Luminor

Interim Report for Q3 2018

LUMINOR BANK AB
INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE PERIOD ENDED 30 SEPTEMBER 2018,
UNAUDITED

TABLE OF CONTENTS

MANAGEMENT REPORT

Overview

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

Luminor is the third-largest financial services provider in the Baltics with ca 1.1 million clients, ca 3000 employees, ca 16% market share in deposits and ca 22% market share in lending. Total shareholder equity of Luminor amounts to 1.8 billion euros and is capitalised at CET1 17.3%. Luminor's vision is to become the best financial ecosystem for its customers.

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

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

Luminor Bank AB (or "Luminor Lithuania") offers a wide range of products and services to its customers in all channels, digital and physical with headquarters in Vilnius and 37 offices all over the country. Luminor has 368 ATMs throughout Lithuania.

At the end of Q3 2018, Luminor Lithuania employed ca 1.300 full-time employees and the consolidation group served ca 700,000 clients in the private and business segments.

Luminor Lithuania has seven subsidiaries: Luminor Investicijų Valdymas, UAB. Luminor Būstas, UAB, Luminor Lizingas, UAB, Industrius, UAB, Recurso, UAB, Promano, UAB and Intractus, UAB.

Macroeconomic overview

The GDP growth remains broad-based and balanced, driven by all three key components: robust household consumption, accelerating investment and resilient export growth. However, it is expected to moderate somewhat in 2018 H2 due to a slower export growth and poorer agricultural harvest (the sector is of particular importance in Q3 constituting more than 7% of value added).

The domestic consumption growth remains exceptionally strong with the real annual growth rate of retail trade accelerating to 7.7% in Q3 (up from 7.1% in Q1). Yet, going forward we expect the growth to moderate somewhat but nevertheless to remain robust. The double-digit wage growth and comparably weak inflationary pressures will continue boosting the household purchasing power. Next year an increase in minimum wages, salaries of public-sector workers, old-age pensions as well as tax reform, which will raise disposable income of workers, will support an ongoing domestic consumption. Investments remain an important growth pillar as well. After growing by 7.3% in 2017, gross fixed capital formation expenditure gathered the pace to 8.5% y/y in 2018 H1. Given the record high capital utilization rate and persisting labour shortages, enterprises continue to invest in modernization and business process optimization. As a result, productive investments increased by 7% y/y. Overall, we expect the robust investment growth going forward as lower investments into real estate will be offset by higher investments into the infrastructure (primarily EU-funded). The export growth will face an increasingly strong headwind due to the slowing economic growth in the key export partners. Yet, it should remain within a positive territory due to substantial present-day investments into the capacity expansion and an increasing share of mid to high value-added exports.

Considering a longer perspective ahead, Lithuania's economic performance is expected to gradually lose momentum. In 2019-2020, it should expand by 3.0% and 2.5% respectively. The domestic drivers should remain intact. The rising purchasing power and growing real wages should further fuel household consumption. After the shock last year, the inflation is expected to settle down comfortably at sound 2.5%. In the meantime, the earnings growth records seen this year could even be broken already next year. Given the record high capital utilization rates and labour shortages, investments should remain a very important growth pillar. Except for investments in real estate, which should be more modest due to the weaker pulse of construction sector activities. Currently, still strong exporters will keep following the developments of Donald Trump's trade wars with concern. They could breathe a sigh of relief only in case Europe managed to avoid getting caught in the cross-fire.

Activities

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

Household segment

Quality and accessibility of customer service are the main factors of customer satisfaction, so during Q3 2018 Luminor Lithuania devoted its resources to improve the service quality and customer satisfaction.

The main marketing activities were focusing on the promotion of savings and pension fund investments for private customers as the economy creates favourable conditions for saving for the future.

Private Banking segment

During Q3 2018, the Private Banking team was focusing on the improvement of relationship with the existing and new customers as well as on the development of new banking solutions. Private banking deposits and assets under management have exceeded 190 million euros at the end of Q3 2018.

Business and corporate client segments

The customers trust and focused sales efforts resulted in the deposits volumes growth by 8% during Q3 2018. This indicates an expanding business share with our customers, as well as an overall good economic outlook.

The lending portfolio increased by 3% in Q3 2018. The growth was influenced by new lending and an increased seasonal demand, mainly in the agriculture segment.

In September 2018 Luminor started issuing agriculture loans guaranteed by the state, as a result of the agreement signed with state agency Agriculture Loan Guarantee Fund.

The overall number of clients remained stable but continuous efforts in the segment of new companies helped to attract almost 1.000 such companies.

Leasing

Luminor Lithuania's leasing service provider Luminor Lizingas UAB maintained the leader's position in the leasing market for financing of new passenger cars and light commercial vehicles as well as registered agriculture equipment. The efforts thus resulted in a steady increase in the new leasing sales and the total leasing portfolio.

Pensions

Luminor Lithuania continued to provide 2nd and 3rd pillar pension funds management services to its customers through its subsidiary Luminor Investiciju Valdymas, UAB. During Q3 2018, the assets under management increased, the number of clients remained stable with a slight growth in the number of 3rd pillar pension funds customers.

Corporate social responsibility

We are creating a new-generation financial services provider because we are determined to build a better tomorrow – for families and businesses and for the communities and countries in which we live and operate. We believe in contributing to the development of the local communities in which we operate.

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

Luminor has a responsibility to undertake efforts to ensure that the banking industry delivers ethical products and services, and we take responsibility for to whom and how the products and services will be offered.

Anti-money laundering related matters

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

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

Significant events after 30 September 2018

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

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

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

Financial results

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

Net profit earned in Q3 2018 was 19.8 million euros, which was 5.2 million euros more than in Q2 2018, mainly due to reversals of impairment losses on loans, which increased the profit in Q3 2018, and due to higher net interest income. Net interest margin was 1.8% in Q3 2018 compared to 1.7% in Q2 2018. Net fees and commission income remained at the same level as during Q2..

KEY FIGURES*

T EUR	Jan-Sep 2018	Q3 2018
Net profit	**49 216**	19 798
Average equity	**743 495**	750 008
Return on equity (ROE), %	**8.8%**	10.6%
Average assets	**6 689 187**	6 472 758
Return on assets (ROA), %	**1.0%**	1.2%
Net interest income	**80 752**	28 181
AVERAGE INTEREST EARNING ASSETS	**6 493 153**	6 277 163
Net interest margin (NIM), %	**1.7%**	1.8%
Cost / Income ratio (C/I), %	**58.1%**	52.4%

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

Explanations:

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

Return on equity (ROE) = Net profit / Average equity

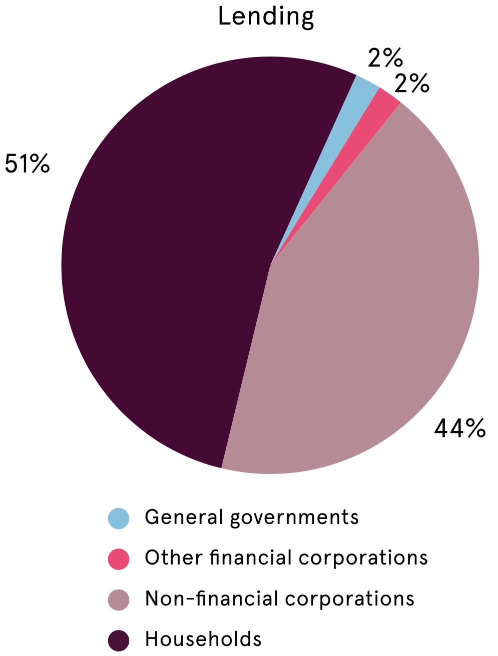
Average assets = (assets at end of reporting period + assets at end of previous period) / 2

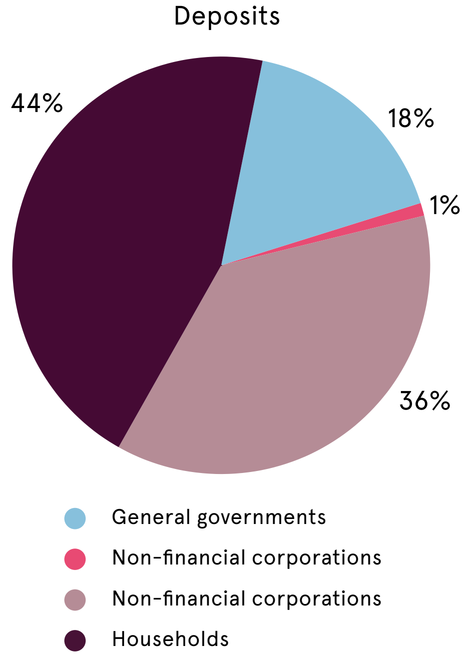
Return on assets (ROA) = Net profit / Average assets

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

Cost / Income ratio = Total operating expenses / Total operating income





Loans to customers stood at 5.3 billion euros at 30 September 2018, increasing by 1.3% compared to 30 June 2018. Loans to non-financial corporate customers comprised 44% and loans to households 51% of the credit portfolio of Luminor. The market share of Luminor's loans in Lithuania was approximately 25%.

