Baltikums Bank

BALTIKUMS BANK AS

Group Consolidated and Bank Separate Financial Statements for the year ended 31 December 2015

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Baltikums Bank

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Baltikums Bank

REPORT OF COUNCIL AND MANAGEMENT BOARD

Baltikums Bank AS displays stable performance and expands its service offering

The year 2015 was a year of success and stability for Baltikums Bank AS. According to final financial data, income from the bank's activities during the reporting period reached EUR 36.9 million, with net profit of EUR 7.4 million. The bank's main performance indicators were also high: liquidity at the end of the reporting period was 77.39 % and capital adequacy constituted 21.7 %; return on equity (ROE) during the year was at 14.0 % and the bank's return on assets (ROA) – was 1.1 %.

Compared to the previous reporting period, there was growth across a number of important items in 2015: client assets grew by 21% to reach EUR 671.7 million; the bank's total assets also increased by more than 18 %, to EUR 774.1 million. Furthermore, it should be noted that the bank's capital (including subordinated liabilities) increased by 20%, totalling EUR 77.9 million.

Baltikums Bank continued to expand enterprise lending during the reporting period, by offering clients trade finance, factoring and investment loans. Loans totalling EUR 58.5 million were granted to clients in 2015, 56% more than during the previous reporting period. New markets were explored actively; more than half of the loans by volume were allocated to projects for developing international trade and manufacturing. With the bank's financial assistance, clients have been able to successfully implement their projects, in European markets as well as in more remote countries of Asia and Africa.

Baltikums Bank was acknowledged with the Nasdaq Riga 2015 award for arranging issues of debt securities. The volume of issues arranged last year totalled EUR 67 million.

During the reporting period, the bank continued to develop remote servicing. Its geographical reach has expanded significantly, servicing new clients in Central Europe and East Asia and strengthening its bonds with long-time partners from these regions.

In an era of rapid digitalisation, aware of how the financial services industry could change in the near future, the bank implemented a range of technological projects aimed at improving client comfort, service availability, and reliability of financial transactions.

A new Internet Bank was introduced with a greater range of options for client service, alongside an Internet Bank mobile app. New platforms have been created for remote servicing, including a mobile multifunctional client service centre. Significant investment in developing new technologies will continue in 2016, updating and developing new communications channels. The range of services provided online is on track to expand considerably.

The bank's safety and reliability as a financial institution, its ability to facilitate long-term partnerships while developing continuously – these are requirements for success and economic prosperity for our clients and for the bank itself. We will continue to maintain these values in the future. The performance of Baltikums Bank in 2015 confirms that the strategy we selected is correct.

On behalf of the Bank's management,

Aleksandrs Peškovs	**Dmitrijs Latiševs**
Chairman of the Council	Chairman of the Board

25 February 2016

COUNCIL AND BOARD OF THE BANK

Members of the Board and Council of the Bank were as follows:

Council as at 31 December 2015

Name, Surname	Position	Date of Appointment
Aleksandrs Peškovs	Chairman of the Council	22 June 2001
Sergejs Peškovs	Deputy Chairman of the Council	22 June 2001
	Member of the Council	25 July 2002
Andrejs Kočetkovs	Member of the Council	22 June 2001

Board as at 31 December 2015

Name, Surname	Position	Date of Appointment
Dmitrijs Latiševs	Member of the Board	1 July 2002
	Deputy Chairman of the Board	25 April 2003
	Chairman of the Board	21 April 2011
Inga Mukāne	Member of the Board	6 March 2013
Mihails Kuzņecovs	Member of the Board	9 October 2015

On 9 October 2015, Leonarda Višņevska was released from her duties of a member of the Board.

On 9 October 2015, Mihails Kuzņecovs was elected as a member of the Board.

On behalf of the Bank's management,

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The management of Baltikums Bank AS (the Bank) is responsible for the preparation of the consolidated financial statements of the Bank and its subsidiaries (the Group) as well as for the preparation of the separate financial statements of the Bank.

The Group consolidated and Bank separate financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the Group consolidated and Bank separate financial statements.

The Group consolidated and Bank separate financial statements on pages 7 to 75 are prepared in accordance with the source documents and present fairly the financial position of the Group as at 31 December 2015 and the consolidated results of its operations and cash flows for the year then ended, as well as the financial position of the Bank as at 31 December 2015 and the results of its operations and cash flows for the year ended 31 December 2015.

The management of the Bank is responsible for the maintenance of a proper accounting system, safeguarding the Group's and Bank's assets, and the prevention and detection of fraud and other irregularities in the Group and Bank. Management is also responsible for operating the Group and Bank in compliance with the Law on Credit Institutions, regulations of the Finance and Capital Market Commission and other legislation of the Republic of Latvia applicable to credit institutions.

On behalf of the Bank's management,

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

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Independent Auditors' Report

To the shareholders of Baltikums Bank AS

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of Baltikums Bank AS ("the Bank"), which comprise the separate statement of financial position as at 31 December 2015, the separate income statement and statement of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 75. We have also audited the accompanying consolidated financial statements of Baltikums Bank AS and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement and statement of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 75.

Management's Responsibility for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of these separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these separate and consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Bank's and the Group's preparation and fair presentation of these separate and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Bank and the Group management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Baltikums Bank AS as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Baltikums Bank AS and its subsidiaries as at 31 December 2015, and of the consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Consolidated Management Report, as set out on page 2, the preparation of which is the responsibility of management, is consistent with the consolidated financial statements. Our work with respect to the Consolidated Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the consolidated financial statements of the Group. In our opinion, the Consolidated Management Report is consistent with the consolidated financial statements.

KPMG Baltics SIA

License No 55

Ondrej Fikrle

Partner pp KPMG Baltics SIA

Riga, Latvia

25 February 2016

Valda Užāne

Sworn Auditor

Certificate No 4

GROUP CONSOLIDATED AND BANK SEPARATE INCOME STATEMENT

	Note	2015		2014	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income		9,138	9,137	7,675	7,807
Interest expense		(2,457)	(2,457)	(1,417)	(1,417)
Net interest income	6	**6,681**	**6,680**	**6,258**	**6,390**
Fee and commission income		18,994	18,997	18,453	18,461
Fee and commission expense		(4,061)	(4,061)	(1,512)	(1,512)
Net fee and commission income	7	**14,933**	**14,936**	**16,941**	**16,949**
Net profit/(loss) from financial assets and liabilities at fair value through profit or loss	8	755	755	(2,200)	(2,200)
Net foreign exchange income	9	7,524	7,525	8,088	8,089
Share of profit of associated companies	21	149	-	218	-
Other operating income	10	1,179	519	439	504
Total operating income		**31,221**	**30,415**	**29,744**	**29,732**
Administrative expenses	11	(16,302)	(15,512)	(15,519)	(14,497)
Other operating expenses	12	(1,769)	(2,474)	(400)	(891)
Net impairment losses	13	(4,050)	(3,956)	(3,901)	(4,434)
Total operating expenses		**(22,121)**	**(21,942)**	**(19,820)**	**(19,822)**
Profit before taxation		**9,100**	**8,473**	**9,924**	**9,910**
Corporate income tax	14	(1,043)	(1,041)	(1,925)	(1,924)
Net profit for the year		**8,057**	**7,432**	**7,999**	**7,986**
Attributable to:					
Equity holders of the Bank		*8,062*	*7,432*	*8,157*	*7,986*
Non-controlling interest		*(5)*	*–*	*(158)*	*–*

The accompanying notes on pages 14 to 75 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 7 to 75 on 25 February 2016. The financial statements are signed on behalf of the Council and the Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

GROUP CONSOLIDATED AND BANK SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2015		2014	
		Group	Bank	Group	Bank
		EUR'000	EUR'000	EUR'000	EUR'000
Net profit for the year		**8,057**	**7,432**	**7,999**	**7,986**
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign exchange revaluation reserve		1	–	–	–
Revaluation reserve – AFS financial assets		(80)	(80)	–	–
Total other comprehensive income/(loss)		**(79)**	**(80)**	–	–
Total comprehensive income		**7,978**	**7,352**	**7,999**	**7,986**
Attributable to:					
Equity holders of the Bank		*7,983*	*7,352*	*8,157*	*7,986*
Non controlling interest		*(5)*	–	*(158)*	–

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Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

GROUP CONSOLIDATED AND BANK SEPARATE STATEMENT OF FINANCIAL POSITION

Assets	Note	2015		2014	
		Group	Bank	Group	Bank
		EUR'000	EUR'000	EUR'000	EUR'000
Cash and demand deposits with central banks	15	146,784	146,784	123,675	123,673
Loans and receivables from banks	16	342,460	342,410	315,269	315,226
Demand deposits with credit institutions		*165,020*	*164,970*	*161,924*	*161,881*
Term deposits with credit institutions		*163,403*	*163,403*	*121,051*	*121,051*
Loans issued to credit institutions		*14,037*	*14,037*	*32,294*	*32,294*
Financial assets at fair value through profit or loss		13,811	13,811	54,203	54,203
Fixed income securities	17	*13,568*	*13,568*	*51,945*	*51,945*
Derivatives	32	*243*	*243*	*2,258*	*2,258*
Financial assets available for sale	18	57,443	57,443	618	89
Fixed income securities		*56,848*	*56,848*	*529*	-
Non fixed income securities and shares		*595*	*595*	*89*	*89*
Loans and receivables	19	75,619	75,619	65,498	65,498
Held-to-maturity financial assets	20	83,861	83,861	32,000	32,000
Investments in associates	21	890	-	2,836	1,565
Investments in subsidiary undertakings	21	-	15,315	-	15,541
Investment property	22	3,684	2,527	5,745	4,098
Property and equipment	23	18,088	2,592	16,037	1,058
Intangible assets	24	1,453	884	1,520	737
Prepayments and accrued income		165	165	161	161
Other assets	25	10,458	10,284	7,740	7,470
Income tax receivables		997	998	–	–
Total assets		**755,713**	**752,693**	**625,302**	**621,319**

The accompanying notes on pages 14 to 75 form an integral part of these financial statements.

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Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

GROUP CONSOLIDATED AND BANK SEPARATE STATEMENT OF FINANCIAL POSITION

Liabilities and Equity	Note	2015		2014	
		Group	Bank	Group	Bank
		EUR'000	EUR'000	EUR'000	EUR'000
Demand deposits with credit institutions	26	2,725	2,725	2,759	2,759
Derivatives	32	60	60	591	591
Financial liabilities carried at amortized cost		688,028	689,751	564,455	565,090
Deposits and balances due to financial institutions	27	*191*	*191*	-	-
Deposits	28	*664,895*	*666,618*	*551,249*	*551,884*
Deposits (subordinated)	28	*5,117*	*5,117*	*3,922*	*3,922*
Debt securities (subordinated)	29	*17,825*	*17,825*	*9,284*	*9,284*
Deferred income and accrued expenses		376	376	342	342
Provisions	30	495	495	510	510
Current income tax liabilities		-	-	9	12
Other liabilities	31	4,423	4,361	442	396
Total liabilities		**696,107**	**697,768**	**569,108**	**569,700**
Equity					
Share capital	33	39,493	39,493	39,493	39,493
Reserves	33	24	24	24	24
Revaluation reserve – AFS financial assets		(66)	(66)	14	14
Other reserves	21, 33	(2,399)	(2,400)	*(2,400)*	*(2,400)*
Retained earnings		18,142	17,874	14,217	14,488
Total equity attributable to equity holders of the Bank		**55,194**	**54,925**	**51,348**	**51,619**
Non-controlling interest	21	4,412	-	4,846	-
Total equity		**59,606**	**54,925**	**56,194**	**51,619**
Total equity and liabilities		**755,713**	**752,693**	**625,302**	**621,319**
Contingent liabilities and commitments	35	34,335	34,352	25,975	25,992

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Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

GROUP CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

	Note	Share-capital	Reserves	Revaluation reserve – AFS financial assets	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
		EUR`000	EUR`000	EUR`000	EUR'000	EUR`000	EUR`000	EUR`000	EUR`000
Balance as at 31 December 2013		**39,493**	**24**	**14**	-	**13,135**	**52,666**	**2,682**	**55,348**
Comprehensive income for the reporting period:									
Net profit/ loss for the reporting period		–	–	–	–	8,157	**8,157**	(158)	**7,999**
Total comprehensive income for the reporting period		–	–	–	–	**8,157**	**8,157**	**(158)**	**7,999**
Adjustment of profit/ loss of previous years		–	–	–	–	25	**25**	(78)	**(53)**
Transactions with shareholders recorded directly in equity:									
Non-reciprocal capital contribution by a parent into subsidiary	21	–	–	–	(2,400)	–	**(2,400)**	2,400	–
Dividends paid		–	–	–	–	(7,100)	**(7,100)**	–	**(7 ,100)**
Balance as at 31 December 2014		**39,493**	**24**	**14**	(2,400)	**14,217**	**51,348**	**4,846**	**56,194**
Comprehensive income for the reporting period:									
Revaluation reserve – AFS financial assets		–	–	(80)	–	–	**(80)**	–	**(80)**
Foreign exchange revaluation reserve		–	–	–	1	–	**1**	–	**1**
Net profit/ loss for the reporting period		–	–	–	–	8,062	**8,062**	(5)	**8,057**
Total comprehensive income for the reporting period		–	–	**(80)**	**1**	**8,062**	**7,983**	**(5)**	**7,978**
Adjustment of profit/ loss of previous years		–	–	–	–	(137)	**(137)**	–	**(137)**
Transactions with shareholders recorded directly in equity:									
Reduction of share capital of a subsidiary		–	–	–	–	–	**–**	(429)	**(429)**
Dividends paid		–	–	–	–	(4,000)	**(4,000)**	–	**(4,000)**
Balance as at 31 December 2015		**39,493**	**24**	**(66)**	**(2,399)**	**18,142**	**55,194**	**4,412**	**59,606**

The accompanying notes on pages 14 to 75 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 7 to 75 on 25 February 2016. The financial statements are signed on behalf of the Council and the Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

