

T EUR	Q1 2019	Q1 2018
Interest income calculated using the effective interest method:		
Loans to customers at amortized cost	73 785	73 125
Deposits at amortized costs	429	106
Total interest income calculated using effective interest method	**74 214**	**73 231**
Other similar income:		
Derivative financial instruments	2 166	2 176
Other	336	510
Total other similar income	**2 502**	**2 686**
Total interest income	**76 716**	**75 917**
Interest expense:		
Loans and deposits from credit institutions	-4 110	-4 341
Deposits from customers	-3 356	-2 339
Derivative financial instruments	50	0
Debt securities issued	-1 295	-53
Other	-2 025	-2 418
Total interest expense	**-10 736**	**-9 151**
Net interest income	**65 980**	**66 766**

5. NET FEE AND COMMISSION INCOME

T EUR	Q1 2019	Q1 2018
Securities	172	358
Clearing and settlement	8 160	7 748
Asset Management	1 660	2 012
Custody	229	1 203
Payment services	6 539	6 622
Insurance commission	927	798
Loan commitments given	854	1 136
Financial guarantees given	1 231	1 275
Factoring	1 008	988
Other	4 479	4 107
Total fee and commission income	**25 259**	**26 247**
Clearing and settlement	-5 214	-4 614
Custody	-81	-100
Financial guarantees received	-9	-13
Other	-1 241	-1 268
Fee and commission expense	**-6 545**	**-5 995**
Net fee and commission income	**18 714**	**20 252**

Net fee and commission income division by segments is following:

T EUR	Q1 2019	Q1 2018
Corporate	6 693	7 289
Retail	11 030	11 511
Private Banking	531	524
Other	460	928
Net fee and commission income	**18 714**	**20 252**

6. CASH AND BALANCES WITH CENTRAL BANKS

T EUR	31.03.2019	31.12.2018
Cash on hand	171 779	178 440
Cash balances at central banks	2 115 293	3 095 653
Total	**2 287 072**	**3 274 093**
of which mandatory reserve requirement	110 058	109 027
Term deposits	0	18 997
Total cash and balances with central banks	**2 287 072**	**3 293 090**

7. DUE FROM OTHER CREDIT INSTITUTIONS

T EUR	31.03.2019	31.12.2018
Demand deposit	148 246	145 451
Loans	39 464	39 899
Total	**187 710**	**185 350**
Allowance	0	-4
Total	**187 710**	**185 346**

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into derivative transactions with household customers. These mainly include interest rate swaps, collars and CAPs.

T EUR	Notional amounts	Fair values	
		Positive market value	Negative market value
As at 31 March 2019			
Derivatives held for trading			
Interest rate-related contracts	3 135 271	11 134	10 687
Currency-related contracts	1 108 033	41 696	34 175
Commodity-related contracts	50 026	4 949	4 641
Total	**4 293 330**	**57 779**	**49 503**
As at 31 December 2018			
Derivatives held for trading			
Interest rate-related contracts	2 244 044	11 204	9 425
Currency-related contracts	1 391 815	31 493	29 374
Commodity-related contracts	28 070	3 967	3 658
Total	**3 663 929**	**46 664**	**42 457**

HEDGING ACTIVITIES

Fair value hedge

At 31 March 2019 and 31 December 2018 the Group had two interest rate swap agreements in place with a notional amounts of EUR 200 million and EUR 150 million, whereby the Group receives a fixed rate of interest of 1.50% and pays floating interest at 6 months EURIBOR + 1.478% and 3 months EURIBOR + 1.526% on the notional amount respectively. The swaps are being used to hedge the exposure to changes in the fair value of its fixed rate 1.50% senior unsecured bond. Trade date is 10 October 2018, effective date is 18 October 2018 and maturity date is 18 October 2021 for both interest swap agreements.

There is an economic relationship between the hedged item and the hedging instruments as the terms of the interest rate swaps match the terms of the fixed rate loan (i.e. notional amount maturity payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships, as the underlying risk of the interest rate swaps is identical to the hedged risk component. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in the fair value of the hedged item attributable to the hedged risk.