Deposits from customers (excluding deposits from credit institutions) totalled 4.1 billion euros at 30 September 2018, increasing 5.6% from 30 June 2018. Deposits from non-financial corporate clients comprised 36% and deposits from households 44% of the customer deposit portfolio of Luminor. The market share of Luminor's deposits in Lithuania was approximately 20%.

The loan-to-deposit ratio decreased to 131% at 30 September 2018 compared to 137% at 30 June 2018.

ASSET QUALITY FOR Q3

As at the end of September 2018 the loss allowances calculated for Luminor Lithuania's credit portfolio were ca 79 million euros i.e. approximately 1,5% of the loan portfolio. The loss allowances amount covers 12-month ECL (Expected Credit Loss) for Stage 1 qualifying financial assets and lifetime ECL for Stage 2 and Stage 3 qualifying financial assets.

T EUR	Household	Non-financial corporations	Other financial corporations	General governments	Total*
Gross Loans	2 733 672	2 403 619	133 499	132 649	5 403 439
Allowances	-36 348	-41 994	-685	-7	-79 034
Net Loans	2 697 324	2 361 625	132 814	132 642	5 324 405
Gross Impaired Loans	117 122	154 037	0	26	271 185
Impairment ratio %	1.33%	1.75%	0.51%	0.01%	1.46%
Gross impaired Loans vs Gross Loans (NPL ratio) %	4.28%	6.41%	0.00%	0.02%	5.02%
Allowances vs Gross impaired Loans %	31.03%	27.26%	N/A	26.92%	29.14%

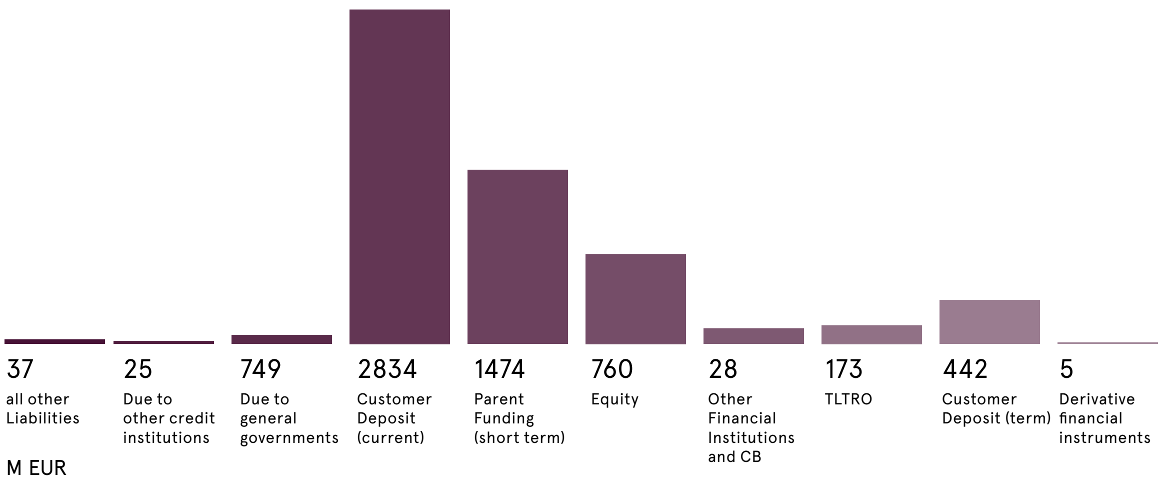
*excluding Loans to Credit Institutions

Explanations:

Impairment ratio % = Allowances / Gross Loans
Gross impaired loans vs Gross Loans (NPL ratio) % = Gross impaired Loans / Gross Loans
Allowances vs Impaired Loans = Allowances(Provisions)/ Gross Impaired Loans

FUNDING

Luminor Lithuania has a strong and prudent liquidity risk profile. The funding base consists of a large deposit base, TLTRO and funding from parent banks among other items. The funding base is mainly euro-denominated. At the end of Q3 2018 Luminor Lithuania had utilised 1,47 billion euros in funding from the parent banks.



Utilized parent funding amounts to 3,97 billion euros at the Luminor group level and is provided by the two parent banks in the form of a syndicate, where each parent bank provides 50%. Long-term funding was committed for 6 years (4+2), beginning from the 1 October 2017 when Luminor was established and short-term funding is in the form of revolving credit of 364 days. In addition to the current outstanding utilized funding, there is also a committed credit line of EUR 0,92 billion in place (not utilized at present). When Luminor attracts wholesale long-term (longer than one year) funding externally, the intent is to amortize an equal amount of parent funding.

Rating

Luminor Bank AB (Lithuania) does not have an individual rating.

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

The ratings assigned to Luminor Bank AS (Estonia) reflect the forward-looking assessment of the group's operations as a whole, taking into account the future ownership change and merger effects, which is expected to legally consolidate

Luminor Bank AS (Latvia) and Luminor Bank AB (Lithuania), which will be branches of Luminor Bank AS (Estonia), expected as of 2 January 2019.

LIQUIDITY

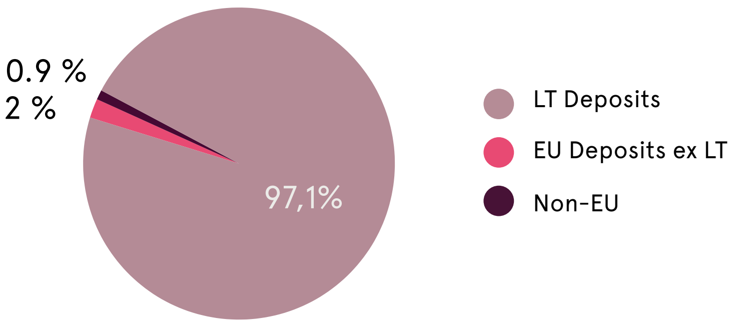
The LCR (liquidity coverage ratio) for Luminor Lithuania was 121.0% at the end of Q3 2018, according to the Delegated Act's LCR definition. The liquidity buffer is composed of highly liquid central bank eligible securities and cash.

At the end of the third quarter of 2018, Luminor Lithuania's NSFR (net stable funding ratio) was 106.2% using an RSF (required stable funding) factor of 85% for qualifying collateralised mortgages.

Ratio	30 September 2018	30 June 2018	30 March 2018	31 December 2017
LCR	121.0%	119.5%	134.1%	157.7%
NSFR**	106.2%	120.9%	112.0%	133.0%

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

Deposit structure



Deposits are mainly from residents of Lithuania. In total 99.1% of all deposits from household and non-financial corporates are from EU residents.

CAPITAL

Luminor Lithuania's capital adequacy ratio was 16.95% by 30 September 2018 (31 December 2017: 17.11%), which is close to the internal target of 17.0%. Compared to 30 June 2018 capital adequacy increased from 16.7% as a result of the inclusion of the 6-month profits for the period ended on 30 June 2018. Capital adequacy of Luminor Lithuania is fully covered by CET1 capital

Capital ratios

Position	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Capital adequacy	16.95%	16.68%	17.03%	17.11%
Leverage Ratio	10.58%	10.37%	10.24%	9.75%
CET 1 Ratio	16.95%	16.68%	17.03%	17.11%
T1 Capital Ratio	16.95%	16.68%	17.03%	17.11%
Total Capital Ratio	16.95%	16.68%	17.03%	17.11%

Capital base

Position	30 September 2018	31 December 2017
OWN FUNDS	731988	712761
1. TIER 1 CAPITAL	731988	712532
1.1. COMMON EQUITY TIER 1 CAPITAL	731988	712532
1.1.1. Capital instruments eligible as CET1 Capital	272147	272147
Paid-up capital instruments	190205	190205
Share premium	81942	81942
1.1.2. Retained earnings	85380	77882
1.1.3. (-) Other intangible assets	-4235	-3344
1.1.4 Other reserves	380795	378420
1.1.5 Adjustments to CET1 due to prudential filters	-402	-397
1.1.6 CET1 capital elements or deductions - other	-1697	-11947

Risk exposure

Position	30 September 2018	31 December 2017
1. RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	4318889	4165272
1.1 Standardized approach (SA)	3976768	3819838
1.1.1 SA exposure classes excluding securitisation positions	3976768	3819838
Central governments or central banks	0	0
Regional governments or local authorities	0	0
Institutions	25978	65770
Corporates	2451341	2262835
Retail	475265	488198
Secured by mortgages on immovable property	736922	732936
Exposures in default	236745	216595
Equity	5922	5815
Other items	44595	47689
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	60828	65237
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	276698	276697
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	4595	3500

Luminor

Statement of the Management Board

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

Management Report;

Interim Consolidated Financial Statements.