BANK SEPARATE STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

	Note	Share capital	Reserves	Other reserves	Revaluation reserve – AFS financial assets	Retained earnings	Total capital and reserves
		EUR`000	EUR`000	EUR`000	EUR'000	EUR`000	EUR`000
Balance as at 31 December 2013		**39,493**	**24**	**–**	**14**	**13,602**	**53,133**
Comprehensive income for the reporting period:							
Net profit for the reporting period		–	–	–	–	7,986	**7,986**
Total comprehensive income for the reporting period		–	–	–	–	**7,986**	**7,986**
Transactions with shareholders recorded directly in equity:							
Non-reciprocal capital contribution by a parent into subsidiary	21	–	–	(2,400)	–	–	**(2,400)**
Dividends paid		–	–	–	–	(7,100)	**(7,100)**
Balance as at 31 December 2014		**39,493**	**24**	**(2,400)**	**14**	**14,488**	**51,619**
Comprehensive income for the reporting period:							
Revaluation reserve – AFS financial assets		–	–	–	(80)	–	**(80)**
Net profit for the reporting period		–	–	–	–	7,432	**7,432**
Total comprehensive income for the reporting period		**–**	**–**	**–**	**(80)**	**7,432**	**7,352**
Adjustment of profit/ loss of previous years		–	–	–	–	(46)	(46)
Transactions with shareholders recorded directly in equity:							
Dividends paid		–	–	–	–	(4,000)	**(4,000)**
Balance as at 31 December 2015		**39,493**	**24**	**(2,400)**	**(66)**	**17,874**	**54,925**

The accompanying notes on pages 14 to 75 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 7 to 75 on 25 February 2016. The financial statements are signed on behalf of the Council and the Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

GROUP CONSOLIDATED AND BANK SEPARATE STATEMENT OF CASH FLOWS

	No-te	2015		2014	
		Group	Bank	Group	Bank
		EUR'000	EUR'000	EUR'000	EUR'000
Cash flows from operating activities					
Profit before taxation		9,100	8,473	9,924	9,910
Adjustment of profit of previous years		-	(46)	-	-
Depreciation of intangible assets, fixed assets and investment property		374	221	200	112
Impairment of financial assets		3,956	3,956	3,901	4,434
Revaluation of investment property		2,253	1,674	1,207	757
Foreign exchange (gain)/loss		-	-	(7)	(7)
Other changes in assets		(172)	(80)	(2,629)	(2,400)
(Gain)/loss from disposal of subsidiaries and investment property		(97)	(36)	-	-
		15,414	**14,162**	**12,596**	**12,806**
(Increase)/decrease in loans and receivables		(13,453)	(13,430)	(30,063)	(30,207)
(Increase)/decrease in available-for-sale financial assets		(56,295)	(56,824)	301	-
(Increase) /decrease in financial assets at fair value through profit or loss		40,392	40,392	(36,962)	(36,962)
(Increase)/decrease in held-to-maturity financial assets		(31,539)	(31,539)	(9,007)	(9,007)
(Increase)/decrease in prepayments and accrued income		(4)	(4)	(30)	(38)
Increase /(decrease) in other assets		(3,715)	(4,847)	4,666	4,521
Increase in customer deposits		114,841	115,929	127,252	127,732
Increase/(decrease) in held-for-trading financial liabilities		(531)	(531)	491	491
Increase/(decrease) in other liabilities and current tax liabilities		5,078	5,061	279	263
Increase/(decrease) in deferred income and accrued expenses		34	34	42	42
Net cash from operating activities before tax		**54,808**	**54,241**	**69,565**	**69,641**
Corporate income tax paid		(2,164)	(2,164)	(2,049)	(2,049)
Net cash from/(used in) operating activities		**52,644**	**52,077**	**67,516**	**67,592**
Cash flows from investing activities					
Purchase of property and equipment and intangible assets		(2,843)	(2,029)	(1,325)	(1,317)
Disposal of fixed assets		172	131	248	246
Acquisition of subsidiaries, net of cash acquired		(1,041)	-	(1,856)	(1,956)
Sales of associated companies and subsidiaries		1,578	1,578	-	-
Net cash from/(used in) investing activities		**(2,134)**	**(320)**	**(2,933)**	**(3,027)**
Cash flows from financing activities					
Bonds issued		8,541	8,541	6,086	6,086
Dividends paid		(4,000)	(4,000)	(7,100)	(7,100)
Net cash received from financing activities		**4,541**	**4,541**	**(1,014)**	**(1,014)**
Net changes in cash and cash equivalents		**70,465**	**70,460**	**63,569**	**63,551**
Cash and cash equivalents at the beginning of reporting year		**410,705**	**410,660**	**347,129**	**347,102**
Effects of exchange rates fluctuations on cash held		-	-	7	7
Cash and cash equivalents at the end of the reporting year	34	**481,170**	**481,120**	**410,705**	**410,660**

The accompanying notes on pages 14 to 75 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 7 to 75 on 25 February 2016. The financial statements are signed on behalf of the Council and the Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

25 February 2016

Baltikums Bank

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Baltikums Bank AS ("the Bank") is a Joint Stock Company registered with the Enterprise Register of Latvia on 22 June 2001. The address of the Bank is Smilšu iela 6, Rīga, LV 1050, Latvia. The Bank holds a banking license issued in Latvia and it acts in accordance with the legislation of the Republic of Latvia and the European Union. The primary lines of business for the Bank are servicing corporate customers and high net worth individuals, and managing investments and finances.

The sole shareholder of the Bank is Joint Stock Company BBG that holds 100% voting shares of the Bank. JSC BBG is a financial management company registered in Latvia and owned by four Latvian companies and two private individuals.

The Bank has a number of subsidiaries in Latvia, special purpose entities in foreign countries and investments in associated companies. The above entities form the Group which comprises the following :

Name of the company	Country of incorpora-tion	Addresses	Line of business	Holding 31.12.2015, %	Holding 31.12.2014, %
SIA Baltikums International	Latvia	M. Pils street 13, Riga	Financial services	100	100
SIA CityCap Service	Latvia	Kr. Valdemāra street 149, Riga	Real estate development	100	100
SIA Zapdvina Development	Latvia	Kr. Valdemāra street 149, Riga	Real estate development	100	100
Kamaly Development EOOD	Bulgaria	Etiera Sveti Vlas, Burgas area	Real estate development	100	100
UAB Kamaly Development	Lithuania	Klaipedos m. sav. Klaipedos m., Karklu g. 12	Management of collaterals overtaken by the bank	100	100
AS Pils Pakalpojumi	Latvia	Smilšu street6, Riga	Real estate development	61	61
Foxtran Management Ltd	Belize	Suite 102, Blake Building, Corner Eyre & Huston Str.	Management of collaterals overtaken by the bank	100	100
Enarlia International Inc	Belize	Suite 102, Blake Building, Corner Eyre & Huston Str.	Management of collaterals overtaken by the bank	100	100
Baltikums Luxembourg S.A.	Luxem-bourg	42, rue de la Vallee, L-2661	Advisory services	–	100
SIA BB Broker Systems	Latvia	A. Čaka street 92 - 2B, Riga	Insurance broker's services	–	100
SIA Jēkaba 2	Latvia	Jēkaba street 2, Rīga	Real estate development	100	100
Baltikums E–Centre Limited	UK	55 Park Lane - Suite 14, London	Advisory services	100	–
Baltikums E–Centre Limited	Hong Kong	Suite 2405, Progress commer. buld.9 irving str., Causeway Bay	Advisory services	100	–

Investments in associated companies (the Bank and the Group):

Name of the company	Country of incorpora-tion	Addresses	Line of business	Holding 31.12.2015, %	Holding 31.12.2014, %
AAS Baltikums	Latvia	Ūdens street 12-115, Riga	Insurance services	–	19,45
AS Termo biznesa Centrs	Latvia	Kr. Valdemāra street 149, Riga	Real estate development	26,15	26,15

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

(1) Statement of Compliance

The financial statements of the Bank and the Group ("financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and regulations of the Financial and Capital Market Commission of the Republic of Latvia ('FCMC') in force as at 31 December 2015.

The Group consolidated and Bank separate financial statements were authorized for issue by the Board on 25 February 2016. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

(2) Functional and presentation currency

These consolidated and separate financial statements are presented in thousands of euros ('000 EUR), unless stated otherwise.

(3) Basis of measurement

The Group's consolidated financial statements and the Bank's separate financial statements are prepared on the historical cost basis except for the following :

- financial instruments at fair value through profit or loss are stated at fair value;
- available-for-sale assets are stated at fair value;
- investment property which is stated at fair value;
- repossessed collateral is valued at lower of cost and net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting principles used in the preparation of the Group's consolidated and the Bank's separate financial statements have been consistently applied except for the changes in accounting policies described in Note 3.22(a).

(1) Basis for consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from is involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are carried in the Bank's separate financial statements at cost less impairment, if any.

(ii) Non controlling interest

Non-controlling interest is measured as a proportion of net assets of the acquired subsidiary at the acquisition date. Changes in the Group's interest in a subsidiary other than resulting in the loss of control are accounted for as equity transactions.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Special purpose entities

The Group has established a number of special purpose entities (SPE's) for trading and investment purposes. The SPE's are established under terms that impose strict limits on the decision-making powers of the SPE's management over the operations of the SPE. SPE's are consolidated by the Group.

(v) Fund management

The Group manages and administers assets held in unit trusts and other investment entities on behalf of investors. The financial statements of these entities are not included in the Group consolidated financial statements except when the Group controls the trust or investment entity.

(vi) Acquisition of entities under common control

Acquisitions of controlling interests in entities that were under the control of the same controlling shareholder as the Group are accounted for on the date the common control was established. The acquired assets and liabilities are recognised at their carrying amount as recognised in the individual financial statements of the acquiree at the acquisition date. Any net transaction result is included as a separate reserve under equity.

(vii) Interest in equity-accounted investees

The Group's interests in equity accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for in the Group consolidated financial statements using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI in equity-accounted investees, until the date on which significant influence or joint control ceases.

Investments in associates and joint ventures are carried in the Bank's separate financial statements at cost less impairment, if any.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(ix) Common Group accounting policy

In the preparation of the consolidated financial statements, the financial statements of those Group entities that use different accounting policies are adjusted to conform with the Group's accounting policy.

(2) Goodwill

Goodwill represents the excess of the cost of a business combination over the Bank's interest in the fair value of the net identifiable assets and contingent liabilities of the acquired subsidiary at the acquisition date. Goodwill on acquisitions of business combinations is included in intangible assets.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Gains and losses on the disposal of an entity are determined after including the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognized immediately in the income statement.

(3) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the income statement except for the differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flow hedge, which are recognized in other comprehensive income.

The exchange rates for the most significant currencies as set by the European Central Bank at reporting date are as follows:

	31 December 2015	31 December 2014
USD	1.0887	1.2141

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into EUR at exchange rates set by the European Central Bank at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates of transaction dates.

Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Financial instruments

a) Classification

Financial instruments are classified into the following categories:

Financial instruments at fair value through profit or loss are held-for-trading financial instruments and financial assets and liabilities that the Group and the Bank initially defines as assets and liabilities designated at fair value through profit or loss.

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives are also categorized as held for trading unless they are designated as a hedging instrument for hedge accounting purposes.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, and which are not designated at fair value through profit or loss, available for sale, or loans and receivables. Held-to-maturity financial instruments include certain debt securities.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Group or the Bank intends to sell immediately or in the short-term, (b) those that the Group or the Bank upon initial recognition designates as at the fair value through profit or loss or as available for sale; or (c) those for which the holder may not recover substantially all of its initial investments, other than because of credit deterioration. Loans and receivables include amounts due from credit institutions on term, loans and receivables from customers and other financial assets which comply with these classification criteria. Loans and receivables are accounted for at amortized cost using the effective interest method. Certain expenses, such as legal fees or sales commissions for employees acting as agents or other expenses that are incurred in securing a loan are treated as part of the cost of the transaction.

Available-for-sale financial assets are financial assets classified at inception as available for sale or assets other than classified as financial assets at fair value through profit and loss or held to maturity or loans and receivables. Available-for-sale instruments include short term investments and certain debt and equity securities. Generally, this category is assigned by the Bank and the Group to financial assets that are held for an indeterminate period of time and may be sold based on liquidity or interest rate needs, or as a result of changes in exchange rates and share prices.

Financial liabilities carried at amortised cost represent financial liabilities of the Group and the Bank other than financial instruments designated at fair value through profit or loss. This category includes due to credit institutions on term, customer deposits, issued bonds and other financial liabilities.

Financial liabilities carried at amortized cost are initially measured at fair value less directly attributable transaction costs and are subsequently remeasured to amortized cost using the effective interest rate.

Subordinated deposits have a fixed term of at least five years from the date of placement and they are repayable before maturity only in the event of termination of the Bank's operations or the Bank's bankruptcy and such deposits rank before shareholders' claims. Subordinated debts are repayable before maturity only in the event of termination of the Bank's operations, or the Bank's bankruptcy.

b) Recognition

The Group and the Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the settlement date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Group and the Bank becomes a party to the contractual provisions of the instrument.

c) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus any reduction for impairment.

The effective interest rate is a method of calculating the amortized cost of a financial asset or liability, which is based on the recognition of interest income and expenses over a specific period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the management estimates cash flows considering all contractual terms of the financial instrument but does not consider future losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

d) Measurement

A financial asset or financial liability is initially measured at fair value plus (for a financial asset or liability other than measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition of the financial asset or liability, in the case of a financial asset or liability other than measured at fair value through profit or loss.

Subsequent to initial recognition, all financial assets and liabilities measured at fair value through profit or loss and all available for sale financial assets are measured at fair value except those available for sale instruments which have no quoted market price in an active market or for which no reliable fair value measurement is possible. Such instruments are carried at cost less transaction costs and impairment.

All financial liabilities other than those measured at fair value through profit or loss, loans and receivables and held to maturity assets are measured at amortized cost using the effective interest rate method. All such instruments are subject to revaluation when impaired.