Hedge ineffectiveness can theoretically arise from:

- A different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in the timing of cash flows of the hedged item and hedging instrument, also a different day count
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

31.03.2019	Notional amount	Carrying Amount	Line item in the statement of financial position
Interest rate swap	350 000	1 694	Derivative financial instruments*

* Ineffectiveness was clearly immaterial during Q1 2019

31.12.2018	Notional amount	Carrying Amount	Line item in the statement of financial position
Interest rate swap	350 000	1 128	Derivative financial instruments*

* Ineffectiveness was clearly immaterial during 2018

9. LOANS TO CUSTOMERS

T EUR	31.03.2019	31.12.2018
Financial Institutions	**43 413**	**58 752**
Public Sector	**203 951**	**216 020**
Business customers	**5 239 773**	**5 420 011**
-Loans	3 563 758	3 607 104
-Factoring	332 006	333 252
-Leasing	1 344 009	1 479 655
Individual customers	**5 968 768**	**5 967 762**
-Mortgage loans	5 145 340	5 181 965
-Consumer and card loans	190 626	160 533
-Other loans	41 313	73 555
-Leasing	591 489	551 709
Impairment allowances	**-173 118**	**-190 407**
Loans to customers total	**11 282 787**	**11 472 138**
Due from customers, registered in Estonia, Latvia, Lithuania	10 990 102	11 178 321
Due from customers, registered in EU (except Estonia, Latvia, Lithuania)	226 313	221 384
Due from customers, registered in other countries	66 372	72 433
Loans to Customers Total	**11 282 787**	**11 472 138**

10. LOANS AND DEPOSITS FROM CREDIT INSTITUTIONS

T EUR	31.03.2019	31.12.2018
Term deposits	2 288 089	3 917 244
Demand deposits	110 816	22 152
Total	**2 398 905**	**3 939 396**
Due to credit institutions, registered in Estonia, Latvia, Lithuania	264 140	228 624
Due to credit institutions, registered in EU (except Estonia, Latvia, Lithuania)	1 110 599	1 856 280
Due to credit institutions, registered in other countries	1 024 166	1 854 492
Total	**2 398 905**	**3 939 396**

T EUR	Division by remaining maturity			Interest rate	Base currency	Termination
	in 12 months	1-5 years	Total			
31.03.2019						
Ultimate owners of Luminor Bank AS	2 042 587	95 000	2 137 587	0-1%	EUR	2019-2020
Central banks	0	199 500	199 500	<0%	EUR	2020
Other credit institutions	62 051	0	62 051	0-1,3%	EUR	2019 - 2020
Interest payable	170	-403	-233			
	2 104 808	**294 097**	**2 398 905**			
31.12.2018						
Ultimate owners of Luminor Bank AS	2 758 280	957 000	3 715 280	0-1%	EUR	2019-2021
Central banks	0	199 500	199 500	<0%	EUR	2020
Other credit institutions	23 863	0	23 863	0-1,3%	EUR	2019
Interest payable	200	553	753			
	2 782 343	**1 157 053**	**3 939 396**			

11. DEPOSITS FROM CUSTOMERS

T EUR	31.03.2019	31.12.2018
Term deposits	1 966 699	1 932 891
Demand deposits	7 422 019	7 136 994
Total	**9 388 718**	**9 069 885**
Due to customers by type of customers		
Due to corporate customers	4 262 046	4 235 028
Due to public sector customers	1 385 275	1 107 472
Due to individuals	3 741 397	3 727 385
Total	**9 388 718**	**9 069 885**
Due to customers, registered in Estonia, Latvia, Lithuania	9 105 530	8 693 043
Due to customers, registered in EU (except Estonia, Latvia, Lithuania)	144 026	213 232
Due to customers, registered in other countries	139 162	163 610
Total	**9 388 718**	**9 069 885**

12. DEBT SECURITIES ISSUED

In October 2018 Luminor Bank AS issued its inaugural bond under the Luminor Euro Medium Term Notes (EMTN) program. The company issued EUR 350 000 000 of fixed-rate bonds maturing October 2021 with annual coupons and bearing interest at an annual rate of 1.50%. There were no specific covenants related to the bond issue.