The data and additional information presented in the interim report of Luminor Bank AB for Q3 2018 is true and complete. The Financial Statements present a fair and true view of the financial status and economic performance of the bank and group.

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

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

Andrius Načajus

Chairman of the Board

Vilnius, 27 November 2018

Luminor

INTERIM CONDENSED FINANCIAL STATEMENTS:

THE GROUP AND BANK CONDENSED INCOME STATEMENT

T EUR	Note	Group 2018 3rd Q	Group 2017 3rd Q	Bank 2018 3rd Q	Bank 2017 3rd Q	Group 30 September 2018	Group 30 September 2017	Bank 30 September 2018	Bank 30 September 2017
Interest income		31 196	19 550	28 148	19 560	90 207	57 929	81 714	57 956
Interest expense		(3 015)	(1 996)	(3 015)	(1 996)	(9 455)	(7 434)	(9 454)	(7 433)
Net interest income		**28 181**	**17 554**	**25 133**	**17 564**	**80 752**	**50 495**	**72 260**	**50 523**
Fee and commission income		14 324	11 166	13 083	10 317	41 392	32 207	37 531	29 770
Fee and commission expense		(3 305)	(2 482)	(3 155)	(2 430)	(9 264)	(7 144)	(8 814)	(6 967)
Net interest. fee and commission income		39 200	(26 238)	35 061	25 451	112 880	75 558	100 977	73 326
Net gain (loss) on operations with securities and derivative financial instruments and net foreign exchange result		3 521	(631)	3 521	(626)	7 363	3 830	10 819	5 092
Share of profit of an associate		76	-	-	-	249	-	-	-
Impairment losses on loans and finance lease	1	990	(36)	951	(36)	(1 270)	2 919	(1 890)	2 919
Derecognition of financial assets measured at amortised cost	1	919	-	597	-	3 620	-	2 796	-
Impairment on other assets	1	67	(43 519)	(960)	(43 313)	(818)	(45 538)	(968)	(43 209)
Other income		(606)	1 669	(953)	1 703	2 576	3 661	1 854	3 468
Personnel expenses		(9 158)	(7 175)	(8 571)	(7 024)	(29 572)	(20 975)	(27 728)	(20 585)
Depreciation and amortisation		(902)	(1 017)	(891)	(887)	(2 696)	(3 174)	(2 664)	(2 783)
Other administrative expenses		(12 081)	(17 866)	(11 421)	(17 700)	(38 787)	(34 917)	(37 317)	(34 213)
Profit (loss) before income tax		**22 026**	**(42 337)**	**17 334**	**(42 432)**	**53 545**	**(18 636)**	**45 879**	**(15 985)**
Income tax		(2 228)	(1 297)	(1 352)	(1 232)	(4 329)	(3 399)	(2 554)	(3 195)
Net profit (loss) for the period		**19 798**	**(43 634)**	**15 982**	**(43 664)**	**49 216**	**(22 035)**	**43 325**	**(19 180)**
Profit (loss) attributable to:									
Equity holders of the parent		19 798	(43 634)	15 982	(43 664)	49 216	(22 035)	43 325	(19 180)
Earnings per share (in EUR per share)	2	3.47	(7.64)			8.62	(3.86)		
Basic		3.47	(7.64)			8.62	(3.86)		
Diluted		3.47	(7.64)			8.62	(3.86)		

These Financial Statements were signed on 27 November 2018:

A.Načajus
Chairman of the Board

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 18-40 are integral part of these financial statements.

THE GROUP AND BANK CONDENSED STATEMENT OF COMPREHENSIVE INCOME

T EUR	Note	Group 2018 3rd Q	Group 2017 3rd Q	Bank 2018 3rd Q	Bank 2017 3rd Q	Group 30 September 2018	Group 30 September 2017	Bank 30 September 2018	Bank 30 September 2017
Profit (loss) for the period		**19 798**	**(43 634)**	**15 982**	**(43 664)**	**49 216**	**22 035**	**43 325**	**(19 180)**
Other comprehensive income (expenses) to be reclassified to profit or loss in subsequent periods (net of tax):									
Net gain on financial assets at fair value through other comprehensive income		-	(17)		(17)	(3)	286		286
Other comprehensive income (expenses) not to be reclassified to profit or loss in subsequent periods:									
Net gain on financial assets at fair value through other comprehensive income		8		8		41		41	
		8	(17)	8		38	286	41	286
Total other comprehensive income (expenses). net of tax									
Total comprehensive income (expenses) for the period. net of tax		**19 806**	**(43 651)**	**15 990**	**(43 681)**	**49 254**	**(21 749)**	**43 366**	**(18 894)**
Attributable to:									
Equity holders of the parent									

These Financial Statements were signed on 27 November 2018:

A.Načajus
Chairman of the Board

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 18-40 are integral part of these financial statements.

THE GROUP AND BANK CONDENSED STATEMENT OF FINANCIAL POSITION

T EUR	Notes	Group 30 September 2018	Group 31 December 2017	Bank 30 September 2018	Bank 31 December 2017
ASSETS					
Cash and balances with central banks	3	1 005 707	1 362 543	1 005 707	1 362 543
Due from banks and other credit institutions	4	50 016	251 142	50 016	251 142
Financial assets held for trading	5	7 257	2 325	7 257	2 325
Financial assets designated at fair value through profit or loss	6	75 093	85 586	75 093	84 171
Derivative financial instruments	7	8 585	6 369	8 585	6 369
Financial assets at fair value through other comprehensive income	8	4 665	3 265	3 401	3 265
Loans and advances to customers	9	4 619 541	4 445 709	5 124 980	4 858 475
Finance lease receivables		705 198	639 778	154 543	178 472
Investments in subsidiaries	10	-	-	91 962	92 922
Investment in an associate		1 648	1 658	-	-
Investment property		8 286	17 147	-	812
Property, plant and equipment		11 232	12 308	10 896	11 918
Intangible assets		4 237	3 350	4 194	3 329
Current tax asset		-	-	293	-
Deferred tax asset		1 005	1 350	907	907
Other assets		21 281	16 963	15 533	12 825
Non-current assets and disposal groups held for sale		3 819	1 310	29	29
Total assets		**6 527 570**	**6 850 803**	**6 553 396**	**6 869 504**
LIABILITIES AND EQUITY					
Due to banks and other credit institutions	11	1 671 940	2 229 590	1 671 940	2 229 590
Derivative financial instruments	7	5 219	7 744	5 219	7 744
Due to customers	12	4 053 221	3 856 118	4 088 681	3 888 188
Provisions	13	1 880	1 093	1 981	1 093
Current income tax liabilities		154	1 803	-	1 916
Other liabilities		35 245	27 376	30 267	20 074
Total liabilities		**5 767 659**	**6 123 724**	**5 798 088**	**6 148 605**
Equity attributable to equity holders of the Bank					
Ordinary shares		190 205	190 205	190 205	190 205
Share premium		81 942	81 942	81 942	81 942
Retained earnings		105 641	76 371	101 326	70 482
Reserves		382 123	378 561	381 835	378 270
Total equity		**759 911**	**727 079**	**755 308**	**720 899**
Total liabilities and equity		**6 527 570**	**6 850 803**	**6 553 396**	**6 869 504**

These Financial Statements were signed on 27 November 2018:

A.Načajus
Chairman of the Board

J. Šaučiūnienė
Chief Accountant

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THE GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Issued shares	Share premium	Reserve capital	Fair value changes of financial assets at FVTOCI	Manda-tory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2017	**190 205**	**81 942**	**105 500**	**193**	**9 118**	**241**	**86 411**	**473 610**
Profit for the period	-	-	-	-	-	-	(22 035)	(22 035)
Other comprehensive income	-	-	-	286	-	-	-	286
Total comprehensive income (expenses) for the period, net of tax	-	-	-	**286**	-	-	(22 035)	**(21 749)**
Transfer to mandatory reserve	-	-	-	-	4 240	(140)	(4 100)	-
Increase of reserve capital	-	-	258 263	-	-	-	-	258 263
Balance at 30 September 2017	**190 205**	**81 942**	**363 763**	**479**	**13 358**	**101**	**60 276**	**710 124**
Profit for the period	-	-	-	-	-	-	11 383	11 383
Other comprehensive income	-	-	-	667	-	-	-	667
Total comprehensive income (expenses) for the period, net of tax	**-**	**-**	**-**	**667**	**-**	**-**	**11 383**	**12 050**
Changes related to merger with Nordea	-	-	-	-	193	-	4 712	4 905
Balance at 31 December 2017	**190 205**	**81 942**	**363 763**	**1 146**	**13 551**	**101**	**76 371**	**727 079**
Changes on initial application of IFRS 9	-	-	-	-	-	-	(16 422)	(16 422)
Restated balance at 1 January, 2018	**190 205**	**81 942**	**363 763**	**1 146**	**13 551**	**101**	**59 949**	**710 657**
Profit (loss) for the period	-	-	-	-	-	-	49 216	49 216
Other comprehensive income	-	-	-	38	-	-	-	38
Total comprehensive income (expenses) for the period, net of tax	**-**	**-**	**-**	**38**	**-**	**-**	**49 216**	**49 254**
Transfer to mandatory reserve	-	-	-	-	3 524	-	(3 524)	-
Balance at 30 September 2018	**190 205**	**81 942**	**363 763**	**1 184**	**17 075**	**101**	**105 641**	**759 911**

These Financial Statements were signed on 27 November 2018:

A.Načajus
Chairman of the Board

J. Šaučiūnienė
Chief Accountant

THE BANK CONDENSED STATEMENT OF CHANGES IN EQUITY

	Issued shares	Share premium	Reserve capital	Fair value changes of financial assets at FVTOCI	Manda-tory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2017	**190 205**	**81 942**	**105 500**	**193**	**9 036**	**241**	**84 329**	**471 446**
Profit (loss) for the period	-	-	-	-	-	-	(19 180)	(19 180)
Other comprehensive income	-	-	-	286	-	-	-	286
Total comprehensive income (expenses) for the period, net of tax	-	-	-	**286**	-	-	(19 180)	**(18 894)**
Transfer to mandatory reserve	-	-	-	-	4 224	(140)	(4 084)	-
Increase of reserve capital	-	-	258 263	-	-	-	-	258 263
Balance at 30 September 2017	**190 205**	**81 942**	**363 763**	**479**	**13 260**	**101**	**61 065**	**710 815**
Profit (loss) for the period	-	-	-	-	-	-	6 081	6 081
Other comprehensive income	-	-	-	-	-	-	-	667
Total comprehensive income (expenses) for the period, net of tax	-	-	-	**667**	-	-	**6 081**	**6 748**
Changes related to merger with Nordea branch	-	-	-	-	-	-	3 336	3 336
Balance at 31 December 2017	**190 205**	**81 942**	**363 763**	**1 146**	**13 260**	**101**	**70 482**	**720 899**
Changes on initial application of IFRS 9	-	-	-	-	-	-	(8 957)	(8 957)
Restated balance at 1 January, 2018	190 205	81 942	363 763	1 146	13 260	101	61 525	711 942
Profit (loss) for the period	-	-	-	-	-	-	43 325	43 325
Other comprehensive income	-	-	-	**41**	**-**	**-**	**-**	**41**
Total comprehensive income (expenses) for the period, net of tax	-	-	-	41	-	-	43 325	43.366
Transfer to mandatory reserve	**-**	**-**	**-**	**-**	**3 524**	**-**	**(3 524)**	**-**
Balance at 30 September 2018	**190 205**	**81 942**	**363 763**	**1 187**	**16 784**	**101**	**101 326**	**755 308**

These Financial Statements were signed on 27 November 2018:

A.Načajus
Chairman of the Board

J. Šaučiūnienė
Chief Accountant

Luminor

THE GROUP AND BANK CONDENSED STATEMENT OF CASH FLOWS

T EUR	Group 30 September 2018	Group 30 September 2017	Bank 30 September 2018	Bank 30 September 2017
Operating activities				
Net profit (loss)	49 216	(22 035)	43 325	(19 180)
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	4 849	45 923	1 904	41 737
Current and deferred tax expenses, recognised in income statement	4 329	3 399	2 554	3 195
Unrealised foreign currency (gains) and losses	2 153	(10 468)	2 153	(10 468)
Depreciation / amortisation	2 696	3 174	2 664	2 783
Dividend income	(34)	(29)	(3 490)	(1 276)
Impairment loans and receivables	448	(2 919)	965	(2 919)
Impairment of investment in subsidiaries	-	-	960	-
Impairment of investment properties	809	2 329	-	-
Impairment of other	1	-	-	-
Impairment of property, plant and equipment	8	-	8	-
Provisions, net	822	43 209	925	43 209
Accrued interest income and expenses, net derivative loss (gain)	(6 374)	7 228	(4 835)	7 213
Net cash flows from operating activities before changes in operating assets and liabilities	**54 065**	**23 888**	**45 229**	**22 557**
Changes in working capital :	**(431 998)**	**542 669**	**(426 499)**	**542 859**
(Increase) decrease in operating assets :	(87 203)	383 521	(84 127)	376 261
(Increase) decrease in loans and receivables	(73 689)	407 234	(76 329)	412 982
(Increase) decrease in financial assets held for trading	(5 075)	1 665	(5 075)	1 665
(Increase) decrease in other assets	(8 439)	(25 378)	(2 723)	(38 386)
Increase (decrease) in operating liabilities:	(344 795)	159 148	(342 372)	166 598
Increase (decrease) in liabilities to central bank	(127 000)	-	(127 000)	-
Increase (decrease) in liabilities to credit and financial institutions	(400 189)	(16 943)	(395 834)	(16 970)
Increase (decrease) in deposits	176 504	161 182	175 539	166 118
Increase (decrease) in other liabilities	5 890	14 909	4 923	17 450
Cash flow from operating activities	**(377 933)**	**566 557**	**(381 270)**	**565 416**
Income tax paid	**(4 728)**	**(53)**	**(4 699)**	**-**
Net cash flows from operating activities	**(382 661)**	**566 504**	**(385 969)**	**565 416**

The accounting policies and notes on pages 18-40 are integral part of these financial statements.

THE GROUP AND BANK CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

	Group		Bank	
T EUR	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Investing activities				
Acquisition of property, plant, equipment and intangible assets	1 736	3 180	1 736	3 180
Disposal of property, plant, equipment and intangible assets	(2 542)	(1 085)	(2 540)	(1 080)
(Increase) decrease in securities	8 501	12 371	8 357	12 235
Dividends received	34	29	3 490	1 276
Interest received	611	790	605	762
Disposal of subsidiares	-	(53 702)	-	(53 702)
Net cash flows from investing activities	**8 340**	**(38 417)**	**11 648**	**(37 329)**
Financing activities				
Increase of mandatory reserve	-	258 263	-	258 263
Net cash flows from financing activities	**-**	**258 263**	**-**	**258 263**
Net increase (decrease) in cash and cash equivalents	**(374 321)**	**786 350**	**(374 321)**	**786 350**
Effect of exchange rate changes on cash and cash equivalents				
Cash and cash equivalents at 1 January	(2 153)	10 468	(2 153)	10 468
Cash and cash equivalents at 30 September	**1 432 197**	**163 667**	**1 432 197**	**163 667**
Interest income received	**1 055 723**	**960 485**	**1 055 723**	**960 485**
Interest expense paid	90 812	59 164	80 875	59 187
Interest expense paid	(19 666)	(10 235)	(19 530)	(10 326)

These Financial Statements were signed on 27 November 2018:

A.Načajus
Chairman of the Board

J. Šaučiūnienė
Chief Accountant

NOTES TO FINANCIAL STATEMENTS

Accounting policies

Basis of preparation

The Parent and the Group condensed interim financial information was prepared in accordance with IAS 34 Interim Financial reporting, as adopted by the European Union. The interim consolidated financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's and Parent's annual financial statements for the year ended 31 December 2017, except for the estimation of income tax and new accounting standards which came into force from 1 January 2018 and are described below.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

Changes in accounting policies

IFRS 9 Financial Instruments

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

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

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

Classification and measurement

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

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

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

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

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

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

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

- It meets the definition of held for trading and
- It is designated upon initial recognition to fair value through profit or loss measurement option

EU Regulation 2017/2395 amends the CRR by introducing Art. 473a on transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds"

ACCOUNTING POLICIES (continued)

All other financial liabilities are classified as measured at amortised cost.