Profit or loss arising from changes in the fair value of financial instruments measured at fair value through profit or loss are recognized in the income statement. Profit or loss arising from changes in the fair value of available-for-sale financial instruments is recognized in equity through other comprehensive income (except for impairment losses and foreign exchange gains and losses on monetary assets) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest on an available-for-sale financial asset is recognized in the income statement using the effective interest rate method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in the profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

e) Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Group and the Bank transfer substantially all of the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Group and the Bank is recognized as a separate asset or liability.

The Group and the Bank derecognize a financial liability when its contractual obligations are discharged or cancelled or expire.

f) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group and the Bank have a legal right to set off the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the trading activity.

(5) Identification and measurement of impairment of financial assets

Loans are stated at the amount of the principal outstanding, less any impairment allowances. Impairment losses and recoveries are recognized monthly based on regular loan reviews. Allowances during the period are recognized in the income statement.

At each reporting date the Group and the Bank assesses whether there is objective evidence that the financial assets other than carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the impairment event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group and the Bank on terms that the Group and the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group and Bank consider evidence of impairment for loans and advances and held-to-maturity investment securities at specific asset level. All loans and receivables from customers and held-to-maturity investment securities are assessed for specific impairment.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment losses on available-for-sale assets are recognized by transferring the cumulative loss that has been recognized in equity through the statement of other comprehensive income to the income statement. The cumulative loss that is removed from equity and recognized in the income statement is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in the income statement. Changes in impairment allowance attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available for sale bond increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, with the amount of the reversal recognised in income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is not reversed through the income statement and is recognized directly in other comprehensive income.

(6) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

The Group and the Bank have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models against observed market transactions;
- Analysis and investigation of significant daily valuation movements;
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

The methods described below have been used for the determination of fair values.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in the profit and loss statement depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

When available, the Group and Bank measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Group and the Bank determine fair value using a valuation technique. Valuation techniques include recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group and the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Group and the Bank assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- Verifying that equity broker or pricing service is approved by the Group and Bank for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement.

The fair value is classified into various levels of fair value hierarchy based on the inputs used in valuation methods:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Bank recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The Group and the Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. For further analysis of basis for fair value see Note 45.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group and the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the provisions of the instrument. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group and the Bank believes a third-party market participant would take them into account in pricing a transaction.

Due from other credit institutions

The fair value of placements on demand, overnight deposits and floating rate placements is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans to customers

The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. The interest rates used to discount estimated cash flows are based on the prevailing money-market interest rates curve plus an adequate credit spread.

Shares and other non-fixed income securities

The fair value of shares and other non-fixed income securities is determined by reference to their quoted bid price at the reporting date, if available. For a non-material amount of non-listed shares, where disposal is limited, the assumption was made that the reliable estimate of fair value is not possible.

The fair value of S.W.I.F.T shares was determined based on the “transfer amount”, approved for the respective year by the shareholders’ meeting, representing the price for new share allocation and the participants’ quit price.

Derivatives

The fair value of currency swaps is estimated by discounting the contractual cash flows to be received and to be paid in appropriate foreign currencies for the residual maturity, and translating the difference of the discounted cash flows into euro, applying the exchange rate published by the European Central Bank. EURIBOR and LIBOR interest rates are used for discounting purposes.

Liabilities to other credit institutions and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand, as they are largely due on demand. The estimated fair value of overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

(7) Derivatives

Derivatives include foreign currency swaps and forwards. As at 31 December 2015 and 2014 all derivatives of the Group and the Bank were classified as financial instruments held for trading.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized immediately in the income statement.

Although the Group and the Bank trades in derivative instruments for risk hedging purposes, the Group and the Bank does not apply hedge accounting.

(8) Repo transactions

Repo transactions are recognized as financing transactions. When the Bank or the Group is the seller of securities, securities continue to be recognized on the statement of financial position. Proceeds from the sale are recognized as a liability to the purchaser of the securities. When the Bank or the Group is the purchaser of securities, the purchased securities are not recognized in the statement of financial position. The amount paid for securities is recognized as a loan provided to the seller. The Group is involved in two types of such transactions – classic repo and buy/sellback transactions. The result of repo and buy/sellback transactions is recognized in the income statement on an accrual basis as interest income or expense.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

(9) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

If the use of the property has been changed, investment properties are reclassified to property and equipment.

Investment property is initially measured at cost. Subsequently investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses. The useful life of investment property has been estimated at 20 years with the annual depreciation rate of 5%.

(10) Repossessed assets

As part of the normal course of business the Group and the Bank occasionally take title to property and other assets that originally were pledged as security for a loan. When the Group and Bank acquires (i.e. gains a full title to) an asset in this way, the asset's classification follows the nature of its intended use by the Group and Bank.

Repossessed collateral is valued at lower of cost and net realizable value.

(11) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Repair and maintenance costs are charged to the income statement as incurred. Capital repairs of property and equipment are added to property and equipment at cost, and its useful life is extended. Upon increasing the carrying amount of an item of property and equipment by expenses incurred to replace a material component, the replaced component is derecognised according to the derecognition requirements.

Items of property and equipment are derecognised when disposed or when no economic benefits are expected from the use or disposal of these items in the future. Gains or losses from derecognition of items of property and equipment are determined as the difference between the proceeds from disposal and the net carrying amount of the asset at the date of disposal, and are recognised in the income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation is calculated from the date acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation methods, useful lives and residual amounts are reviewed at each reporting date.

Land and buildings

The cost of land and buildings disclosed in the financial statements is their assumed fair value measured at the date of acquisition as part of a business combination. Subsequent measurement is carried out on a cost basis similar to other items of property and equipment. Land is not depreciated.

Construction in progress and capital repairs of real estate properties

Construction in progress and capital repairs of real estate properties include costs directly attributable to construction in progress, including a corresponding proportion of direct overheads incurred during the establishment of the item of property and equipment. Depreciation of such assets is calculated from the date when the assets are put into operation.

For real estate properties that are in use at the acquisition date, depreciation is not discontinued after reconstruction begins. Depreciation is calculated assuming the useful life of the building is 20 years and the annual depreciation rate is 5%.

Leasehold improvements

Depreciation of leasehold improvements is calculated over the remaining period of lease. Depreciation is calculated from the date when leasehold improvements are completed and ready for use.

Useful lives of other property and equipment

The estimated useful lives are as follows:

Furniture and equipment	20%
Computers	25%
Other	20%

(12) Intangible assets

Intangible assets, except goodwill, are identifiable non-monetary assets without physical substance (licenses, software that is separately identifiable from electronic devices and others) held for rendering of services or other purposes if it is expected that an economic benefit attributable to these assets will flow to the Group and the Bank.

Intangible assets are recorded at cost less accumulated amortization and amortized to the profit or loss in equal amounts over the useful life of the intangible asset. The annual amortization rate for software is 20%.

The Group's and the Bank's policy on goodwill is described in Note 3.2.

(13) Recognition of income and expenses

All significant categories of income and expenses, including interest income and expenses, are recognized on an accrual basis.

Interest income and expenses are recognized in the income statement based on the effective interest rate of the asset/liability. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group and Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

Interest income and expenses include discount or premium amortization or other difference between the carrying amount of an interest bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Fees and commissions (excluding commissions for long-term loans issued) are accounted for when collected or incurred. Income and expenses that refer to the reporting period are reflected in the income statement regardless of the date of receipt or payment. Loan origination fees together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method.

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

(14) Credit liabilities

In the normal course of business, the Group and the Bank enter into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument or loan agreement.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitments are included within other liabilities.

(15) Taxation

Income tax expense comprises current and tax deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to the items recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor tax profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

(16) Dividends

The Group and Bank receive dividends from the equity instruments that are recorded to income when the right to receive payment is established. Proposed dividends are recognized in the financial statements only when approved by the shareholders.

(17) Cash and cash equivalents

Cash and cash equivalents are cash on hand and amounts due from the Bank of Latvia and other credit institutions with initial maturities of up to 3 months, except liabilities towards the Bank of Latvia and other credit institutions with initial maturities of up to 3 months.

(18) Leases

Finance lease (Group as a lessor)

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to a lessee. Title may or may not eventually be transferred. When assets are leased out or under a finance lease, the net investment in the finance lease is recognized as a receivable. The net investment in the finance lease represents the difference between the gross receivable and the unearned finance income.

Operating lease (Group as a lessor)

An operating lease is a lease other than a finance lease. Assets leased out under an operating lease, are presented within property and equipment in the statement of financial position, less accumulated depreciation. They are depreciated over their expected useful lives on a basis consistent with similar owned Property and equipment. Income is recognised on a straight-line basis over each lease term.

(19) Provisions

Provisions are recognized in the statement of financial position when the Group and the Bank have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.
Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(20) Short-term employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis. The Group and the Bank pay fixed security contributions to the State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and the Group and the Bank will have no obligations to pay further contributions relating to employee services in respect to pension of retired employees.

(21) Assets under management

Assets managed by the Bank and the Group on behalf of customers are not treated as assets of the Bank and the Group. The Group and the Bank assume no risk in relation to these assets.

(22) New standards and interpretations

(a) Changes in accounting policies

Except for the changes below, the Group and the Bank have consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated and separate financial statements.
The Group and the Bank have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.
The following guidance with effective date of 1 January 2015 did not have any impact on these consolidated financial statements:

- IFRIC 21 guidance on a levy imposed by government
- Annual Improvements to IFRSs

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Group is not a party to any joint arrangements.

(ii) IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The Amendments to include the five, narrow-focus improvements to the disclosure requirements contained in the standard.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Group.

(iii) IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets (effective for annual periods beginning on or after 1 January 2016)

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Group's financial statements, as the Group does not apply revenue-based methods of amortisation/depreciation.

(iv) IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture (effective for annual periods beginning on or after 1 January 2016)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The Group does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Group has no bearer plants.

(v) IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group does not expect the amendment to have any impact on the consolidated financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(vi) IAS 27 – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

The Entity does not expect that the amendments, when initially applied, will have a material impact on the financial statements as the Entity intends to continue to carry its investments in subsidiaries, associates or joint ventures at cost.

(vii) Annual Improvements to IFRSs

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the consolidated financial statements of the Group.

4. RISK MANAGEMENT

Within the framework of the internal control system, the Group and the Bank have developed and follow the risk management policy or fundamental principles approved by the Council, which are defined below:

1) general guidelines observed by the Group and the Bank in their activities aimed at decreasing all types of risks which may lead to losses;

2) description of risk transactions and other risks to which the Group and the Bank are exposed;

3) identification and management of the significant risks, including measurement, evaluation, control, and preparation of risk reports;

4) setting limits and restrictions for risk transactions together with regular control and development;

5) updating of normative documents regarding the risk management process according to market changes.

The risk management policy describes and determines the aggregate of measures to ensure that the possibility of suffering losses is minimized in the event the invested resources are not repaid in due time or the Bank or the Group suffers other losses.

The Bank's Board supervises the risk management system; the main decisions are made by the Investment Committee and Credit Committee according to their respective operational regulations. Risk management on a daily basis is ensured by independent risk management departments. The risk management system is monitored by the Internal Audit Service on a regular basis is being continuously developed pursuant to the development of the Group and the Bank and activities on financial markets. Risk management is carried out on the Group and Bank level.

(1) Credit risk

Credit risk is the risk of potential loss resulting from the non-fulfilment of contractual obligations by the Group's or the Bank's debtor or counterparty.

Credit risk is managed in accordance with the Credit Risk Management Policy approved by the Council. This policy details the basic principles of credit risk management, identification, assessment, mitigation and control.

The management of risks related to ordinary loans involves the assessment of the potential borrower's credit standing that is performed by the Financial Analysis and Risk Management Department. Decisions on granting loans are made by the Credit Committee based on the above analysis and evaluation of collateral. Subsequent to loan granting, the Financial Analysis and Risk Management Department performs a regular analysis of the borrower's financial position, which enables the Bank and the Group to take prompt action in the case of deterioration of the borrower's financial position.

Credit risk that is related to inter-bank operations (or operations with financial institutions), including the credit risk related to inter-bank settlements and the Bank's investments in debt securities, is controlled by the Bank's Investment Committee that sets limits for transactions with each counter party and issuer.

The Bank and the Group monitor the concentration of significant assets, liabilities, as well as contingent liabilities and commitments' credit risk by geographical regions (i.e. countries, groups of countries, specific regions within the countries etc.), customer groups (i.e. central governments, local authorities, state enterprises, private enterprises, private individuals, etc.) and industries.

The credit risk analysis is disclosed in Note 43.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

(2) Currency risk

Foreign exchange risk is the risk of potential loss as a result of the revaluation of assets, liabilities, as well as contingent liabilities and commitments denominated in foreign currencies due to change in exchange rates.

The Bank and the Group continuously monitor the open positions of foreign currencies and regularly assesses the structure of assets and liabilities by currency.

The Investment Committee sets limits for the open position in each currency providing an acceptable overall level of foreign currency risk.

An analysis of sensitivity of the Bank's net profit or loss for the year and comprehensive income to changes in the foreign currency exchange rates based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 20% change in USD to EUR exchange rates is as follows:

EUR'000	2015		2014	
	Profit or loss	Shareholders' equity	Profit or loss	Shareholders' equity
20% appreciation of USD against EUR	187	187	216	216
20% depreciation of USD against EUR	(187)	(187)	(216)	(216)

The currency analysis is disclosed in Note 41.

(3) Interest rate risk

Interest rate risk is related to potential losses incurred by the Group and the Bank due to movements in interest rates.

For the purpose of controlling the interest rate risk, the Investment Committee performs regular analyses of assets and liabilities by maturity and type of interest. A change of interest rates by 100 basis points would result in the following changes in profit or loss and capital and reserves:

	2015	2014
	EUR'000	EUR'000
EUR	1,595	1,275
USD	2,154	1,641

The interest reprising analysis is disclosed in Note 42.

(4) Debt securities price risk

Debt securities price risk is the potential loss that may arise to the debt securities included in the trading portfolio due to the decline in market prices as a result of changes in market factors.

