Luminor Bank AS
Registry code 11315936
Liivalaia tn 45, Tallinn 10145, Estonia

Luminor Bank AS
Registry code 40003024725
Skanstes iela 12, Riga LV-1013, Latvia

Luminor Bank AB
Registry code 112029270
Konstitucijos pr. 21A, Vilnius LT-03601, Lithuania

Joint Merger Report (Prospectus) on the cross-border merger

regarding

Luminor Bank AS, registry code 11315936, the data about the company is kept and stored with the Estonian commercial register,
Luminor Bank AS, registry code 40003024725, the data about the company is kept and stored with the Latvian commercial register, and
Luminor Bank AB, registry code 112029270, the data about the company is kept and stored with the Lithuanian commercial register

29.03.2018

Introduction

This joint merger report (prospectus) has been prepared in compliance with Article 393 (1) of the Estonian Commercial Code, Article 339 (1) and (2) and Article 381 of the Latvian Commercial Law, Article 2.99 of the Lithuanian Civil Code, Article 64 of the Lithuanian Law on Companies, Article 5 of Lithuanian Law on Cross-Border Mergers of Limited Liability Companies and other applicable laws, with the aim to explain and justify the merger of Luminor banking entities in the Baltic countries legally and economically.

Information on the merger agreement

The management boards of Luminor Bank AS, registry code 11315936 in the Estonian commercial register, registered address Liivalaia tn 45, Tallinn 10145, the Republic of Estonia („**Luminor Estonia**"), Luminor Bank AS, registry code 40003024725 in the Latvian commercial register, registered address Skanstes iela 12, Riga LV-1013, the Republic of Latvia ("**Luminor Latvia**"), and Luminor Bank AB, registry code 112029270 in the Lithuanian commercial register, registered address Konstitucijos pr. 21A, Vilnius LT-03601, the Republic of Lithuania ("**Luminor Lithuania**") have negotiated a merger agreement, under which the three companies are intended to be merged in cross-border merger proceedings in compliance with Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law.

Under the negotiated merger agreement, Luminor Estonia is the acquiring company that will survive while Luminor Latvia and Luminor Lithuania are the companies being acquired which will be dissolved without going into liquidation. All the assets and liabilities of Luminor Latvia and Luminor Lithuania will be transferred to Luminor Estonia as a result of the merger. The share capital of Luminor Estonia will be increased by EUR 25,535,700 to EUR 34,912,230 on the account of the transferring assets of

Luminor Latvia and Luminor Lithuania. Upon completion of the merger, Luminor Estonia will be carrying out banking activities in all three Baltic states. The activities in Latvia and Lithuania will be carried out through the Latvian and Lithuanian branches of Luminor Estonia, which will be established simultaneously with the merger proceedings and will be subject to the permissions and conditions established by the respective supervisory authorities of the respective jurisdiction. Luminor Group AB, Swedish register code 559072-8316 remains the sole shareholder of Luminor Estonia.

Merger balance sheet date is January 1, 2018, from which date all transactions and operations of Luminor Latvia and Luminor Lithuania are considered to be performed on the account of Luminor Estonia (once the merger has taken effect). The reference date of the financial statements used for determining the terms and conditions for the merger is December 31, 2017.

<u>The Merger Agreement is comprised of the following:</u>

1. Detailed information about the companies participating in the merger and their shareholder (name, registry code, address);

2. Information about corporate changes that will take place after the completion of the merger, mainly that the current business of Luminor Latvia and Luminor Lithuania will be continued by Luminor Estonia through its branches to be established in Latvia and Lithuania respectively;

3. The procedure and timeline of the transfer of assets, rights and obligations of Luminor Latvia and Luminor Lithuania to Luminor Estonia;

4. Information on increase of the share capital of Luminor Estonia on account of the assets of Luminor Latvia and Luminor Lithuania and the share exchange ratios;

5. Consequences of the merger to the employees of the merging companies and the management board members, procurators and the supervisory board members of Luminor Latvia and Luminor Lithuania.