T EUR	31.03.2019	31.12.2018
Bond		
Nominal Amount	350 000	350 000
Fees at amortized costs	-1 676	-1 998
Accrued Interest	2 373	1 079
Hedged Item Fair Value changes	952	2 154
Carrying amount	**351 649**	**351 235**

13. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

T EUR	31.03.2019	31.12.2018
Contingent assets		
Loans granted to governmental institutions	88 575	132 138
Debt securities	86 795	110 982
Total	**175 370**	**243 120**
Contingent liabilities and commitments		
Loan commitments given	1 081 540	1 304 189
Financial guarantees given	83 231	265 707
Other commitments given	618 475	414 368
Total	**1 783 246**	**1 984 264**

14. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of the major part of the Group's assets and liabilities is a reasonable approximation of their fair value. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. For the purposes of current financial statements mentioned techniques were not used extensively as no such financial assets and financial liabilities exist on the statement of financial position of the Group.

The fair value of loans to customers, customer deposits, amounts due from credit institutions and amounts due to credit institutions and other financial assets and liabilities' obligations under finance leases is estimated by discounting future cash flows using the rates currently available for debt on similar terms, credit risk and remaining maturities.

In assessing the fair value for financial assets, the management has performed a discounted cash flow analysis; up-to-date market information at the assessment moment is being used for assessing cash flows. For loans where base interest rates are pegged to floating market interest rates, the Group has considered the difference between the average interest margin of issued loans and the average interest margin for newly issued loans. Given that for part of the loan portfolio this margin has been changed (increased) since issuance, the Group has estimated that for such loans the carrying value is considered equal to the fair value.

The fair value of financial liabilities at amortized cost such as Loans and deposits from credit institutions and Deposits from customers, which are not on demand, have been estimated based on the discounted cash flow model using interest rates for similar products as at year end. The fair value of those financial liabilities that are on demand or have a floating interest rate has been estimated to be approximately equal to it's carrying amount.

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTIZED COSTS

T EUR	Carrying amount 31.03.2019	Fair value 31.03.2019	Carrying amount 31.12.2018	Fair value 31.12.2018
Assets				
Financial assets at amortized cost				
Loans to credit Institutions	187 710	187 710	185 346	185 346
Loans to customers	11 282 787	11 282 787	11 472 138	11 484 286
Total financial assets	**11 470 497**	**11 470 497**	**11 657 484**	**11 669 632**
Liabilities				
Financial liabilities at amortized cost				
Loans and deposits from credit institutions	2 398 905	2 398 905	3 939 396	3 906 454
Deposits from customers	9 388 718	9 388 718	9 069 885	9 098 414
Debt securities issued	351 649	351 649	351 235	351 235
Total financial liabilities	**12 139 272**	**12 139 272**	**13 360 516**	**13 356 103**

The next table below summarizes the fair value measurement hierarchy of the Bank’s financial assets and liabilities accounted for at fair value. Financial instruments are distributed by 3 levels of the fair value:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input is significant to the fair value measurement is unobservable.

The fair value of all Bank contracted derivatives is defined as level 2. These are interest rate swaps and in all cases pricing is based on market observable inputs.

There were no movements of financial instruments between the levels during 01.01-31.03.2019.

Luminor

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS

Fair value measurement of financial instruments measured at fair value as at 31 March 2019 was as follows:

Fair value measurement using (T EUR)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Assets for which fair values are disclosed				
Loans to credit Institutions	0	0	187 710	**187 710**
Loans to customers	0	0	11 282 787	**11 282 787**
Financial assets at fair value				
Financial assets held for trading	3 617	0	0	**3 617**
Financial assets at fair value through profit or loss	92 577	47 367	0	**139 944**
Derivative financial instruments	0	57 779	0	**57 779**
Financial assets at fair value through other comprehensive income	2 271	0	7 752	**10 023**
Total Assets	**98 465**	**105 146**	**11 478 249**	**11 681 860**
Liabilities				
Liabilities for which fair values are disclosed				
Loans and deposits from credit institutions	0	0	2 398 905	**2 398 905**
Deposits from customers	0	0	9 388 718	**9 388 718**
Debt securities issued	0	351 649	0	**351 649**
Financial liabilities at fair value				
Derivative financial instruments	0	47 209	2 294	**49 503**
Total Liabilities	**0**	**398 858**	**11 789 917**	**12 188 775**