The debt securities price risk is managed by the Bank by setting limits on the total amount of the trading portfolio, as well as purchasing debt securities with relatively short maturities that are less sensitive to price risk.

(5) Liquidity risk

Liquidity risk is the risk of potential loss as a result of sales of assets or acquisition of resources at unfavourable prices in order for the Group and the Bank to fulfil its liabilities to creditors and depositors.

The Bank focuses on a conservative approach to liquidity management. The Bank allocates funds (attracted mainly from deposits) to assets in order to maintain an asset structure that is appropriate to support the Bank's operations (executing of customers' transactions) and comply with regulatory requirements concerning the liquidity ratio even in case of a significant outflow of client deposits or a significant decrease in liquidity on the securities market.

Liquidity risk management procedures are described in the Liquidity Management Policy and consist of several components: liquidity risk indicator system, balance sheet planning, stress testing, and limits for investments in assets of limited liquidity.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

The purpose of liquidity risk indicators is to reflect the actual level of the Bank's liquidity risk and quickly identify any increase in liquidity risk. The Bank's Liquidity Risk Management Policy determines specific actions to improve the Bank's liquidity position when liquidity risk indicators reach certain levels.

The aim of liquidity risk stress testing is to measure the deficit or surplus of the Bank's liquid assets that may occur due to significant outflows of customer deposits or a significant decrease in liquidity on the securities market. Based on the results of stress testing, the Bank's Investment Committee sets limits on investments in assets of limited liquidity.

Details of the reported ratio of net liquid assets at the reporting date were as follows:

	2015	2014
As at 31 December	77.39 %	82.31 %

Net liquid assets include cash and cash equivalents, bonds and receivables from credit institutions net of current liabilities.

The liquidity risk analysis is disclosed in Note 40.

(6) Country risk

Country risk is the risk of potential losses arising from transactions with residents of foreign countries (or their securities) due to changes in the economic, political, and legal environment of the respective countries.

Before entering into transactions with residents of foreign countries, the Group and the Bank perform an assessment of the influence of economic, social, political and legal circumstances on the residents' ability to fulfil their obligations.

(7) Operational risk

Operational risk is the risk of losses resulting from inadequate or improper internal processes, human and systems error, or external events, including legal risk but excluding strategic and reputational risk.

The Group and the Bank's organizational structure, precise job descriptions, clear division of decision-making and operational control responsibilities, automation processes, as well as control procedures allow the Group and the Bank to monitor operational risks.

The Bank has also developed an action plan for various emergency situations. The Bank and the Group have set up an independent "Internal Audit Service" (IAS) whose primary function is to ensure that the activities of the Bank and the Group comply with effective laws and regulations, approved plans, policies and other internal documents of the Bank and to review the conformity with the internal control procedures governing the functions of the Group's and the Bank's departments.

(8) Money laundering and terrorist financing risk and the Customer Policy

The Group and the Bank devote significant efforts to compliance with international and national laws and regulations on the prevention of money laundering and terrorism financing. To that end, the Bank has set up customer activity monitoring and compliance departments, a Customer Activity Compliance Control Committee and an internal control system that helps monitor the transactions performed by customers and their business partners, as well as the execution of compliant policies and procedures.

The Bank's Customer Policy ensures compliance with the principle of "know your customer" at the Bank; and the primary goal of this policy is to specify guidelines for initiating cooperation with customers and matters of due diligence, requirements for identification of customers and their beneficial owners, analysis of their businesses and business partners.

In addition to customer identification requirements, the Customer Policy requires to conduct interviews and fill out customer questionnaires. This information is used as the basis for the new customer profile which is the most important component of the customer's file and the key objective for creating this profile is to gain an understanding of the customer's business and its profile. All activities of the Bank and the Group are aimed at increasing the security of financial transactions. This approach permits the Group and the Bank to develop an optimum service offering for each customer in the future while managing and mitigating the risk of unusual and suspicious financial transactions.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

As the relationship between the customer and the Bank progresses, further understanding of the customer's business deepens. The customer's profile is supplemented and updated on a regular basis with the results of research of the customer's business and transactions. Through knowing the customer's business, monitoring their transactions and refraining from the performance of suspicious financial transactions the Group and the Bank are able to comply with international and local legislation on the prevention of money laundering and terrorism financing in order to preclude the Group and the Bank from getting involved in potential laundering of proceeds derived from criminal activity and terrorism financing.

(9) Capital management

The Bank's Capital Adequacy Management Policy requires maintenance of a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business as well as to ensure the Bank's capital at an adequate level for covering potential risks arising from current and future operations.

Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the FCMC banks need to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. Although the minimum required level as at 31 December 2015 was 8%, according to a special request by the FCMC the Bank was required to ensure the minimum capital adequacy of 14.9% during the period 1 November 2015 to 31 December 2015 (12.4% for the period 1 October 2014 to 31 October 2015). As at 31 December 2015 the Bank and the Group were in compliance with the capital adequacy and the minimum capital requirement specified in the law On Credit Institutions and the rules of the FCMC, as well as in compliance with the higher ratio required by the FCMC. For the calculation of capital adequacy refer to Note 44.

In addition to the calculation of the capital adequacy ratio in accordance with the capital adequacy minimum requirements set by FCMC, the Bank regularly conducts its own internal capital adequacy assessment in order to ensure that it covers all the risks assumed by the Bank and whether they are covered by the capital.

5. USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS as adopted by EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments:

These consolidated and separate financial statements include financial information of subsidiaries. The annual evaluation described in Note 3(1) (i) of the Group structure and identification of entities in which the Group has control requires judgement to be made by the Group management.

Key sources of estimation uncertainty:

(i) Allowances for doubtful debts

For financial assets carried at amortised cost, impairment is determined based on the accounting policy described in Note 3.

Financial assets are evaluated for impairment individually for each counterparty and it is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and potential net realizable value of any underlying collateral. Each impaired asset is assessed individually and the Credit Risk Function approves the workout strategy and the estimate of cash flows considered recoverable.

(ii) Valuation of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policies, Note 3. For financial instruments that trade infrequently and have no observable prices, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank uses valuation models based on quoted market prices of similar products.

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NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

To determine the amount of impairment loss the Bank's management makes estimates of any expected changes in future cash flows from a specific financial instrument based on an analysis of the financial position of the issuer of the financial instrument.

(iii) Impairment of non-financial assets

The carrying amounts of the Group's and Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(iv) Valuation of repossessed collateral

Depending on the classification, repossessed collaterals are valued at lower of cost and net realizable value or fair value. Accordingly, the management estimates the net realizable value of assets whenever there are indications that the carrying amount may have decreased below its cost. If this is the case, assets are written down to their net realizable value.

The fair value of assets acquired in a business combination is based on the discounted estimated cash flows from individual assets and/or external valuations.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

6. NET INTEREST INCOME

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income				
Interest income on assets at amortized cost:	5,971	5,971	4,669	4,807
Deposits with credit institutions	*1,480*	*1,480*	*1,306*	*1,306*
Loans and receivables	*4,491*	*4,491*	*3,363*	*3,501*
Interest income from securities at fair value through profit or loss	829	829	1,158	1,158
Interest income from available-for-sale financial assets	30	29	6	-
Interest income from held-to-maturity securities	2,308	2,308	1,842	1,842
Total interest income	**9,138**	**9,137**	**7,675**	**7,807**
Interest expense				
Interest expenses from liabilities measured at amortized cost:	520	520	240	240
Deposits	*520*	*520*	*240*	*240*
Interest expenses on issued bonds	811	811	212	212
Payments to the Deposit Guarantee Fund	745	745	870	870
Other interest expenses	381	381	95	95
Total interest expenses	**2,457**	**2,457**	**1,417**	**1,417**
Net interest income	**6,681**	**6,680**	**6,258**	**6,390**

Interest income on loan and receivables includes EUR 40 thousand (2014: EUR 14 thousand) from impaired loans. For these interest income the Bank created impairment allowance in amount of EUR 40 thousand (2014: EUR 5 thousand).

7. NET COMMISSION AND FEE INCOME

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Fee and commission income				
Payments	7,730	7,730	8,930	8,930
Corporate banking fee income	530	530	776	776
Securities transactions	2,383	2,383	2,994	2,994
Trust operations	822	822	2,330	2,330
Account servicing	2,513	2,516	1,761	1,769
Cash transactions and payment card transaction	5,016	5,016	1,662	1,662
Total fee and commission income	**18,994**	**18,997**	**18,453**	**18,461**
Fee and commission expense				
Correspondent accounts	812	812	864	864
Cash transactions and payment card transaction	2,919	2 919	441	441
Securities transactions	330	330	207	207
Total fee and commission expense	**4,061**	**4 061**	**1,512**	**1,512**
Net fee and commission income	**14,933**	**14,936**	**16,941**	**16,949**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

8. PROFIT/LOSS FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Net loss from trading with financial assets and liabilities held-for-trading	(657)	(657)	(7)	(7)
Net profit/(loss) from revaluation of financial assets and liabilities	1,412	1,412	(2,193)	(2,193)
Net profit/(loss) from financial assets and liabilities carried at fair value through profit or loss	**755**	**755**	**(2,200)**	**(2,200)**

9. PROCEEDS FROM TRADING AND REVALUATION OF FOREIGN EXCHANGE

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Net profit from foreign exchange transactions	7,635	7,635	8,105	8,106
Net loss from revaluation of foreign exchange	(111)	(110)	(17)	(17)
Net foreign exchange gains	**7,524**	**7,525**	**8,088**	**8,089**

10. OTHER OPERATING INCOME

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Fines received	221	220	49	49
Profit from disposal of an associated company	35	35	–	–
Rental income from real estate	53	2	34	2
Profit from disposal of real estate (Tallinn)	36	36	–	–
Gain on disposal of fixed assets	6	6	–	–
Dividends received	2	2	7	7
Corporate income tax refund from the budget	–	–	80	80
Social tax refund from the budget	24	24	–	–
Recovery of written-off assets	–	–	9	9
Compensation received for default on contract	584	–	–	–
Other	218	194	260	357
Total other operating income	**1,179**	**519**	**439**	**504**

11. ADMINISTRATIVE EXPENSES

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Salaries to the members of the Board and Council	753	739	616	592
Staff remuneration	7,579	7,189	7,545	7,122
Compulsory state social security contributions	1,727	1,663	1,649	1,578
Other staff costs	334	320	365	350
Communications and transport	489	449	427	386
Professional services	2,022	1,973	1,427	1,405
Rent, public utilities and maintenance	1,151	1,332	1,637	1,625
Depreciation and amortization costs	437	284	316	227
Computer network	307	307	302	302
Advertisement and marketing expenses	123	122	230	230
Other taxes	841	748	350	301
Insurance	115	88	83	65
Audit fee	49	49	54	54
Other	375	249	518	260
Total administrative expenses	**16,302**	**15,512**	**15,519**	**14,497**

The average number of employees in the Group in 2015 was 297 (2014 – 284) and that in the Bank was 278 (2014 – 266).

Information on the remuneration by category of positions as at 31.12.2015

Group

	Fixed remuneration		Variable remuneration	
	EUR'000	Number of employees	EUR'000	Number of employees
Board, Council	647	9	106	6
Positions that have a material impact on the risk profile	1,454	36	125	36
Other employees	5,816	252	184	236
Total	**7,917**	**297**	**415**	**278**

Information on the remuneration by category of positions as at 31.12.2015

Bank

	Fixed remuneration		Variable remuneration	
	EUR'000	Number of employees	EUR'000	Number of employees
Board, Council	633	6	106	6
Positions that have a material impact on the risk profile	1,454	36	125	36
Other employees	5426	236	184	236
Total	**7,513**	**278**	**415**	**278**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

Information on the remuneration by category of positions as at 31.12.2014

Group

	Fixed remuneration		Variable remuneration	
	EUR'000	Number of employees	EUR'000	Number of employees
Board, Council	543	10	72	6
Positions that have a material impact on the risk profile	1,489	35	213	35
Other employees	4,901	239	689	225
Total	**6,933**	**284**	**974**	**266**

Information on the remuneration by category of positions as at 31.12.2014

Bank

	Fixed remuneration		Variable remuneration	
	EUR'000	Number of employees	EUR'000	Number of employees
Board, Council	519	6	72	6
Positions that have a material impact on the risk profile	1,489	35	213	35
Other employees	4,510	225	689	225
Total	**6,518**	**266**	**974**	**266**

12. OTHER OPERATING EXPENSES

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Membership fees	166	166	131	130
Fees for real estate management	93	16	46	15
Fines	5	5	–	–
Loss from disposal of subsidiaries	10	96	–	–
Royalties for the use of a trademark	1,284	1,284	–	–
Other	211	907	223	746
Total other operating expenses	**1,769**	**2,474**	**400**	**891**

In 2015 Baltikums Bank AS has made payments for the use of licensed trademark "Baltikums" in amount of EUR 1,284 thousand (2014: EUR 0) to the trademark owner (licensor).

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

13. IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

Impairment of assets for the Group

	2015 EUR'000	2014 EUR'000
Total allowances as at the beginning of the reporting period	**3,537**	**1,152**
Increase in the impairment allowance for loans and other assets	1,369	2,063
Allowances for investment properties	1,953	1,207
Allowances for held-to-maturity financial assets	–	119
Allowances for investments in associates	441	517
Release of previously recognized allowances for loans and held-to-maturity financial assets	(53)	(5)
Impairment of goodwill	194	–
Impairment of real estate	146	–
Change for the year	**4,050**	**3,901**
Assets written off during the year	(24)	(1,518)
Change of previously recognized allowances due to currency fluctuations	16	2
Total allowance as at the end of the reporting period	**7,579**	**3,537**

Impairment of assets for the Bank

	2015 EUR'000	2014 EUR'000
Total allowances as at the beginning of the reporting period	**4,070**	**1,152**
Increase in the impairment allowance for loans and other assets	1,369	2,063
Allowances for investment properties	1,463	757
Allowances for held-to-maturity financial assets	–	119
Allowances for investments in subsidiaries	1,177	1,500
Release of previously recognized allowances for loans and held-to-maturity financial assets	(53)	(5)
Change for the year	**3,956**	**4,434**
Assets written off during the year	(24)	(1,518)
Change of previously recognized allowances due to currency fluctuations	16	2
Total allowance as at the end of the reporting period	**8,018**	**4,070**

14. CORPORATE INCOME TAX

	2015		2014	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax	1,043	1,041	2,005	2,004
Prior year adjustment	–	–	(80)	(80)
Total current year tax expense	**1,043**	**1,041**	**1,925**	**1,924**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

The table below shows the reconciliation between the current tax expense and the theoretically calculated tax amount using the basic tax rate, which was 15% in 2015 and 2014.