Impairment of financial assets

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

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

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

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

Capital management

The new expected loss approach model had a negative impact on the Bank's regulatory capital. Upon the decision of the Board of Directors of Luminor Group AB the Bank did not apply transitional arrangements allowed by EU Regulation 2017/2395 and recognised the full effect of the implementation of IFRS 9 from 1 January 2018. The capital adequacy ratio is still significantly above the regulatory minimum and in line with the internal Risk Appetite statement.

ACCOUNTING POLICIES (continued)

Impact of the adoption of IFRS 9

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

Classification and measurement of financial instruments

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

T EUR Financial assets	Original measurement category under IAS 39	New measurement category under IFRS 9	IAS 39 carrying amount 31 December 2017	New carrying amount under IFRS 9 1 January 2018
Group				
Cash and balances with central banks	Loans and receivables	Amortised cost	1 362 543	1 362 543
Due from banks and other credit institutions	Loans and receivables	Amortised cost	251 142	251 142
Financial assets held for trading	Fair value through profit or loss	Fair value through profit or loss	2 325	2 325
Financial assets designated at fair value through profit or loss	Financial assets at FVTPL (under fair value option)	Financial assets at FVTPL (under fair value option)	85 586	84 153
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss	6 369	6 369
Available for sale financial instruments	Available for sale	Fair value through other comprehensive income	3 265	4 698
Loans and advances to customers	Loans and receivables	Amortised cost	4 445 709	4 437 240
Finance lease receivables	Loans and receivables	Amortised cost	639 778	633 091

Debt securitied held for liquidity purposes were designated to FVTPL (under fair value option) because of accounting mismatch. The Group and Bank buy derivatives (interest rate swaps) to economicaly hedge the risk of debt decurities fair value. Derivatives are in trading portfolio with the fair value changes through profit or loss, so to avoid or significantly reduce accounting mismatch, debt securities are designated at fair value using the fair value option (FVO).

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

T EUR Financial assets	Original measurement category under IAS 39	New measurement category under IFRS 9	IAS 39 carrying amount 31 December 2017	New carrying amount under IFRS 9 1 January 2018
Bank				
Cash and balances with central banks	Loans and receivables	Amortised cost	1 362 543	1 362 543
Due from banks and other credit institutions	Loans and receivables	Amortised cost	251 142	251 142
Financial assets held for trading	Fair value through profit or loss	Fair value through profit or loss	2 325	2 325
Financial assets designated at fair value through profit or loss	Financial assets at FVTPL (under fair value option)	Financial assets at FVTPL (under fair value option)	84 171	84 153
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss	6 369	6 369
Available for sale financial instruments	Available for sale	Fair value through other comprehensive income	3 265	3 283
Loans and advances to customers	Loans and receivables	Amortised cost	4 858 475	4 850 844
Finance lease receivable	Loans and receivables	Amortised cost	178 475	178 388

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

Luminor

ACCOUNTING POLICIES (continued)

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

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

T EUR Financial assets	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Group				
Amortised cost				
Cash and balances with central banks				
Opening balance under IAS 39 and closing balance under IFRS 9	1 362 543	-	-	1 362 543
Due from banks and other credit institutions				
Opening balance under IAS 39	251 142	-	-	-
Remeasurement (ECL allowances)	-	-	-	-
Closing balance under IFRS 9	-	-	-	251 142
Loans and advances to customers				
Opening balance under IAS 39	4 445 709	-	-	-
Remeasurement (ECL allowances)	-	-	(8 469)	-
Closing balance under IFRS 9	-	-	-	4 437 240
Finance lease receivables				
Opening balance under IAS 39	639 778	-	-	-
Remeasurement (ECL allowances)	-	-	(6 687)	-
Closing balance under IFRS 9	-	-	-	633 091
Financial assets measured at amortised cost - total	**6 699 172**	**-**	**(15 156)**	**6 684 016**
Fair value through profit or loss				
Financial assets held for trading				
Opening balance under IAS 39 and closing balance under IFRS 9	2 325	-	-	2 325
Financial assets designated at fair value through profit or loss				
Opening balance under IAS 39 and closing balance under IFRS 9	85 586	(1 433)	-	84 153
Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	6 369	-	-	6 369
Financial assets at fair value through profit or loss - total	**94 280**	**(1 433)**	**-**	**92 847**
Fair value through other comprehensive income				
Equity instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	3 265	18	-	3 283
Debt instruments				
Opening balance under IAS 39 and closing balance under IFRS 9		1 415	-	1 415
Assets at fair value through other comprehensive income - total	**3 265**	**1 433**	**-**	**4 698**

ACCOUNTING POLICIES (continued)

T EUR Financial assets	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Bank				
Amortised cost				
Cash and balances with central banks				
Opening balance under IAS 39 and closing balance under IFRS 9	1 362 543	-	-	1 362 543
Due from banks and other credit institutions				
Opening balance under IAS 39	251 142	-	-	-
Remeasurement (ECL allowances)	-	-	-	-
Closing balance under IFRS 9	-	-	-	251 142
Loans and advances to customers				
Opening balance under IAS 39	4 858 475	-	-	-
Remeasurement (ECL allowances)	-	-	(7 631)	-
Closing balance under IFRS 9	-	-	-	4 850 844
Finance lease receivables				
Opening balance under IAS 39	178 472	-	-	-
Remeasurement (ECL allowances)	-	-	(84)	-
Closing balance under IFRS 9	-	-	-	178 388
Financial assets measured at amortised cost – total	**6 650 632**	**-**	**(7 715)**	**6 642 917**
Fair value through profit or loss				
Financial assets held for trading				
Opening balance under IAS 39 and closing balance under IFRS 9	2 325	-	-	2 325
Financial assets designated at fair value through profit or loss				
Opening balance under IAS 39 and closing balance under IFRS 9	84 171	(18)	-	84 153
Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	6 369	-	-	6 369
Financial assets at fair value through profit or loss – total	**92 865**	**(18)**	**-**	**92 842**
Fair value through other comprehensive income				
Equity instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	3 265	18	-	3 283
Debt instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	-	-	-	-
Assets at fair value through other comprehensive income – total	**3 265**	**18**	**-**	**3 283**

ACCOUNTING POLICIES (continued)

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

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

T EUR Financial assets	Loss allowance under IAS 39/Provision under IAS 37	Reclassifications	Remeasurements	Credit loss allowance under IFRS 9
Group				
Amortised cost				
Cash and balances with central banks	-	-	-	-
Due from banks and other credit institutions	-	-	-	-
Loans and advances to customers	(102 763)	-	14 645	(88 118)
Finance lease receivables	(5 069)	-	(6 048)	(11 117)
Total	**(107 832)**	**-**	**8 597**	**(99 235)**

T EUR Financial assets	Loss allowance under IAS 39/Provision under IAS 37	Reclassifications	Remeasurements	Credit loss allowance under IFRS 9
Bank				
Amortised cost				
Cash and balances with central banks	-	-	-	-
Due from banks and other credit institutions	-	-	-	-
Loans and advances to customers	(102 517)	-	(15 451)	(87 066)
Finance lease receivables	(2 612)	-	481	(2 131)
Total	**(105 129)**	**-**	**15 932**	**(89 197)**

Reconciliation of changes on initial application of IFRS 9

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

Group	
Remeasurements to loans and finance lease receivables, of which:	**(15 156)**
Credit loss allowances	8 597
Reported under loan gross amount for originated credit impaired balances	(23 753)
Provisions (Note 13)	**(1 266)**
Total impact to equity	**(16 422)**

Bank	
Remeasurements to loans and finance lease receivables, of which:	**(7 715)**
Credit loss allowances	15 932
Reported under loan gross amount for originated credit impaired balances	(23 647)
Provisions (Note 13)	**(1 242)**
Total impact to equity	**(8 957)**

ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed that the application of the standard will have no effect on the Bank and the Group financial statements.