Fair value measurement of financial instruments measured at fair value as at 31 December 2018 was as follows:

Fair value measurement using (T EUR)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Assets for which fair values are disclosed				
Loans to credit Institutions	0	0	185 346	**185 346**
Loans to customers	0	0	11 484 286	**11 484 286**
Financial assets at fair value				
Financial assets held for trading	0	1 006	0	**1 006**
Financial assets at fair value through profit or loss	83 192	60 566	0	**143 758**
Derivative financial instruments	0	46 664	0	**46 664**
Financial assets at fair value through other comprehensive income	1 265	0	7 607	**8 872**
Total Assets	**3 377 547**	**108 236**	**11 677 239**	**15 163 022**
Liabilities				
Liabilities for which fair values are disclosed				
Loans and deposits from credit institutions	0	0	3 906 454	**3 906 454**
Deposits from customers	0	0	9 098 414	**9 098 414**
Debt securities issued	0	351 235	0	**351 235**
Financial liabilities at fair value				
Derivative financial instruments	0	42 457	0	**42 457**
Total Liabilities	**0**	**393 692**	**13 004 868**	**13 398 560**

15. RELATED PARTIES

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

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

Parent companies are considered to be the parent company Luminor Group AB and the ultimate owners DNB Bank ASA and Nordea Bank AB.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits foreign currency transactions and financial instruments. These transactions were carried out on commercial terms and at market rates. There have been no doubtful debts due from related parties as well as allowances for doubtful debts as at 31 March 2019 and 31 December 2018.

The volumes of related party transactions outstanding balances at the year end and relating income and expense for the year are as follows:

TRANSACTIONS WITH RELATED PARTIES

Entities with significant influence over the entity (T EUR)	Q1 2019/31.03.2019	Q1 2018/31.12.2018
Income and expenses		
Interest Income	4 556	457
Interest Expenses	-1 382	-2 538
Net commission and fee income	-30	-2
Other expenses	-3 463	-11 991
Total	**-319**	**-14 074**
Assets		
Loans to credit Institutions	174 298	172 634
Derivative instruments	43 322	32 946
Other Assets	362	567
Total Assets	**217 982**	**206 147**
Liabilities		
Due to Credit Institutions	2 135 025	3 714 129
Derivative instruments	18 249	16 851
Other Liabilities	2 627	2 447
Total Liabilities	**2 155 901**	**3 733 427**

Other expenses in Q1 2019 to Luminor Group AB amounted to 0 EUR (in Q1 2018 1 797 thousand EUR).

Payments to Management Board and Supervisory Council in Q1 2019 385 thousand EUR (Q1 2018: 749 thousand EUR).

As at 31 March 2019 loans and advances with associate ALD Automotive amounted to 8 090 thousand EUR (31.12.2018: 13 401 thousand EUR), deposits – 371 thousand EUR (31.12.2018: 154 thousand EUR), interest income for Q1 2019 - 4 thousand EUR (Q1 2018: 8 thousand EUR) and interest expenses for Q1 2019 – 0 EUR (Q1 2018: 0 EUR).

16. SEGMENT REPORTING

MEASUREMENT OF OPERATING SEGMENTS PERFORMANCE

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM) as required by IFRS 8. In Luminor, the CODM has been defined as Group Executive Management. The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Interest income is reported net of expenses after internal funds transfer pricing, as management primarily relies on net interest revenue across product categories as a performance measure. Fees & commission income for segment performance is also reported net of expenses and split is made between different product categories for segment reporting.

Segment results consist of income and expenses associated directly to the customers belonging under respective segments (including internal funds transfer pricing result between operating segments and Other segment) and income and expenses not booked on customer level, which are allocated between the operating segments. Only assets and liabilities relating to customers who belong to the operating segments are reported under the respective segments, all other balance sheet items are reported under Other segment.