	2015		2014	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Profit before tax	9,100	8,473	9,924	9,910
Theoretically calculated tax at rate 15%	1,365	1,271	1,489	1,487
Non-deductible expenses and exempt income, net	(290)	(198)	513	514
Change in deferred tax liability not recognised	(32)	(32)	3	3
Adjustment to the prior year CIT	-	-	(80)	(80)
Total income tax expense	**1,043**	**1,041**	**1,925**	**1,924**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as of 31 December 2015 and 2014.

These deductible temporary differences, which have no expiry dates, are listed below at their tax affected accumulated values:

EUR '000	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property and equipment	–	–	(79)	(136)	(79)	(136)
Other assets	–	25	–	–	–	25
Total deferred tax asset/(liabilities)	**–**	**25**	**(79)**	**(136)**	**(79)**	**(111)**

The rate of tax applicable for deferred tax was 15% (2014: 15%).

15. CASH AND DUE FROM THE CENTRAL BANK

	2015		2014	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash	686	686	712	710
Balance with the Bank of Latvia (including the minimum reserve deposit)	146,098	146,098	122,963	122,963
Total	**146,784**	**146,784**	**123,675**	**123,673**

According to the regulations of the Financial and Capital Market Commission, the total amount of funds on the account with the Central Bank should not be less than the amount of the obligatory reserves calculated from the average amount of customer deposits during the month. As at 31 December 2015, the determined amount of obligatory reserves was EUR 6,093 thousand (2014: EUR 4,699 thousand).

16. DEPOSITS WITH CREDIT INSTITUTIONS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Demand deposits with credit institutions				
Credit institutions registered in Latvia	10,789	10,789	5,892	5,892
Credit institutions registered in OECD countries	128,082	128,082	121,030	121,015
Credit institutions of other countries	26,149	26,099	35,002	34,974
Total demand deposits with credit institutions	**165,020**	**164,970**	**161,924**	**161,881**
Loans issued to credit institutions	**14,037**	**14,037**	**32,294**	**32,294**
Term deposits with credit institutions	**163,403**	**163,403**	**121,051**	**121,051**
Total deposits with credit institutions	**342,460**	**342,410**	**315,269**	**315,226**

As at 31 December 2015, the Bank had correspondent accounts with 47 banks (2014: 38). The largest balances were DEUTSCHE BANK TRUST COMPANY AMERICAS – EUR 28,510 thousand (2014: EUR 31,506 thousand), COMMERZBANK AG – EUR 28,409 thousand (2014: EUR 35,267 thousand), AS SEB PANK – EUR 20,885 thousand (2014: EUR 13,672 thousand).

As at 31 December 2015 the Bank had no amounts due from credit institutions and other financial institutions which exceeded 10% of total deposits with credit institutions.

As at 31 December 2014 the Bank had a deposit with COMMERZBANK AG with the total amount exceeding 10% of total deposits with credit institutions, which amounted to EUR 35,267 thousand.

As at 31 December 2015, EUR 22 thousand was pledged as collateral for a letter of credit.

As at 31 December 2014, EUR 512 thousand was pledged as collateral for a letter of credit.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Fixed income securities:				
US notes	6,061	6,061	31,488	31,488
Eurobonds issued by companies and credit institutions of OECD countries	776	776	5,704	5,704
Eurobonds issued by companies and credit institutions of non-OECD countries	6,731	6,731	14,753	14,753
Total	**13,568**	**13,568**	**51,945**	**51,945**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

An analysis of the credit quality of financial instruments at fair value through profit or loss, based on rating agency ratings where applicable, is as follows:

	2015	2014
	EUR'000	EUR'000
Fixed income securities		
– Government and municipal bonds		
Rated from AAA to A-	6,061	31,488
Rated from BB+ to BB	–	–
Rated below BB-	–	1,736
Total Government and municipal bonds	**6,061**	**33,224**
– Corporate bonds and securities of credit institutions		
Rated from AAA to A-	–	4,997
Rated from BBB+ to BBB-	–	3,261
Rated from BB- to BB+	5,527	4,678
Rated below BB-	1,980	5,191
Not rated	–	594
Total corporate bonds and securities of credit institutions	**7,507**	**18,721**
Total fixed income securities	**13,568**	**51,945**

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Fixed income securities				
Corporate bonds of Latvian companies	–	–	529	–
Eurobonds issued by credit institutions	4,608	4,608	–	–
Eurobonds issued by central governments of OECD countries	24,692	24,692	–	–
Eurobonds issued by international organisations	27,548	27,548	–	–
Total	**56,848**	**56,848**	**529**	**–**
Shares and other non-fixed income securities				
VIDUSKURZEMES AAO SIA shares	530	530	–	–
SWIFT shares	65	65	89	89
Total	**595**	**595**	**89**	**89**
Total financial assets available for sale	**57,443**	**57,443**	**618**	**89**

19. LOANS AND RECEIVABLES

(a) Loans

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Financial institutions	2,771	2,771	8,664	8,664
Corporates	70,791	70,791	52,900	52,900
Individuals	3,411	3,411	3,994	3,994
Total loans and receivables	**76,973**	**76,973**	**65,558**	**65,558**
Impairment allowance	(1,354)	(1,354)	(60)	(60)
Net loans and receivables	**75,619**	**75,619**	**65,498**	**65,498**

(b) Analysis of loans by type

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Loan portfolio				
Corporate loans	31,128	31,128	26,424	26,424
Industrial loans	30,401	30,401	22,795	22,795
Payment card loans	600	600	632	632
Mortgage loans	6,093	6,093	4,071	4,071
Finance lease	1,983	1,983	2,169	2,169
Factoring	-	-	636	636
Other loans	1,490	1,490	1,481	1,481
Total loan portfolio	**71,695**	**71,695**	**58,208**	**58,208**
Securities-backed loans				
Reverse repo	5,278	5,278	7,350	7,350
Total securities-backed loans	**5,278**	**5,278**	**7,350**	**7,350**
Total loans and receivables	**76,973**	**76,973**	**65,558**	**65,558**
Impairment allowance	(1,354)	(1,354)	(60)	(60)
Net loans and receivables	**75,619**	**75,619**	**65,498**	**65,498**

(c) Geographical segmentation of the loans

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Loans to residents of Latvia	39,697	39,697	40,289	40,289
Loans to residents of OECD countries	11,448	11,448	1,756	1,756
Loans to residents of non-OECD countries	25,828	25,828	23,513	23,513
Total loans and receivables	**76,973**	**76,973**	**65,558**	**65,558**
Impairment allowance	(1,354)	(1,354)	(60)	(60)
Net loans and receivables	**75,619**	**75,619**	**65,498**	**65,498**

(d) Ageing structure of the loan portfolio

Bank	Total	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying amount of overdue loans
	EUR'000		Less than 30 days	31-90 days	91-180 days	More than 180 days	
31 December 2015							
Net carrying amount	**75,619**	73,334	0	371	1	1,913	2,285
Out of which impaired	**1,906**	-	-	-	-	1,906	1,906
31 December 2014							
Net carrying amount	**65,498**	61,928	219	3,215	-	136	3,570
Out of which impaired	**127**	-	-	-	-	127	127

The Group's ageing structure is not materially different from that of the Bank.

The amounts shown in the table are the carrying values of loans and do not necessarily represent the fair value of collateral. Impaired or overdue loans of EUR 2,190 thousand (2014: EUR 3,089 thousand) are secured by a collateral with a fair value of EUR 3,001 thousand (2014: EUR 2,637 thousand). Loans of EUR 95 thousand that are not impaired, secured by collateral or it is impracticable to determine the fair value of collateral are overdrafts.

(e) Impaired loans

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Impaired loans, gross	3,260	3,260	187	187
Impairment allowance	(1,354)	(1,354)	(60)	(60)
Net loans and receivables	**1,906**	**1,906**	**127**	**127**

(f) Movements in the impairment allowance

Movements in the loan impairment allowance for the year ended 31 December 2015 and 2014 are as follows:

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Opening balance	**60**	**60**	**20**	**20**
Increase in the impairment allowance for loans and receivables	1,369	1,369	159	159
Reversal of impairment loss	(53)	(53)	(1)	(1)
Loans written off	(24)	(24)	(120)	(120)
Effect of foreign currency translation	2	2	2	2
Closing balance	**1,354**	**1,354**	**60**	**60**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

(g) Industry analysis of the loan portfolio of the Bank

	2015 EUR'000	2014 EUR'000
Water transport	4,205	1,745
Financial services	4,610	10,806
Wholesale	28,200	6,376
Real estate	2,603	2,712
Leisure, recreation, sports	1,414	1,439
Overdrafts	904	8,971
Manufacture of basic metals	14,349	18,323
Transport and storage	9,029	3,153
Private customers – mortgage loans and consumer loans	1,079	3,510
Manufacture of food products	1,463	4,313
Other services	7,763	4,150
Net loans and receivables	**75,619**	**65,498**

(h) Analysis of loans by type of collateral (Bank)

EUR'000	31 December 2015	% of loan portfolio	31 December 2014	% of loan portfolio
Commercial buildings	26,480	35	10,381	16
Real estate – first mortgage	8,049	11	21,455	33
Pledge of commercial assets	14,701	19	3,987	6
Commercial assets: water transport	4,205	5	1,745	3
Trading securities	5,278	7	7,350	11
Guarantee	1,986	3	8,051	12
Deposits	71	-	57	-
Stock	13,544	18	-	-
No collateral	1,305	2	12,472	19
Net loans and receivables	**75,619**	**100**	**65,498**	**100**

(j) Restructured loans

As at 31 December 2015 and 2014, the loans restructured by the Bank possessed the following signs of restructuring:

EUR'000	2015 EUR'000	2014 EUR'000
Reduced interest rate	1,414	1,439
Loan holidays	5,585	1,664
Total restructured loans	**6,999**	**3,103**

(k) Repossessed assets

No collaterals were overtaken during 2015, and neither in 2014.

(l) Significant credit exposures

As at 31 December 2015, the Bank had three borrowers, which are not related, whose loan balances exceeded 10% of loans and receivables from customers and the balance represented EUR 31,590 thousand.
As at 31 December 2014, the Bank had one borrower or a group of related borrowers whose loan balances exceeded 10% of loans and receivables from customers and the balance represented EUR 10,386 thousand.
According to regulatory requirements, the Bank is not allowed to have a credit exposure to one client or a group of related clients of more than 25% of the Bank's equity. As at 31 December 2015 and 31 December 2014 the Bank was in compliance with this requirement.

20. HELD-TO-MATURITY FINANCIAL ASSETS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Debt securities and other securities with fixed income				
Eurobonds issued by Latvian credit institutions	2,503	2,503	3,102	3,102
Eurobonds issued by companies and credit institutions of other countries	81,491	81,491	29,017	29,017
Total debt securities	**83,994**	**83,994**	**32,119**	**32,119**
Impairment allowance	(133)	(133)	(119)	(119)
Debt securities, net	**83,861**	**83,861**	**32,000**	**32,000**

Quality analysis of held-to-maturity financial assets, based on rating agency ratings, is as follows:

	2015	2014
	EUR'000	EUR'000
Debt securities and other fixed income securities		
– Corporate bonds		
Rated from AAA to A-	45,816	-
Rated from BBB+ to BBB-	5,995	9,165
Rated from BB- to BB+	27,856	14,166
Rated below BB-	181	4,059
Not rated	4,013	4,610
Total corporate bonds	**83,861**	**32,000**
Debt securities and other fixed income securities	**83,861**	**32,000**

Analysis of movements in the impairment allowance

	2015	2014
	EUR'000	EUR'000
Opening balance	119	4
Adjustment of previously recognized allowances	–	(4)
Impairment allowance recognised in the reporting period	–	119
Fluctuations of currency exchange rates	14	–
Closing balance	**133**	**119**

Reclassification out of held-for-trading financial instruments

Pursuant to the amendments to IAS 39 and IFRS 7, in 2008 the Bank reclassified certain trading assets to financial assets held to maturity.