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

1) Identify the contract with the customer,

2) Identify the performance obligation in the contract,

3) Determine the transaction price,

4) Allocate the transaction price to the performance obligation in the contract,

5) Recognise revenue when the performance obligation is satisfied.

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

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

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

IFRS 15: Revenue from Contracts with Customers (Clarifications)

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. As described above, management has assessed that the application of the standard will have no effect on the Bank and the Group financial statements.

IFRS 16 Leases

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

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

Currently the Group is analyzing the operating lease agreements to determine to what extent these will result in the recognition of assets and liabilities. Some of the commitments will be covered by the exception for short term and low value and some commitments will not qualify as leases under IFRS16. The assessment of the potential effect of IFRS 16 on the financial statements of 2019 is in process.

ACCOUNTING POLICIES (continued)

Statement of Cash Flow

The method of cash flows was changed from direct into indirect in the process of preparation for the cross-border merger after which business in Lithuania will be continued in the form of a branch of Luminor Bank AS Estonia which is using the indirect method for the statement of cash flow.

RISK MANAGEMENT

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

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

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

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

Stage 1 – part of the portfolio for which no significant deterioration in credit quality has occurred since initial recognition (or the exposure is of low credit risk) and the financial instrument is not considered credit-impaired;

Stage 2 – part of the portfolio for which significant deterioration in credit quality has occurred since initial recognition, evidenced by the SICR – significant increase in credit risk - indicator, and the financial instrument is not considered credit-impaired;

Stage 3 – credit-impaired part of the portfolio. Luminor equates default and credit-impairment definitions so that all defaulted exposures are treated as credit-impaired and all credit-impaired exposures are treated as defaulted. This approach is based on the fact that the default definition used by Luminor covers all events indicated by IFRS 9 as possible evidence that financial instrument is credit-impaired and all of these events are considered by Luminor as having a detrimental impact on the estimated future cash flows from the instrument.

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

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

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

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

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

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

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

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

1. The customer is past due more than 90 days on any material obligation to the Luminor;
2. The customer is considered unlikely to pay its credit obligations to the Luminor.

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

RISK MANAGEMENT (continued)

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

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

The default is recognised on customer level.

Return to a non-defaulted status is possible not earlier than after 3 months when all default triggers cease to be met. During these 3 months of the probation period the timely payments by a customer should be ensured. The exemption from the general rule of probation is the distressed restructuring where at least 1 year needs to pass since the moment of extending restructuring measures and the moment when a customer is deemed to have an ability to comply with the post-restructuring conditions. This approach is consistent with FINREP instruction requirements for cure of forborne non-performing exposures.

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

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

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

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

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

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

OTHER NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 IMPAIRMENT. CHANGE IN FAIR VALUE OF INVESTMENT PROPERTY AND PROVISIONS

	Group		Bank		Group		Bank	
T EUR	2018 3rd Q	2017 3rd Q	2018 3rd Q	2017 3rd Q	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Impairment losses on loans:								
Increase (decrease) of impairment losses , net	1 595	510	1 711	510	5 539	3 551	5 655	3 551
Recovered previously written off loans	(3 128)	(450)	(3 068)	(450)	(4 713)	(6 692)	(4 598)	(6 692)
Total impairment losses on loans	**(1 533)**	**60**	**(1 357)**	**60**	**826**	**(3 141)**	**1 057**	**(3 141)**
Impairment losses on finance lease receivables	561	(24)	367	(24)	(378)	222	(92)	222
Derecognition on loans	(787)	-	(465)	-	(3 152)	-	(2 328)	-
Deregonition on guaranties	(132)	-	(132)	-	(468)	-	(468)	-
Total derecognition	(919)	-	(597)	-	(3 620)	-	(2 796)	-
Impairment losses for other assets	-	-		-	9	7	8	-
Changes in fair value of investment property	(67)	206	-	-	809	2 322	-	-
Impairment losses for investments in subsidiares	-	-	-	-	-	-	960	-
Other provisions	(18)	43 313	39	43 313	822	43 209	925	43 209
Total	**(1 976)**	**43 555**	**(1 548)**	**43 349**	**(1 532)**	**42 619**	**62**	**40 290**

NOTE 2 EARNINGS PER SHARE

Earnings per share were calculated by dividing the Group's net profit for the period by the weighted average number of ordinary registered shares in issue during the period.

T EUR	2018 3rd quarter	2017 3 rd quarter	30 September 2018	30 September 2017
Net profit	19 798	(43 634)	49 216	(22 035)
Weighted average number of registered issued shares (units)	5 710 134	5 710 134	5 710 134	5 710 134
Earnings per share	**3.47**	**(7.64)**	**8.62**	**(3.86)**

The 2018 and 2017 diluted earnings per share ratios are the same as basic earnings per share.

NOTE 3 CASH AND BALANCES WITH CENTRAL BANKS

Earnings per share were calculated by dividing the Group's net profit for the period by the weighted average number of ordinary registered shares in issue during the period.

	Group		Bank	
T EUR	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Cash and other valuables	130 731	134 105	130 731	134 105
Placements with Central Bank:				
Compulsory reserves in national currency	47 613	45 414	47 613	45 414
Correspondent account with central bank	827 363	1 183 024	827 363	1 183 024
Total	**1 005 707**	**1 362 543**	**1 005 707**	**1 362 543**

Required reserves held with the Bank of Lithuania are calculated according to reserve maintenance calendar announced by ECB. 1% required reserves rate is applied for the Bank's total liabilities subject to the required reserves. All required reserves are held only in EUR. The Bank of Lithuania does not pay interest for the required reserves.

NOTE 4 DUE FROM BANKS AND OTHER CREDIT INSTITUTIONS

Earnings per share were calculated by dividing the Group's net profit for the period by the weighted average number of ordinary registered shares in issue during the period.

	Group		Bank	
T EUR	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Due from banks and other credit institutions				
Demand deposits	50 016	69 654	50 016	69 654
of which funds to secure the derivatives deals	1 138	6 262	1 138	6 262
Term deposits	–	80 002	–	80 002
Short term loans	–	101 486	–	101 486
Total	**50 016**	**251 142**	**50 016**	**251 142**

There were no allowances for impairment due from banks neither at the Bank nor on the Group level as of the end of 30 September 2018 and 2017. Respectively , there were no changes in allowances for loan impairment and write-offs for such due and allowances in 2018 and 2017.

NOTE 5 FINANCIAL ASSETS HELD FOR TRADING

Group and Bank	30 September 2018			31 December 2017		
T EUR	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	3 562	–	–	2 112	–	–
Government bonds of foreign issuers	2 593	–	–	77	–	–
Debt securities of local entities	1 102	–	–	104	–	–
Debt securities of foreign entities	–	–	–	32	–	–
Total	**7 257**	**–**	**–**	**2 325**	**–**	**–**

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

Group T EUR	30 September 2018 Level 1	30 September 2018 Level 2	30 September 2018 Level 3	31 December 2017 Level 1	31 December 2017 Level 2	31 December 2017 Level 3
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	75 093	-	-	85 568	-	-
Equity securities	-	-	-			
Other	-	-	-	-	-	18
Total	**75 093**	**-**	**-**	**85 568**	**-**	**18**

Bank T EUR	30 September 2018 Level 1	30 September 2018 Level 2	30 September 2018 Level 3	31 December 2017 Level 1	31 December 2017 Level 2	31 December 2017 Level 3
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	75 093	-	-	84 153	-	-
Equity securities	-	-	-			
Other	-	-	-	-	-	18
Total	**75 093**	**-**	**-**	**84 153**	**-**	**18**

NOTE 7 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments predominantly used for hedging against risks under the Group's risk management positions. The Group and the Bank enter into transactions involving the following derivative instruments:

- Forward, future, swap, interest rates, indexes, stocks, bonds and commodities and/or any combinations of those.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, commodity or equity prices relative to their terms.

Aggregate amounts of derivative contracts can fluctuate within the risk ratio limits set by the Group. Fair values of derivative financial assets and liabilities may fluctuate significantly subject to the market development.

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NOTE 7 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair values of derivative financial instruments are set out in the following table.