Purpose of the merger

The cross-border merger represents the second phase of combining the Baltic businesses of DNB group and Nordea group. As the first step, completed on October 1, 2017, all shares in DNB Baltic banking subsidiaries were transferred to Luminor Group AB, and these subsidiaries in turn acquired Nordea's Baltic banking businesses and the shares of Nordea's subsidiaries in each respective jurisdiction – Estonia, Latvia and Lithuania. The cross-border merger of Luminor Estonia, Luminor Latvia and Luminor Lithuania will complete this integration process.

By effect of the merger, the surviving Luminor Estonia will also become the direct shareholder of all Luminor Group AB's subsidiary companies in the Baltics (including those that were owned by the Latvian and Lithuanian combined banks before the cross-border merger takes effect).

The combined Baltic banking business will benefit from clear strategic objectives, larger scale and enhanced stand-alone profitability with a dedicated management team and strong corporate governance structure. The senior management team of Luminor Estonia will be tasked to achieve three overall objectives:

- Creation of a leading customer centric, primary Baltic bank with Nordic roots: achieve service excellence and implement operational excellence;

- Operational and funding independence over time: IT separation and consolidation, set-up of required group functions and drive balance sheet efficiencies; and

- Profitability: achieve a sustainable return on equity in line with the company's cost of equity.

Share exchange ratio and additional payments

As the sole shareholder of all three merging companies is Luminor Group AB, then the share exchange ratio is 191,178,337 : 10,706,620 in case of shares of Luminor Latvia and 190,204,563.54 : 14,829,080 in case of shares of Luminor Lithuania. As a result of the merger, Luminor Group AB remains the sole shareholder of Luminor Estonia, holding 3,491,223 shares with a total nominal value of EUR 34,912,230 euro, each having the nominal value of EUR 10.

No additional payments shall be provided for the share exchange.

Business continuity and timing of the merger

The merger will not have any impact on business continuity, and the business activities of all three merging entities will continue in Luminor Estonia after the merger.

The intended time of completion of the merger process is January 2, 2019.

Legal and economic basis for the merger

The merger proceedings are carried out in accordance with the Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law, Estonian Commercial Code, Estonian Credit Institutions Act, Lithuanian Civil Code, Lithuanian Law on Companies, Lithuanian Law on Cross-Border Mergers of Limited Liability Companies, Lithuanian Law on Financial Institutions, Lithuanian Law on Banks and Latvian Commercial Law, Latvian Law on Financial Institutions, and the provisions of other relevant legal acts of Lithuania, Latvia and Estonia.

The merger will be performed in accordance with the merger agreement and will be subject to the permissions and conditions established by the respective supervisory authorities of the respective jurisdiction.

Legal reasons and explanations

By merging the three companies, Luminor group will have a simpler corporate structure. The number of different management bodies will be reduced, which will lead to a more efficient and cost-effective management and less bureaucracy.

The merger will have a positive effect in terms of compliance with capital adequacy requirements. The merger will allow Luminor Estonia to manage its own funds across Baltics more efficiently. As a result of the merger, the lending portfolio is more diversified from a credit risk point of view. The merger will not in any way affect negatively Luminor Estonia's ability to settle its obligations against creditors. Neither will the merger increase Luminor Estonia's operational risk nor market risk, thus there is no negative impact to the capital adequacy.

Economic reasons and explanations

The merged Baltic bank will be better equipped to counter increasing competition in the region and capitalise on scale in order to become the main universal bank for more businesses, customers and partners in the Baltics.

By merging the three banking groups and forming the branches it helps to exploit economies of scale and scope thanks to common organization across home and host countries. This is possible because the preferences for various financial services are similar across the Baltic countries and the knowledge of customers in one country implies knowledge of customers in the other. Under these conditions there are also cost savings from integrated accounting and management information systems.

The contemplated cross-border merger is recognized as tax neutral and faces no material tax obstacles or adverse tax consequences.

The tax treatment of cross-border mergers within EU is outlined in The Merger Directive[1]. As the Directive stipulates, such corporate event as cross-border merger should not face tax obstacles and should not give rise to any taxation of capital gains constituted by difference between the real values of the assets and liabilities transferred and their values for tax purposes (tax neutrality principle).