Under the amendments to IAS 39 the reclassifications were made effective from 1 July 2008 at fair value as at that date. The table below sets out the financial assets reclassified and their carrying and fair values:

EUR '000	1 July 2008		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-for-trading assets reclassified to held-to-maturity financial assets	8,189	8,189	315	221
	8,189	**8,189**	**315**	**221**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

The table below sets out the amounts actually recognized in the income statement and equity during 2015 in respect of financial assets reclassified out of trading assets:

EUR '000	Net income	Shareholders' equity
Period before reclassification		
Net loss on financial instruments at fair value through profit or loss reclassified to held-to-maturity financial assets	–	–
Period after reclassification		
Financial instruments reclassified to held-to-maturity financial assets		
Interest income	1	–
Coupon income	78	–

The table below sets out the amounts that would have been recognized in the period following reclassification during 2015 had the reclassifications not been made:

EUR '000	Profit or (loss)
Net loss on financial instruments at fair value through profit or loss reclassified to held-to-maturity financial assets	(94)

Under the amendments to IAS 39 the reclassifications were made effective from 9 September 2011 at fair value as at that date. The table below sets out the financial assets reclassified and their carrying and fair values:

EUR '000	9 September 2011		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-for-trading assets reclassified to held-to-maturity financial assets	7,790	7,790	–	–
	7,790	**7,790**	**–**	**–**

The table below sets out the amounts actually recognized in the income statement and equity during 2015 in respect of financial assets reclassified out of trading assets:

EUR '000	Net income	Shareholders' equity
Period before reclassification		
Net loss on financial instruments at fair value through profit or loss reclassified to held-to-maturity financial assets	–	–
Period after reclassification		
Financial instruments reclassified to held-to-maturity financial assets		
Interest income	17	–
Coupon income	26	–

The table below sets out the amounts that would have been recognized in 2015 had the reclassifications not been made:

EUR '000	Profit or (loss)
Net loss on financial instruments at fair value through profit or loss reclassified to held-to-maturity financial assets	–

Baltikums Bank

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(a) Investments in subsidiaries (Bank)

Company	Capital contribution	Carrying amount 31.12.2015	Carrying amount 31.12.2014
		EUR'000	EUR'000
SIA Baltikums International	100%	2,949	3,274
Impairment allowance		*(1,154)*	*(1,050)*
SIA Zapdvina Development	100%	3,024	1,003
Impairment allowance		*(806)*	*(450)*
SIA CityCap Service	100%	546	546
Impairment allowance		*(158)*	-
UAB Kamaly Development	100%	3	3
SIA Pils Pakalpojumi	61%	9,821	10,492
Non-reciprocal capital contribution by a parent into subsidiary		*(2,400)*	*(2,400)*
Impairment allowance		*(519)*	-
BB Broker Systems SIA	100%	-	43
Baltikums Luxembourg S.A.	100%	-	31
Jēkaba 2 SIA	100%	4,049	4,049
Impairment allowance		*(40)*	-
		15,315	**15,541**

In October 2015, the Bank's subsidiary AS Pils Pakalpojumi reduced its share capital by cancelling 1,100,000 shares with nominal value of EUR 1 each, which resulted in reduction of share capital by 671 shares for the Bank and 429 shares for AS BBG (minority). After this decrease, the share capital of SIA Pils Pakalpojumi consisted of 1,528,052 shares with nominal value of EUR 1 amounting to EUR 1,528,052. The Bank holds 932,112 shares and AS BBG holds 595,940 shares.

In December 2015, the Bank recognised an impairment allowance for its investment in AS Pils Pakalpojumi in the amount of EUR 519 thousand triggered by decrease of its net assets.

In December 2014, AS Pils Pakalpojumi issued 200 new shares and capitalised the loan issued by Baltikums Bank AS and accrued interest. The sales price for the new issue consisted of the nominal value of EUR 1 and a share premium. The share premium amounted to EUR 30,766 and the total amount for 200 shares was EUR 6,153,504. The new issue is a non-reciprocal capital contribution to the subsidiary by Baltikums Banka AS and is considered to be an equity transaction. As the non-controlling interest accounts for 39% of the shares of SIA Pils pakalpojumi according to IFRS 10 39% of the non-reciprocal capital contribution is allocated to the non-controlling interest amounting to EUR 2,400 thousand as disclosed in the consolidated financial statements. The result of this transaction is reflected in other reserves.

In October 2015, the Bank increased the share capital of its subsidiary, SIA Zapdvina Development, by a total of EUR 2,022,000. After this increase, the share capital of SIA Zapdvina Development consisted of 2,498,018 shares with nominal value of EUR 1 amounting to EUR 2,498,018.

In December 2015, the Bank recognised an impairment allowance for its investment in SIA Zapdvina Development in the amount of EUR 356 thousand triggered by impairment of this subsidiary's assets.

In December 2014, the Bank recognised an impairment allowance for its investment in SIA Zapdvina Development in the amount of EUR 450 thousand triggered by impairment of this subsidiary's assets. AS Zapdvina Development owns a land plot in Daugavpils.

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In November 2015, the Bank reduced the share capital of its subsidiary, SIA Baltikums International, by 450,000 shares with nominal value of EUR 1 for a total of EUR 450,000. After this decrease, the share capital of SIA Baltikums International consisted of 2,926,658 shares with nominal value of EUR 1 amounting to EUR 2,926,658.

In June 2015, the Bank increased the share capital of its subsidiary, SIA Baltikums International, by 125,000 shares with nominal value of EUR 1 for a total of EUR 125,000. After this increase, the share capital of SIA Baltikums International consisted of 3,376,658 shares with nominal value of EUR 1 amounting to EUR 3,376,658.

In December 2015, the Bank recognised an impairment allowance for its investment in SIA Baltikums International in the amount of EUR 104 thousand triggered by decrease of its net assets.

In December 2014, the Bank recognised an impairment allowance for its investment in SIA Baltikums International in the amount of EUR 1,050 thousand triggered by impairment of this investment in subsidiary. SIA Baltikums International has three subsidiaries and an associate.

In December 2015, the Bank recognised an impairment allowance for its investment in SIA Jēkaba 2 in the amount of EUR 40 thousand triggered by decrease of its net assets.

In December 2015, the Bank recognised an impairment allowance for its investment in SIA CityCap Service in the amount of EUR 158 thousand triggered by impairment of this subsidiary's assets.

(b) Investments in subsidiaries of the Bank's subsidiaries

Company	**Capital contribution**	**Carrying amount 31.12.2015**	**Carrying amount 31.12.2014**
		EUR'000	**EUR'000**
KamalyDevelopment EOOD	100%	692	692
Impairment allowance		*(100)*	–
Foxtran Management Ltd. (Belize) – special purpose entity	100%	214	309
Impairment allowance		*(126)*	*(309)*
Enarlia International Inc. (Belize) - special purpose entity	100%	73	293
Impairment allowance		–	*(224)*
		753	**761**

In 2015, SIA Baltikums International recognised an impairment allowances for its investment in KamalyDevelopment EOOD. KamalyDevelopment EOOD owns a property for which the fair value was established using the discounted cash flow and price comparison approach. The fair value of the property of KamalyDevelopment EOOD is based on two methods: comparison approach which assumes considering similar offers and the income method which uses a 5% capitalisation rate. Based on this fair value measurement, an impairment loss of EUR 100 thousand was recognised.

During 2015, SIA Baltikums International decreased the share capital of its subsidiary Foxtran Management Ltd. by a total of EUR 95,000. After this decrease, the share capital of Foxtran Management Ltd. consists of 233,295 shares with nominal value of USD 1 amounting to USD 233,295 or EUR 214 thousand (according to the ECB rate of 1.0887).

During 2015, SIA Baltikums International decreased the share capital of its subsidiary Enarlia International Inc. by a total of EUR 220,000. After this decrease, the share capital of Enarlia International Inc. consists of 79,560 shares with nominal value of USD 1 amounting to USD 79,560 or EUR 73 thousand (according to the ECB rate of 1.0887).

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

In December 2015 SIA Baltikums International reversed the allowance it had recognised in 2014 for Foxtran Management Ltd and Enarlia International Inc., as in 2015 these subsidiaries generated profit and had positive equity. The allowance for Foxtran Management Ltd. was reversed in the amount of EUR 126 thousand but that for Enarlia International Inc. was reversed in full, EUR 224 thousand.

(c) Liquidation of subsidiaries during 2015

In September 2015, the Bank liquidated a 100% investment in the subsidiary SIA BB Broker Systems.

The Group's profit/loss from the liquidation of the subsidiary was nil.

Liquidation of subsidiaries in 2015	Liquidated equity investment	Net assets at the date of the deal	Goodwill	Compensation received	Group profit/loss from liquidation of subsidiaries
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
SIA „BB Broker Systems"	100%	(13)	–	13	–
		(13)	**–**	**13**	**–**

The Bank's loss from the liquidation of the subsidiary was EUR 40 thousand.

Liquidation of subsidiaries in 2015	Liquidated equity investment	Net assets at the date of the deal	Goodwill	Compensation received	Bank's loss from liquidation of subsidiaries
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
SIA „BB Broker Systems"	100%	(53)	–	13	(40)
		(53)	**–**	**13**	**(40)**

In October 2015, the Bank liquidated a 100% investment in the subsidiary Baltikums Luxembourg SA.

The Group's loss from the liquidation of the subsidiary was EUR 10 thousand.

Liquidation of subsidiaries in 2015	Liquidated equity investment	Net assets at the date of the deal	Goodwill	Compensation received	Group loss from liquidation of subsidiaries
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Baltikums Luxembourg SA	100%	–	(10)	–	(10)
		–	**(10)**	**–**	**(10)**

The Bank's loss from the liquidation of the subsidiary was EUR 31 thousand. During liquidation the Bank has written off bad debts in amount EUR 25 thousand.

Meitas sabiedrību likvidācija 2015. gadā	Liquidated equity investment	Net assets at the date of the deal	Goodwill	Compensation received	Bank's loss from liquidation of subsidiaries
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Baltikums Luxembourg SA	100%	(31)	–	–	(31)
		(31)	**–**	**–**	**(31)**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

(d) Equity-accounted investments in associates and (Group and Bank)

Company	Capital contribution	Carrying amount 31.12.2015 EUR'000		Carrying amount 31.12.2014 EUR'000	
		Group	Bank	Group	Bank
AAS Baltikums	19.45%	–	–	1,505	1,565
AS Termo biznesa Centrs	26.15 %	1,848	–	1,848	–
Impairment allowance		*(958)*	–	(517)	–
Total		**890**	**–**	**2,836**	**1,565**

Group and Bank

	AS Termo biznesa Centrs	AAS Baltikums	Total
As at 31 December 2013	**1,848**	**1,287**	**3,135**
Impairment allowance	*(517)*	-	*(517)*
Share in net profit of associated companies	-	218	**218**
As at 31 December 2014	**1,331**	**1,505**	**2,836**
Impairment allowance	*(441)*	-	*(441)*
Adjustment of profit of previous year	-	(89)	**(89)**
Share in net profit of associated companies	-	149	**149**
Disposals	-	**(1,565)**	**(1,565)**
As at 31 December 2015	**890**	**-**	**890**

SIA Baltikums International has an associate AS Termo biznesa Centrs. The property owned by AS Termo biznesa Centrs was appraised on the basis of discounted cash flow using a weighted average rate of 9.14%. Based on the appraisal in 2014 an impairment allowance of EUR 517 thousand was recognised. Based on the appraisal in 2015 an impairment allowance of an additional EUR 441 thousand was recognised.

Financial information of the associate AS Termo biznesa centrs:

	Current assets	Long-term invest-ments	Total assets	Current liabili-ties	Non-current liabili-ties	Total liabili-ties	Net assets	Income	Expen-ses	Net profit/ loss	Group's share of net assets 26.15%	Group's share of profit/ loss
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31.December 2014												
AS Termo biznesa Centrs	69	350	419	(18)	(24)	(42)	377	200	(197)	3	99	–
31.December 2015												
AS Termo biznesa Centrs	**64**	**346**	**410**	**(17)**	**(21)**	**(38)**	**372**	**199**	**(203)**	**(4)**	**97**	**(1)**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

(e) Disposal of associates during 2015

In October 2015, the Bank disposed 19.45% shares in the associate AAS Baltikums.
As a result of the disposal of the associate, the Group/Bank generated profit of EUR 35 thousand.

Disposal of the associate in 2015	Disposed investment in equity	Investment at the date of the deal	Consideration received	Profit for sale of associate
		EUR'000	EUR'000	EUR'000
AAS Baltikums	19.45%	1,565	1,600	35
		1,565	**1,600**	**35**

(f) Non-controlling interest in subsidiaries

The table provides summary information on the Group subsidiary AS Pils pakalpojumi where the Group holds a significant NCI of 39% before the elimination of intra-group transactions:

	Current assets	Long-term invest-ments	Total assets	Current liabili-ties	Non-current liabili-ties	Total liabili-ties	Net assets	Income	Expen-ses	Net loss	Carrying amount of non-control-ling interest	Loss attribut-able to NCI
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2014												
AS Pils pa-kalpojumi	716	11,932	12,648	(223)	–	(223)	12,425	314	(718)	(404)	4,846	(158)
31 December 2015												
AS Pils pa-kalpojumi	**69**	**11,282**	**11,351**	**(37)**	**–**	**(37)**	**11,314**	**484**	**(495)**	**(11)**	**4,412**	**(5)**

22. INVESTMENT PROPERTY

Investment property of the Group represents the following:

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Real estate in Latvia	3,516	1,940	3,517	1,941
Real estate in Estonia	–	–	107	107
Real estate in Lithuania	2,807	2,807	2,807	2,807
Real estate in Bulgaria	521	–	521	–
Impairment allowance (property in Lithuania and Latvia)	(3,160)	(2,220)	(1,207)	(757)
	3,684	**2,527**	**5,745**	**4,098**

	Group	Bank
	EUR'000	EUR'000
31 December 2013	**6,959**	**4,862**
Depreciation of buildings	(7)	(7)
Impairment allowance (property in Lithuania and Latvia)	*(1,207)*	*(757)*
31 December 2014	**5,745**	**4,098**
Adjustment of the carrying amount (property in Latvia)	(1)	(1)
Depreciation of building (Estonia)	(4)	(4)
Disposals (property in Estonia)	(103)	(103)
Impairment allowance (property in Latvia)	*(1,953)*	*(1,463)*
31 December 2015	**3,684**	**2,527**

Investment property is recognized at cost. Investment property consists of land and commercial properties.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

In 2015, a real estate property in Estonia was sold (a building at Narva Street, Tallinn). Gain on the sale (net result) amounted to EUR 36,430.

Management has measured the fair value of investment property as at 31 December 2015 and 2014 using market data.

In December 2015, the Group recognised an impairment allowance of EUR 1,953 thousand on property investments in Latvia. The property in Latvia was appraised using the comparison approach by reference to similar properties and it was concluded that its fair value was EUR 959 thousand.

In December 2015, the Bank recognised an impairment allowance of EUR 1,463 thousand on property investments in Latvia. The property in Latvia was appraised using the comparison approach by reference to similar properties and it was concluded that its fair value was EUR 332 thousand

Income from renting out investment properties of the Group in 2015 amounted EUR 53 thousand and maintenance expenses amounted to EUR 93 thousand.