Group and Bank T EUR	30 September 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FX forwards, swaps, put, call options	-	3 610	-	-	771	-
Interest rate swaps, collars	-	3 880	-	-	3 744	-
Commodity swaps	-	1 095	-	-	1 854	-
Total	**-**	**8 585**	**-**	**-**	**6 369**	**-**

Group and Bank T EUR	30 September 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FX forwards, swaps, put, call options	-	1 384	-	-	2 577	-
Interest rate swaps, collars	-	2 813	-	-	3 373	-
Commodity swaps	-	1 022	-	-	1 794	-
Total	**-**	**5 219**	**-**	**-**	**7 744**	**-**

NOTE 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Group T EUR	30 September 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt securities	1 264	-	-	-	-	-
Shares	-	-	3 401	-	-	3 265
Total	**1 264**	**-**	**3 401**	**-**	**-**	**3 265**

Bank T EUR	30 September 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt securities	-	-	-	-	-	-
Shares	-	-	3 401	-	-	3 265
Total	**-**	**-**	**3 401**	**-**	**-**	**3 265**

There were no movement of securities between the levels during 2018.

The significant unobservable inputs used in the fair value measurement of shares on level 3 are as follows: conversion rate, average trading price, liquidity discount.

NOTE 9 LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
T EUR	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Loans and advances to financial institutions	**133 213**	**15 646**	**860 662**	**651 121**
Loans to business customers:				
- Public authorities. state and municipal entities	130 348	197 532	130 348	197 532
- Large corporates	1 318 923	851 910	1 173 030	758 705
- SMEs	527 153	921 422	450 244	791 730
- Other	1 571	1 297	1571	1 297
Total loans to business customers	**1 977 995**	**1 972 161**	**1 755 193**	**1 749 264**
Loans to individuals (retail):				
- Consumer loans	89 029	90 780	89 029	90 780
- Mortgages	2 225 477	2 213 899	2 225 447	2 213 899
- Loans secured by equity linked bonds issued by Bank	968	1 046	968	1 046
- Other	263 037	254 940	263 037	254 882
Total loans to individuals (retail)	**2 578 511**	**2 560 665**	**2 578 511**	**2 560 607**
Total gross loans granted	**4 689 719**	**4 548 472**	**5 194 366**	**4 960 992**
Total allowance for impairment:	(70 178)	(102 763)	(69 386)	(102 517)
to financial institutions	(684)	(13)	(1 043)	(13)
to business customers	(34 098)	(64 954)	(32 946)	(64 708)
to individuals	(35 397)	(37 796)	(35 397)	(37 796)
Total net loans and advances to customers	**4 619 541**	**4 445 709**	**5 124 980**	**4 858 475**

Other loans include credit cards, reverse repurchase agreements, other loans backed by securities and other.

NOTE 9 LOANS AND ADVANCES TO CUSTOMERS (continued)

Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

T EUR Bank loans to individuals (retail)	Stage 1	Stage 2	Stage 3	IAS 39	Total
As at 1 January 2018				**37 796**	**37 796**
IFRS 9 impact	1 646	7 962	34 810	(37 796)	6 622
Change for originated credit impaired balances	-	-	(3 116)	-	(3 116)
Change in allowance for loan impairment	(67)	(1 566)	4 548	-	2 915
Loans written off during the period as uncollectible	-	-	(8 732)	-	(8 732)
Other adjustments	-	(3)	(85)	-	(88)
As at 30 September 2018	**1 579**	**6 393**	**27 425**	**-**	**35 397**
Individual impairment			**15 128**		
Collective impairment	**1 579**	**6 393**	**12 297**		
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance					**114 919**

T EUR Bank loans to business customers and financial institutions	Stage 1	Stage 2	Stage 3	IAS 39	Total
As at 1 January 2018				**64 721**	**64 721**
IFRS 9 impact	**1 342**	**1 977**	**62 411**	**(64 721)**	**1 009**
Change for originated credit impaired balances	-	-	(19 966)	-	(19 966)
Change in allowance for loan impairment	1 201	(105)	(493)	-	603
Loans written off during the period as uncollectible	-	-	(12 180)	-	(12180)
Other adjustments	(4)	3	(197)	-	(196)
As at 30 September 2018	**2 539**	**1 875**	**29 575**	**-**	**33 989**
Individual impairment			27 298		
Collective impairment	**2 539**	**1 875**	**2 277**		
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance					**133 022**

NOTE 9 LOANS AND ADVANCES TO CUSTOMERS (continued)

T EUR Group loans to individuals (retail)	Stage 1	Stage 2	Stage 3	IAS 39	Total
As at 1 January 2018				**37 796**	**37 796**
IFRS 9 impact	**1 646**	**7 962**	**34 810**	**(37 796)**	**6 622**
Change for originated credit impaired balances	-	-	(3 116)	-	(3 116)
Change in allowance for loan impairment	(67)	(1 566)	4 548	-	2 915
Loans written off during the period as uncollectible	-	-	(8 732)	-	(8 732)
Other adjustments	-	(3)	(85)	-	(88)
As at 30 September 2018	**1 579**	**6 393**	**27 425**	**-**	**35 397**
Individual impairment			**15 128**		
Collective impairment	**1 579**	**6 393**	**12 297**		
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance					**114 919**

T EUR Group loans to business customers and financial institutions	Stage 1	Stage 2	Stage 3	IAS 39	Total
As at 1 January 2018				**64 967**	**64 967**
IFRS 9 impact	**1 330**	**2 079**	**63 405**	**(64 967)**	**1 847**
Change for originated credit impaired balances	-	-	(19 998)	-	(19 998)
Change in allowance for loan impairment	1 044	(119)	(609)	-	316
Loans written off during the period as uncollectible	-	-	(12 182)	-	(12 182)
Other adjustments	(4)	3	(197)	-	(198)
As at 30 September 2018	**2 370**	**1 963**	**30 449**	**-**	**34 782**
Individual impairment			**26 896**		
Collective impairment	**2 370**	**1 963**	**3 553**		
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance					**136 898**

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NOTE 9 LOANS AND ADVANCES TO CUSTOMERS (continued)

T EUR Bank	Bank loans to individuals (retail)	Bank loans to business customers
Balance as at 1 January 2017	**36 383**	**62 262**
Change in allowance for loan impairment	1 370	1 475
Loans written off during the year as uncollectible	(9 679)	(7 293)
As at 30 September 2017	**28 074**	**56 444**
Individual impairment	26 820	54 828
Collective impairment	1 254	1 616
	28 074	**56 444**
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	48 020	128 051

T EUR Group	Group loans to individuals (retail)	Group loans to business customers
Balance as at 1 January 2017	**36 383**	**62 262**
Change in allowance for loan impairment	1 370	1 475
Loans written off during the year as uncollectible	(9 679)	(7 293)
As at 30 September 2017	**28 074**	**56 444**
Individual impairment	26 820	54 828
Collective impairment	1 254	1 616
	28 074	**56 444**
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	48 020	128 051

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NOTE 10 INVESTMENTS IN SUBSIDIARIES

		30 September 2018			31 December 2017
T EUR	Share	Nominal value	Accumulated impairment losses	Carrying value	Carrying value
Investments in consolidated subsidiaries					
Luminor Investicijų Valdymas, UAB	100%	1 158	-	1 158	1 158
Luminor Būstas, UAB	100%	1 260	(368)	892	892
Intractus UAB	100%	44 569	(24 200)	20 369	21 329
Industrius UAB	99.92%	13 771	(3 259)	10 512	10 512
RECURSO UAB	100%	4 631	(110)	4 521	4 521
PROMANO LIT UAB	100%	9 912	(130)	9 782	9 782
Luminor Lizingas UAB	100%	44 728	-	44 728	44 728
Total				**91 962**	**92 922**

During the reported period the Bank did not sell its own shares or the shares of its subsidiaries to third parties.

In 2018, based on the estimated expected future cash flows, business growth and risk costs of subsidiaries, the Bank recorded impairment losses amounting to EUR 960 thousand to investment in Intractus UAB. The recoverable amount was measured at fair value less costs to sell which is categorised within Level 3.