From 1 March 2019, as part of implementing new operating model, Luminor Group implemented new reportable operating segments, therefore previous periods data is not fully comparable in respective segments. Results from 1 January 2019 to 28 February 2019 were adjusted to reflect the new operating segments.

REPORTABLE OPERATING SEGMENTS

Financial results are presented for the three main operating segments: Corporate Banking, Retail Banking and Wealth Management. The segment reporting is based on a combination of organizational structure and customer service model.

Corporate Banking segment services business customers that have a dedicated relationship manager. Retail Banking segment services business customers without a dedicated relationship manager and private individuals not belonging to Wealth Management segment. Wealth Management services wealthy private individuals and holding companies associated with those individuals. Results of other operating segments below the quantitative thresholds set in IFRS 8 which are not allocated to main business segments are included in Other segment.

	Corporate Banking	Retail Banking	Wealth Management	Other	Total
Q1 2019					
Net interest income	31 022	30 341	1 997	2 620	**65 980**
Net fees & commission income	6 688	10 906	531	588	**18 714**
Trading income	2 932	1 465	96	443	**4 936**
Other income	32	488	0	2 122	**2 642**
Total income	**40 675**	**43 200**	**2 623**	**5 773**	**92 272**
Personnel costs administrative costs and depreciation	-23 006	-43 668	-1 678	696	**-67 657**
Net impairment (losses/ reversal) on loans to customers	474	7 086	39	-114	**7 485**
Other	0	0	0	-4 090	**-4 090**
Profit before Tax	**18 142**	**6 618**	**985**	**2 265**	**28 010**
31.03.2019					
Assets					
Loans and receivables	5 122 348	6 254 798	90 448	-184 806	**11 282 787**
Total	**5 122 348**	**6 254 798**	**90 448**	**-184 806**	**11 282 787**
Liabilities					
Deposits from customers	4 896 221	3 640 005	848 407	4 085	**9 388 718**
Total	**4 896 221**	**3 640 005**	**848 407**	**4 085**	**9 388 718**

	Corporate Banking	Retail Banking	Wealth Management	Other	Total
Q1 2018					
Net interest income	32 874	29 291	1 555	3 046	**66 766**
Net fees & commission income	7 289	11 511	524	928	**20 252**
Trading income	2 418	1 389	61	532	**4 401**
Other income	213	274	0	1 098	**1 585**
Total income	**42 794**	**42 465**	**2 141**	**5 605**	**93 004**
Personnel costs administrative costs and depreciation	-16 659	-33 547	-1 330	-5 285	**-56 822**
Net impairment (losses/ reversal) on loans to customers	-4 185	1 169	-2	2 310	**-709**
Other	0	0	0	-1 193	**-1 193**
Total operating profit	**21 949**	**10 087**	**808**	**1 436**	**34 280**
31.12.2018					
Assets					
Loans and receivables	5 270 357	6 296 954	92 801	-187 974	**11 472 138**
Total	**5 270 357**	**6 296 954**	**92 801**	**-187 974**	**11 472 138**
Liabilities					
Deposits from customers	4 783 549	3 559 706	722 684	3 946	**9 069 885**
Total	**4 783 549**	**3 559 706**	**722 684**	**3 946**	**9 069 885**

17. EVENTS AFTER THE REPORTING PERIOD

Luminor's shareholders made a decision on 28 May 2019 to carry out a bonus share issue, followed by a reduction of share capital. The bonus share issue is based on the bank's interim balance sheet as of January 2, 2019 and involves a partial conversion of share premium in the amount of EUR 216,030,920 into share capital. Following the bonus issue, the share capital of the bank shall be reduced by the same amount and is subject to pay-out to the shareholder after the expiry of a statutory waiting period of at least three months. The pending reduction will be fully taken into account when calculating capital ratios after the decision date.

After the pay-out Luminor will continue to be capitalized above all regulatory requirements and the internal targets.

CONTACT DETAILS

Luminor Bank AS

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	Estonia
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DNB SWIFT/BIC	RIKOEE22
Website	www.luminor.ee
E-mail	info@luminor.ee
Balance sheet date	31 March 2019
Reporting period	01.01.2019 – 31.03.2019
Reporting currency	Euro