Income from renting out investment properties of the Group in 2014 amounted EUR 33 thousand and maintenance expenses amounted to EUR 131 thousand.

The table describes the valuation method used to arrive at the fair value of property, and the significant unobservable inputs:

31.12.2015 (Group)

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs	Correlation between balance sheet data and fair value measurement, EUR '000
Land plot, Sporta iela, Rīga, Latvia	322	Comparison approach	Price per m^2 from EUR 39.8 to EUR 56.9	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Kungu iela, Liepāja, Latvia	60	Comparison approach	Price per m^2 from EUR 11.10 to EUR 15.85	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Buildings and a land plot, Jurģu iela, Jūrmala, Latvia	95	Comparison approach	Price per m^2 from EUR 56.6 to EUR 80.8	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Klaipeda, Lithuania	2,050	Comparison approach	Price per m^2 from EUR 0.74 to EUR 1.06	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Building, Bulgaria	521	Comparison approach	Price per m^2 from EUR 807 to EUR 1,153	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Mūku purvs, Latvia	386	Comparison approach	Price per m^2 from EUR 28 to EUR 40	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Akācijas iela, Daugavpils, Latvia	250	Comparison approach	Price per m^2 from EUR 7 to EUR 10	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Total	**3,684**			

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

31.12.2014 (Group)

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs	Correlation between balance sheet data and fair value measurement, EUR '000
Land plot, Sporta iela, Rīga, Latvia	1,785	Comparison approach	Price per m^2 from EUR 72 to EUR 450	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Kungu iela, Liepāja, Latvia	60	Comparison approach	Price per m^2 from EUR 12 to EUR 35	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Buildings and a land plot, Jurģu iela, Jūrmala, Latvia	96	Comparison approach	Price per m^2 from EUR 60 to EUR 66,3	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Building, Tallin, Estonia	107	Comparison approach	Price per m^2 from EUR 851 to EUR 1 258,7	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Klaipeda, Lithuania	2,050	Comparison approach	Price per m^2 EUR 2	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Building, Bulgaria	521	Comparison approach	Price per m^2 from EUR 1,915	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Mūku purvs, Latvia	569	Comparison approach	Price per m^2 from EUR 27,8 to EUR 127,8	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Akācijas iela, Daugavpils, Latvia	557	Comparison approach	Price per m^2 from EUR 7 to EUR 10	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Total	**5,745**			

31.12.2015 (Bank)

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs	Correlation between balance sheet data and fair value measurement, EUR '000
Land plot, Sporta iela, Rīga, Latvia	322	Comparison approach	Price per m^2 from EUR 39.8 to EUR 56.9	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Kungu iela, Liepāja, Latvia	60	Comparison approach	Price per m^2 from EUR 11.10 to EUR 15.85	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Buildings and a land plot, Jurģu iela, Jūrmala, Latvia	95	Comparison approach	Price per m^2 from EUR 56.6 to EUR 80.8	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Klaipeda, Lithuania	2,050	Comparison approach	Price per m^2 from EUR 0.74 to EUR 1.06	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Total	**2,527**			

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

31.12.2014 (Bank)

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs	Correlation between balance sheet data and fair value measurement, EUR '000
Land plot, Sporta iela, Rīga, Latvia	1,785	Comparison approach	Price per m^2 from EUR 72 to EUR 450	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Kungu iela, Liepāja, Latvia	60	Comparison approach	Price per m^2 from EUR 12 to EUR 35	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Buildings and a land plot, Jurģu iela, Jūrmala, Latvia	95	Comparison approach	Price per m^2 from EUR 60 to EUR 66,3	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Building, Tallin, Estonia	107	Comparison approach	Price per m^2 from EUR 851 to EUR 1 258,7	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Land plot, Klaipeda, Lithuania	2,050	Comparison approach	Price per m^2 EUR 2	Fair value would increase (reduce) if the price per m^2 was higher (lower)
Total	**4,098**			

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

23. PROPERTY AND EQUIPMENT

	Land and buildings		Leasehold improvements		Vehicles		Office equipment		Kopā	
	EUR'000		EUR'000		EUR'000		EUR'000		EUR'000	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank	Group	Bank
Cost										
31 December 2013	**11,288**	**-**	**-**	**-**	**55**	**55**	**1,029**	**913**	**12,372**	**968**
Additions	3,800	-	779	779	67	67	96	90	4,742	936
Correction	(107)	-	-	-	-	-	-	-	(107)	-
Disposals	-	-	-	-	-	-	(95)	(93)	(95)	(93)
31 December 2014	**14,981**	**-**	**779**	**779**	**122**	**122**	**1,030**	**910**	**16,912**	**1,811**
Additions	-	-	2,265	1,487	-	-	228	192	2,493	1,679
Adjustment (write-off of a replaced component)	(146)	-	-	-	-	-	-	-	(146)	-
Disposals	-	-	-	-	(56)	(56)	(24)	(22)	(80)	(78)
31 December 2015	**14,835**	**-**	**3,044**	**2,266**	**66**	**66**	**1,234**	**1,080**	**19,179**	**3,412**
Depreciation										
31 December 2013	**-**	**-**	**-**	**-**	**35**	**35**	**725**	**687**	**760**	**722**
Depreciation	52	-	-	-	8	8	148	116	208	124
Disposals	-	-	-	-	-	-	(93)	(93)	(93)	(93)
31 December 2014	**52**	**-**	**-**	**-**	**43**	**43**	**780**	**710**	**875**	**753**
Depreciation	126	-	-	-	16	16	136	113	278	129
Disposals	-	-	-	-	(45)	(45)	(17)	(17)	(62)	(62)
31 December 2015	**178**	**-**	**-**	**-**	**14**	**14**	**899**	**806**	**1,091**	**820**
Net carrying amount										
31 December 2014	**14,929**	**-**	**779**	**779**	**79**	**79**	**250**	**200**	**16,037**	**1,058**
31 December 2015	**14,657**	**-**	**3,044**	**2,266**	**52**	**52**	**335**	**274**	**18,088**	**2,592**

The Bank is renting two buildings from its subsidiaries at Smilšu street and Jēkaba street. At the moment there are construction works taking place in these buildings; capitalised construction expenses as at December 31, 2015 amounted to EUR 3 044 thousand. From the Group's perspective these buildings are considered to be corporate assets, and classified as fixed assets. After construction, the Bank will use the buildings as its headquarters. Management assessed that there are no impairment indicators.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

24. INTANGIBLE ASSETS

Group	Goodwill EUR'000	Software EUR'000	Total EUR'000
Acquisition cost			
31 December 2013	**701**	**1,159**	**1,860**
Acquired in the reporting period	67	390	457
Disposed in the reporting period	-	(153)	(153)
31 December 2014	**768**	**1,396**	**2,164**
Acquired in the reporting period	-	350	350
Disposed in the reporting period	(10)	(59)	(69)
Impairment of goodwill	(194)	-	**(194)**
31 December 2015	**564**	**1,687**	**2,251**
Amortization for the reporting period			
31 December 2013	**-**	**565**	**565**
Amortization for the reporting period	-	101	101
Amortization of assets disposed in the reporting period	-	(22)	(22)
31 December 2014	**-**	**644**	**644**
Amortization for the reporting period	-	154	154
31 December 2015	**-**	**798**	**798**
Net carrying amount			
31 December 2014	**768**	**752**	**1,520**
31 December 2015	**564**	**889**	**1,453**

In a review conducted on an annual basis a comparison was made between net assets of the Group subsidiary as at 31 December 2015 and the Bank's investment in the subsidiary. As a result of this comparison goodwill of EUR 194 thousand was written off.

Bank	Software EUR'000
Acquisition cost	
31 December 2013	**1,142**
Disposed in the reporting period	(153)
Acquired in the reporting period	381
31 December 2014	**1,370**
Disposed in the reporting period	(53)
Acquired in the reporting period	350
31 December 2015	**1,667**
Amortization	
31 December 2013	**559**
Amortization for the reporting period	96
Amortization of assets disposed in the reporting period	(22)
31 December 2014	**633**
Amortization for the reporting period	150
31 December 2015	**783**
Net carrying amount	
31 December 2014	**737**
31 December 2015	**884**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

25. OTHER ASSETS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Other financial assets				
Security deposit (MasterCard Europe, VISA Card)	2,417	2,417	1,568	1,568
Receivables under transactions with credit cards	2,471	2,471	265	265
Receivables under SPOT transactions	–	–	186	186
Other receivables	379	328	618	377
Other non-financial assets				
Repossessed collaterals – movable property	6,685	6,685	6,685	6,685
Overpaid taxes (VAT and other)	140	17	52	23
Total other assets	**12,092**	**11,918**	**9,374**	**9,104**
Provisions for other assets – moveable property	(1,634)	(1,634)	(1,634)	(1,634)
Other assets, net	**10,458**	**10,284**	**7,740**	**7,470**

In 2015, security deposits of EUR 2,417 thousand (2014: EUR 1,568 thousand) were reserved for potential transactions connected with MasterCard Europe and VISA Card systems.

Repossessed collaterals include two yachts. Repossessed collaterals are valued at lower of cost and net realisable value.

Management has determine net realisable value as at 31 December 2015 and 2014 using market data.

The net realisable value of the Group's and the Bank's repossessed collaterals in 2015 was estimated to be EUR 5,051 thousand (2014: EUR 5,051 thousand).

In December 2014, the Bank recognised an impairment allowance of EUR 1,634 thousand on repossessed properties. No additional impairment allowance was recognised in 2015.

The fair value of other non-financial assets of EUR 5,051 thousand is categorized within Level 3 of the Fair Value Hierarchy.

The table describes the valuation method used to arrive at the fair value of other assets, and the significant unobservable inputs as at 31 December 2015 and 31 December 2014:

Type	Carrying amount, net of allowances, EUR '000	Valuation method	Significant unobservable inputs	Correlation between balance sheet data and fair value measurement, EUR '000
Moveable property, Golf course equipment, Lithuania	51	Comparison approach	Unit price 51	Fair value would increase (reduce) if the unit price was higher (lower)
Moveable property, yacht White Rose	2,500	Comparison approach	Unit price 2,500	Fair value would increase (reduce) if the unit price was higher (lower)
Moveable property, yacht Silver Rose	2,500	Comparison approach	Unit price 2,500	Fair value would increase (reduce) if the unit price was higher (lower)
Total	**5,051**			

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

26. DUE TO CREDIT INSTITUTIONS ON DEMAND

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Credit institutions registered in Latvia	1,404	1,404	1,150	1,150
Credit institutions registered in OECD countries	584	584	949	949
Credit institutions registered in other countries (non-OECD)	737	737	660	660
	2,725	**2,725**	**2,759**	**2,759**

As at 31 December 2015 the Bank had four credit institutions whose account balances each exceeded 10% of total deposits on demand with other credit institutions. Total balances of these credit institutions as at 31 December 2015 amounted to EUR 2,137 thousand.

As at 31 December 2014 the Bank had two credit institutions whose account balances each exceeded 10% of total deposits on demand with other credit institutions. Total balances of these credit institutions as at 31 December 2014 amounted to EUR 2,019 thousand.

27. DUE TO CREDIT INSTITUTIONS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Credit institutions registered in other countries (non-OECD)	191	191	–	–
	191	**191**	**–**	**–**

28. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: DEPOSITS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Current accounts:				
Financial institutions	56,693	56,790	19,464	19,541
Corporate entities	485,086	486,712	432,704	433,262
Individuals	103,072	103,072	58,581	58,581
	644,851	**646,574**	**510,749**	**511,384**
Term deposits:				
Subordinated liabilities	5,117	5,117	3,922	3,922
Other financial institutions	1,293	1,293	1,203	1,203
Corporate entities	16,709	16,709	36,364	36,364
Individuals	2,042	2,042	2,933	2,933
	25,161	**25,161**	**44,422**	**44,422**
Total deposits	**670,012**	**671,735**	**555,171**	**555,806**

As at 31 December 2015, the Bank maintained customer deposit balances of EUR 11,258 thousand which were blocked by the Bank as collateral for loans and other credit instruments granted by the Bank (as at 31 December 2014: EUR 5,795 thousand).

As at 31 December 2015 the Bank had no customers/customer groups with deposits exceeding 10% of the total customer deposits (as at 31 December 2014: none).

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

29. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: SUBORDINATED DEBT SECURITIES

Subordinated bonds have a fixed term at their origination. Subordinated bonds are repayable before maturity only on winding up or bankruptcy of the Bank. Subordinated bonds rank before shareholders' claims. The Group and the Bank offer issues to a limited number of investors and they do not represent a public offer in the understanding of the Financial Instruments Market Law of the Republic of Latvia.

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Issued subordinated bonds	17,596	17,596	9,224	9,224
Accrued interest payments	229	229	60	60
Total	**17,825**	**17,825**	**9,284**	**9,284**

The table below summarises issued bonds with the following maturities and carrying amount (Group and Bank):

ISIN	Currency	Issue size	Par value	Date of issue	Date of maturity	Discount / coupon rate, %	Group/Bank 31/12/2015, 000' EUR	Group/Bank 31/12/2014, 000' EUR
Subordinated bonds								
LLV0000801082	USD	10 000	1 000	05.12.2012	12.11.2019	6	808	724
LV0000801074	EUR	10 000	1 000	05.12.2012	12.11.2019	6	3,200	3,200
LV0000801629	EUR	10 000	1 000	25.11.2014	28.11.2021	6	10,000	5,300
LV0000801611	USD	10 000	1 000	25.11.2014	28.11.2021	6.0	108	-
LV0000801728	EUR	20 000	1 000	16.04.2015	24.04.2022	6.0	3,480	-
Issued debt securities, total ('000 EUR)							**17, 596**	**9,224**

30. PROVISIONS

	Group	Bank
	EUR'000	EUR'000
31 December 2013	**340**	**340**
Increase of provisions	170	170
31 December 2014	**510**	**510**
Decrease in provisions	(15)	(15)
31 December 2015	**495**	**495**

Provisions consist of provisions for unused vacations of employees.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

31. OTHER LIABILITIES

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Other financial liabilities				
Credit card payments	839	839	80	80
Receivables under SPOT transactions	3	3	–	–
Repo deals	–	–	3	3
Funds in transit	6	6	–	–
Suspense account	3,000	3,000	–	–
Other liabilities, balances of closed customers' accounts	198	198	182	182
Other non-financial liabilities				
Operating and other liabilities	307	310	85	85
Tax settlements	5	5	10	10
VAT payable	6	–	36	36
Other liabilities	59	–	46	–
	4,423	**4,361**	**442**	**396**

As at 31 December, 2015 suspense account included cash under investigation in amount EUR 3 000 thousand. Cash recipient was confirmed in January 2016.