NOTE 11 DUE TO BANKS AND OTHER CREDIT INSTITUTIONS

	Group		Bank	
T EUR	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Funds of Central bank	172 850	300 000	172 850	300 000
Funds of banks and other credit institutions:				
Demand deposits	25 051	59 048	25 051	59 048
Term deposits	-	-	-	-
Loans	1 474 039	1 870 542	1 474 039	1 870 542
Total	**1 671 940**	**2 229 590**	**1 671 940**	**2 229 590**

As at 30 September 2018, Funds of Central Bank (EUR 173,000 thousand) contains proceeds from ECB under targeted longer-term refinancing operations (TLTROs) (2017: EUR 300,000 thousand i.e. during the reporting period Group made a partial prepayment of TLTRO funding to central banks totalling EUR 127 million). The carrying amount of pledged assets under this agreement amounted to EUR 203,545 thousand (EUR 128,209 thousand loans granted to governmental institutions, EUR 75,336 thousand acquired central government bonds).

NOTE 12 DUE TO CUSTOMERS

T EUR	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Demand deposits				
of public authorities	590 292	402 352	590 292	402 352
of financial institutions	20 250	29 109	21 765	30 990
of private entities	1 409 216	1 490 097	1 443 161	1 520 286
of individuals	1 425 035	1 442 841	1 425 035	1 442 841
Total demand deposits	**3 444 793**	**3 364 399**	**3 480 253**	**3 396 469**
Term deposits				
of public authorities	158 997	45 862	158 997	45 862
of financial institutions	7 788	13 532	7 788	13 532
of private entities	69 396	105 808	69 396	105 808
of individuals	372 218	326 416	372 218	326 416
Total term deposits	**608 399**	**491 618**	**608 399**	**491 618**
Term loan	29	101	29	101
Total	**4 053 221**	**3 856 118**	**4 088 681**	**3 888 188**

As at 30 September 2018 the Group's deposits of EUR 10,806 thousand (2017: EUR 12.310 thousand) and Bank's deposits of EUR 10.806 thousand (2017: EUR 12.310 thousand) held as collateral for irrevocable commitments under import letter of credit. guarantees and loans were included in customer accounts.

NOTE 13 PROVISIONS

The movement of provisions was as follows:

T EUR	Group				Bank			
	Loan commitments and guarantees	Pending legal issues	Restructuring	Other	Loan commitments and guarantees	Pending legal issues	Restructuring	Other
As at 1 January 2018	**107**	**123**	**858**	**5**	**107**	**123**	**858**	**5**
Changes on initial application of IFRS 9	1 266	-	-	-	1 242	-	-	-
Increase in provisions	1 081	-	167	-	1 079	-	167	-
Utilised	(712)	(30)	(985)	-	(583)	(30)	(985)	-
As at 30 September 2018	**1 742**	**93**	**40**	**5**	**1 843**	**93**	**40**	**5**
Current (less than one year)	-	-	40	-	-	-	40	-
Non-current (more than one year)	1 742	93	-	5	1 843	93	-	5
As at 30 September 2018	**1 742**	**93**	**40**	**5**	**1 843**	**93**	**40**	**5**

Provisions on off-balance sheet commitments under IFRS 9 by stages as at the end of the period are as follows:

T EUR 30 September 2018	Group	Bank
Instruments without significant increase in credit risk since initial recognition (Stage 1)	537	536
Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage2)	1 205	1 307
Total	**1 742**	**1 843**

T EUR	Group				Bank			
	Loan commitments and guarantees	Pending legal issues	Restructuring	Other	Loan commitments and guarantees	Pending legal issues	Restructuring	Other
As at 1 January 2017	**-**	**291**	**-**	**5**	**-**	**291**	**-**	**5**
Increase in provisions	-	-	70	-	-	-	70	-
Utilised	-	(198)	-	-	-	(198)	-	-
As at 30 September 2017	**-**	**93**	**70**	**5**	**-**	**93**	**70**	**5**
Current (less than one year)	-	-	-	-	-	-	-	-
Non-current (more than one year)	-	93	70	5	-	93	70	5
As at 30 September 2017	**-**	**93**	**70**	**5**	**-**	**93**	**70**	**5**

Legal claims. As at 30 September 2018, contingent liabilities that may arise as a result of pending court proceedings in which the Bank would appear as a respondent amounted to EUR 9,643 (2017: EUR 5,545 thousand), of which EUR 1,100 thousand for legal claims related to group of (ex-Nordea Bank) customers claim (regarding modification of mortgage loan agreements under which loans were issued in Swiss Francs and commitment to calculate negative interest), the Bank does not see the need for provisions for this case as the risk is remote and EUR 968 thousand (2017: EUR 1,679 thousand) for legal claims related to index linked bonds and 7,575 thousand for other legal claims. The Bank established a provision of EUR 93 thousand (2017: EUR 123 thousand) against potential losses in relation to the outcome of legal claims.

NOTE 14 CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees. letters of credit. commitments to grant loans and other commitments

	Group 30 September		Bank 31 December	
T EUR	2018	2017	2018	2017
Financial guarantees	84 965	43 960	90 805	80 537
Letters of credit	56 406	2 363	50 648	49 375
Commitments to grant loans and finance leases	572 793	383 003	579 412	806 063
Capital commitments and other commitments				
to acquire assets	200	812	101	691
Other commitments	122 317	68 580	123 146	105 638
Total	**836 681**	**498 718**	**844 112**	**1 042 304**

The management of the Bank considers the level of provisions to be sufficient to cover the potential losses that may arise out of the above items. Additional commitments to related parties are disclosed in Note 15.

NOTE 15 RELATED PARTY TRANSACTIONS

The balances of loans granted by the Group to the management and close family members, deposits accepted as at the end of the period are as follows:

	Balances of deposits		Principal of loans outstanding	
T EUR	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Management of the Group and close family members of management	1 266	850	872	549

As at 30 September 2018, the total compensations for the Group management approximated EUR 954 thousand (31 December 2017 – EUR 1,207 thousand). As at 30 September 2018, the total compensations for the Bank's management approximated EUR 830 thousand (31 December 2017 – EUR 738 thousand). The remuneration to key management personnel mainly consists of short term employee benefits.

NOTE 15 RELATED PARTY TRANSACTIONS (continued)

The following Group's balances were outstanding with ultimate owners related companies:

T EUR	30 September 2018	31 December 2017
Assets		
Correspondent bank accounts	40 160	58 532
Reverse repurchase agreements	-	101 486
Derivative financial instruments	5 856	2 606
Other assets	175	162
Liabilities		
Correspondent bank accounts	1 791	695
Term deposits	1 474 039	1 870 542
Derivative financial instruments	2 902	6 250
Other liabilities	1 261	730

T EUR	30 September 2018	30 September 2017
Income		
Interest	**60**	**1 136**
Fee and commission	352	-
Net gain (loss) on operations with securities and derivative financial instruments and net foreign exchange result	8 146	(9 430)
Other	(72)	-
Expenses		
Interest	1 914	1 470
Fee and commission	201	189
Other	4 299	545

The following balances were outstanding with Luminor Group AB companies:

T EUR	30 September 2018	31 December 2017
Assets		
Correspondent bank accounts	1 927	844
Term deposits	0	80 000
Loans and advances	119 331	-
Other assets	433	1 121
Liabilities		
Correspondent bank accounts	308	931
Other liabilities	1 099	81

T EUR	30 September 2018	30 September 2017
Income		
Interest income	354	
Fee and commission	122	36
Other	966	645
Expenses		
Fee and commission	97	222
Other	3 064	5 355

NOTE 15 RELATED PARTY TRANSACTIONS (continued)

The following balances were outstanding on the Bank statement of financial position with subsidiaries:

T EUR	30 September 2018	31 December 2017
Assets		
Loans	727 449	635 474
Equity securities	91 962	92 922
Other assets	862	13
Liabilities		
Demand deposits	35 274	32 070
Other liabilities	814	13

The main income/expenses of the Bank from transactions with the subsidiaries are as follows:

T EUR	30 September 2018	30 September 2017
Income		
Interest	3 992	43
Fee and commission	1 175	419
Dividends	3 456	1 247
Other	274	267
Expenses		
Commission	59	102
Impairment losses for investments in subsidiaries	960	-
Other impairments and provisions	423	-
Other	159	-

As at 30 September 2018, the main off-balance sheet commitments (guarantees, commitments to grant loans) with the subsidiaries amounted to EUR 32,190 thousand (31 December 2017: EUR 94,164 thousand).

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at arm's length rates.

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Balance sheet date	30. September 2018
Reporting period	1 July 2018 - 30 September 2018
Reporting currency	Euro

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