The merger tax neutrality is achieved only provided that business integrity and continuity is observed in the concerned jurisdictions, i.e. all assets and liabilities stay in the tax jurisdictions of the companies being acquired (attributed to the local branches after the merger) and branch offices continue operations of the companies being acquired.

Provided that:

- In the course of the cross-border merger all assets and liabilities of Luminor Latvia and Luminor Lithuania (including investments in subsidiaries) will be economically attributed to the respective Luminor Estonia's branches in Latvia and Lithuania;
- the branches will continue business operations taken over from Luminor Latvia and Luminor Lithuania,

the tax neutrality principle is satisfied and difference between the book values and markets values shall not give rise to taxation in either of the jurisdiction concerned.

Further internal operational efficiencies are achieved in following areas:

- capital and liquidity management – no need to keep and allocate amounts and buffers between countries;
- regulatory efficiencies – one set of aligned and combined rules exist from one regulator;
- larger capital base will allow for larger exposures to single customer/customer groups and increases bank's ability to absorb losses under stressed scenarios;
- legal reporting –. reporting and compliance requirements are reduced as less individual level reporting is required, but reporting requirements will increase on Group consolidated level for Estonian entity. In the longer term gains will be exercised through reduction of operational risk and increase of quality once common tools and processes are implemented.

Difficulties upon valuation

Upon assessment of the impact of the merger, no difficulties were established.

[1] *COUNCIL DIRECTIVE 2009/133/EC of 19 October 2009 on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets and exchanges of shares concerning companies of different Member States and to the transfer of the registered office of an SE or SCE between Member States*

Consequences of the merger

Consequences of the merger for the creditors of Luminor Estonia, Luminor Latvia and Luminor Lithuania

As a result of the merger, the business of Luminor Lithuania and Luminor Latvia shall pass to Luminor Estonia as a going concern meaning that all assets, rights and liabilities of Luminor Latvia and Luminor Lithuania will transfer to Luminor Estonia, which will continue all previous activities. In the course of the merger, the share capital of Luminor Estonia will be increased by EUR 25,535,700 from EUR 9,376,530 to EUR 34,912,230 with a share premium of EUR 1,226,132,055 on the account of the transferring assets of Luminor Latvia and Luminor Lithuania, which are assessed at market value.

Capital adequacy requirements will be met at all times and sufficient capitalization level maintained. The merger is not expected to have any adverse effect on the interests of the creditors of Luminor Latvia, Luminor Lithuania and Luminor Estonia.

Consequences of the merger for the employees of Luminor Estonia, Luminor Latvia and Luminor Lithuania

As a consequence of the merger the employment contracts (together with all rights and obligations arising from such contracts) of all employees of Luminor Latvia and Luminor Lithuania will transfer to Luminor Estonia, which shall further be assigned respectively to Luminor branches in Latvia and Lithuania. It is not planned to apply any significant changes to the terms of employment due to the merger nor terminate any employment contracts upon the merger. The employees of all merging companies will be informed and, if required, consulted with regarding the merger and the related transfer of employment contracts to the branches pursuant to the requirements of local laws.

Having evaluated that the employees of Luminor Latvia and Luminor Lithuania have thus far not participated in the management of the respective entities, the employees will not be participating in the management of Luminor Estonia.

The employees' rights in Luminor Estonia will be safeguarded by establishment of the Special Negotiating Body for the purposes of negotiating with the central management regarding the establishment of a European Works Council or another procedure for informing and consulting with the employees of Luminor Estonia (incl. the employees transferred to Luminor Estonia from Luminor Latvia and Luminor Lithuania as a result of the merger) in compliance with Directive 2009/38/EC of the European Parliament and of the Council on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees, as well as the local laws implementing the Directive.

Consequences of the merger on the shareholder of Luminor Estonia, Luminor Latvia and Luminor Lithuania

All three merging companies belong 100% to Luminor Group AB. Therefore, the merger does not affect the total value of the shareholding of Luminor Group AB. The voting, dividend and other shareholder's rights of Luminor Group AB in each separate merging entity will be replaced by the voting, dividend and other shareholder's rights in Luminor Estonia only. Minor changes in shareholder's rights may occur due to differences in corporate regulations in the Baltics.

/This document has been signed by the authorised representatives on 29 March 2018/