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group and Bank	2015		2014	
	EUR'000		EUR'000	
	Carrying amount	Nominal value	Carrying amount	Nominal value
Assets				
Future contracts	243	55,407	2,258	100,025
Total derivative financial assets	**243**	**55,407**	**2,258**	**100,025**
Liabilities				
Future contracts	60	55,224	591	98,358
Total derivative liabilities	**60**	**55,224**	**591**	**98,358**

As at 31 December 2015 the Bank had 15 outstanding foreign exchange forward contracts and none with related parties (in 2014 – 36 contracts, including none with related parties).

33. SHARE CAPITAL AND RESERVES

As at 31 December 2015 the authorized share capital comprised 28,209,653 ordinary shares (2014: 28,209,653 ordinary shares) As at 31 December 2015, share capital comprised 28,209,653 shares with total nominal value of EUR 39,493,514.20. Nominal value of one share is EUR 1.40. The structure of the holders of ordinary shares did not change. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the shareholders' meetings. All shares rank equally with regard to the Bank's residual assets.

	2015		2014	
	Quantity	EUR'000	Quantity	EUR'000
Share capital				
Ordinary shares with voting rights	28,209,653	39,493	28,209,653	39,493
	28,209,653	**39,493**	**28,209,653**	**39,493**

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The reserve capital of EUR 24 thousand is not subject to any restrictions and can be distributed to the shareholders following an appropriate decision.

As at 31 December 2015 and as at 31 December 2014, reserves were increased by the Bank and the Group by the amount of the non-reciprocal contribution into the subsidiary's capital, EUR 2,400 thousand. For details on this transaction please refer to Note 21 (a). As at 31 December 2015 on the Group level there was also foreign exchange revaluation reserve in amount EUR 1 thousand.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to the legislation of Latvia. In accordance with the legislation of Latvia, the amount of reserves available for distribution at the reporting date is EUR 17,874 thousand (2014: EUR 14,488 thousand).

During 2015, dividends of EUR 4 million were distributed (2014: EUR 7.1 million).

34. CASH AND CASH EQUIVALENTS

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and balances due from central banks	146,784	146,784	123,675	123,673
Due from credit institutions on demand and within 3 months	337,302	337,252	289,789	289,746
Due to credit institutions on demand and within 3 months	(2,916)	(2,916)	(2,759)	(2,759)
Total cash and cash equivalents	**481,170**	**481,120**	**410,705**	**410,660**

35. CONTINGENT LIABILITIES

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed to completely perform as contracted.

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Letters of credit	397	397	1,444	1,444
Unused loan facilities	31,767	31,767	22,735	22,735
Unused credit card facilities	1,927	1,944	1,427	1,444
Guarantees	244	244	369	369
	34,335	**34,352**	**25,975**	**25,992**

The total contractual amounts of the above loan commitments may differ from the cash flows that may actually be required in future as these commitments may expire before they are claimed. All letters of credit in 2015 and 2014 were secured with customer deposits.

36. LITIGATION

Management is unaware of any significant actual, pending or likely claims against the Bank or its subsidiaries.

37. ASSETS UNDER MANAGEMENT

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Assets under management				
Due from credit institutions registered in Latvia	400	400	662	662
Balances due from foreign credit institutions	4,082	4,082	9,029	9,029
Loans to customers	5,185	5,185	156	156
Non fixed income securities	2,382	2,382	772	772
Fixed income securities	8,465	8,465	23,405	23,405
of which: pledged under repo transactions	*1,840*	*1,840*	-	-
Other assets	933	933	513	513
Total assets under management	**21,447**	**21,447**	**34,537**	**34,537**
Liabilities under management				
Non-resident trust liabilities	19,495	19,495	32,619	32,619
Resident trust liabilities	1,952	1,952	1,918	1,918
Total liabilities under management	**21,447**	**21,447**	**34,537**	**34,537**

As at 31 December 2015 there were no assets under management from related parties. As at 31 December 2014 there were no assets under management from related parties. Assets under management decreased considerably compared to the prior year due to uncertainty in the market of financial instruments where the majority of customers operated and a number of these customers considered it necessary to suspend investing in these instruments.

38. TRANSACTIONS WITH RELATED PARTIES

Related parties are defined as shareholders who have a significant influence over the Bank, companies in which they have a controlling interest, members of the Council and the Board, key management personnel, their close relatives and companies in which they have a controlling interest, as well as associated companies. All transactions with related parties have been carried out at an arm's length.

Loans, deposits and other claims and liabilities to related parties include the following:

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Loans to related parties				
incl. the parent company	–	–	6,436	6,436
incl. members of the Council and the Board	7	7	182	182
incl. other	463	463	265	265
Other requirements	–	30	–	237
Total loans and other claims	**470**	**500**	**6,883**	**6,883**
Term and demand deposits and loans				
incl. from the parent company	221	221	–	–
incl. from subsidiaries of the parent company	24	24	16	16
incl. from subsidiaries	–	1,723	–	635
incl. from associated companies	12	12	1,437	1,437
incl. from members of the Council and Board	376	376	260	260
incl. from others	1,564	1,564	183	183
Other liabilities	185	188	166	166
Total deposits and liabilities	**2,382**	**4,108**	**2,062**	**2,697**
Contingent liabilities and commitments	**1,007**	**1,024**	**476**	**493**
	Interest rate %	**Interest rate %**	**Interest rate %**	**Interest rate %**
Loans to related parties	1.15	1.15	2.04	2.04
Term and demand deposits	0.02	0.02	0.07	0.07

In 2015, remuneration to the members of the Council and the Board was EUR 739 thousand (2014: EUR 592 thousand).

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Income from related party transactions				
Commission income	31	34	45	53
Interest income	55	55	43	181
Other income	184	35	–	160
Expenses from related party transactions				
Interest expenses	11	11	2	2
Other expenses	57	855	66	600
Rent payments	320	782	481	766

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39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (BANK)

The table below reflects the maturity analysis of financial assets and liabilities based on the term from the reporting date until the maturity dates of the respective assets and liabilities. The remaining period to maturity of assets and liabilities as at 31 December 2015 was as follows:

2015 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over, or no maturity	Total, EUR'000
Financial assets							
Cash and demand deposits with central banks	146,784	-	-	-	-	-	**146,784**
Deposits with credit institutions	319,415	17,837	5,158	-	-	-	**342,410**
Financial assets at fair value through profit or loss	10,930	72	-	2,809	-	-	**13,811**
Financial assets available for sale	56,848	-	-	-	-	595	**57,443**
Loans and receivables	9,111	2,644	9,311	7,253	42,898	4,402	**75,619**
Held-to-maturity financial assets	-	-	-	18,116	65,245	500	**83,861**
Other financial assets	-	-	-	-	-	5,216	**5,216**
Total financial assets	**543,088**	**20,553**	**14,469**	**28,178**	**108,143**	**10,713**	**725,144**
Financial liabilities							
Demand deposits with credit institutions	2,725	-	-	-	-	-	**2,725**
Derivatives	60	-	-	-	-	-	**60**
Financial liabilities carried at amortized cost	648,013	1,613	1,414	3,360	20,142	15,209	**689,751**
Other financial liabilities	4,046	-	-	-	-	-	**4,046**
Total financial liabilities	**654,844**	**1,613**	**1,414**	**3,360**	**20,142**	**15,209**	**696,582**
Maturity gap	**(111,756)**	**18,940**	**13,055**	**24,818**	**88,001**	**(4,496)**	**28,562**
Contingent liabilities and commitments	**33,738**	**105**	**151**	**344**	**14**	**-**	**34,352**

The maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

The table below reflects the maturity analysis of financial assets and liabilities based on the term from the reporting date until the maturity dates of the respective assets and liabilities. The remaining period to maturity of assets and liabilities as at 31 December 2014 was as follows:

2014 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over, or no maturity	Total, EUR'000
Financial assets							
Cash and demand deposits with central banks	123,673	-	-	-	-	-	**123,673**
Deposits with credit institutions	270,305	19,761	11,573	12,557	1,030	-	**315,226**
Financial assets at fair value through profit or loss	47,935	79	59	6,130	-	-	**54,203**
Financial assets available for sale	-	-	-	-	-	89	**89**
Loans and receivables	12,680	6,042	4,623	12,481	27,657	2,015	**65,498**
Held-to-maturity financial assets	7,364	2,966	1,266	7,244	12,660	500	**32,000**
Other financial assets	186	-	-	-	-	2,210	**2,396**
Total financial assets	**462,143**	**28,848**	**17,521**	**38,412**	**41,347**	**4,814**	**593,085**
Financial liabilities							
Demand deposits with credit institutions	2,759	-	-	-	-	-	**2,759**
Derivatives	591	-	-	-	-	-	**591**
Financial liabilities carried at amortized cost	514,265	614	17,974	7,112	19,172	5,953	**565,090**
Other financial liabilities	265	-	-	-	-	-	**265**
Total financial liabilities	**517,880**	**614**	**17,974**	**7,112**	**19,172**	**5,953**	**568,705**
Maturity gap	**(55,737)**	**28,234**	**(453)**	**31,300**	**22,175**	**(1,139)**	**24,380**
Contingent liabilities and commitments	**24,236**	**50**	**629**	**977**	**100**	**-**	**25,992**

The maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT

Liquidity risk (Bank)

Remaining contractual maturities of financial liabilities of the Bank are presented below. The Group's remaining contractual maturities of financial liabilities have not been presented as the difference to the Bank's analysis is insignificant.

EUR'000 **31 December 2015**	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years and more**
Non-derivative liabilities						
Demand deposits with credit institutions	2,725	(2,725)	(2,725)	-	-	-
Financial liabilities carried at amortized cost	689,751	(696,690)	(648,139)	(1,860)	(5,859)	(40,832)
Total non-derivative liabilities	**692,476**	**(699,415)**	**(650,864)**	**(1,860)**	**(5,859)**	**(40,832)**
Derivative liabilities						
Trading: outflow	5,065	(5,065)	(5,065)	-	-	-
Trading: inflow	(5,005)	5,005	5,005	-	-	-
Total derivative liabilities	**60**	**(60)**	**(60)**	**-**	**-**	**-**
Contingent liabilities and commitments	34,352	(34,352)	(33,738)	(105)	(495)	(14)
Total liabilities	**726,888**	**(733,827)**	**(684,662)**	**(1,965)**	**(6,354)**	**(40,846)**

EUR'000 **31 December 2014**	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years and more**
Non-derivative liabilities						
Demand deposits with credit institutions	2,759	(2,759)	(2,759)	-	-	-
Financial liabilities carried at amortized cost	565,090	(566,206)	(514,303)	(690)	(25,456)	(25,757)
Total non-derivative liabilities	**567,849**	**(568,965)**	**(517,062)**	**(690)**	**(25,456)**	**(25,757)**
Derivative liabilities						
Trading: outflow	11,925	(11,925)	(11,925)	-	-	-
Trading: inflow	(11,334)	11,334	11,334	-	-	-
Total derivative liabilities	**591**	**(591)**	**(591)**	**-**	**-**	**-**
Contingent liabilities and commitments	25,992	(25,992)	(24,236)	(50)	(1,606)	(100)
Total liabilities	**594,432**	**(595,548)**	**(541,889)**	**(740)**	**(27,062)**	**(25,857)**

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

41. CURRENCY ANALYSIS OF ASSETS AND LIABILITIES (BANK)

The Latvian banking legislation requires that the total foreign currency open position may not exceed 20% of the equity.

The EUR equivalent of assets and liabilities as at 31 December 2015 by the currencies in which they are denominated is as follows:

2015	EUR	USD	Other currencies	Total
EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets				
Cash and demand deposits with central banks	146,695	63	26	**146,784**
Loans and receivables from banks	77,076	249,906	15,428	**342,410**
Financial assets at fair value through profit or loss	2,702	11,046	63	**13,811**
Financial assets available for sale	6,027	51,416	-	**57,443**
Loans and receivables	33,430	41,484	705	**75,619**
Held-to-maturity financial assets	43,948	39,913	-	**83,861**
Other financial assets	2,250	1,846	1,120	**5,216**
Total financial assets	**312,128**	**395,674**	**17,342**	**725,144**
Financial liabilities				
Demand deposits with credit institutions	620	2,105	-	**2,725**
Derivatives	1	-	59	**60**
Financial liabilities carried at amortized cost	230,817	436,536	22,398	**689,751**
Other financial liabilities	359	3,554	133	**4,046**
Total financial liabilities	**231,797**	**442,195**	**22,590**	**696,582**
Assets (liabilities) arising from currency exchange				
Spot and forward transaction receivables	1,304	53,528	4,701	**59,533**
Spot and forward transaction liabilities	(53,283)	(6,071)	-	**(59,354)**
Net long/short currency position	**28,352**	**936**	**(547)**	**28,741**

The currency analysis of the Group is not significantly different from that of the Bank disclosed above.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

The Latvian banking legislation requires that the total foreign currency open position may not exceed 20% of the equity.

The EUR equivalent of assets and liabilities as at 31 December 2014 by the currencies in which they are denominated is as follows:

2014	EUR	USD	Other currencies	Total
EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets				
Cash and demand deposits with central banks	123,481	184	8	**123,673**
Loans and receivables from banks	133,880	167,465	13,881	**315,226**
Financial assets at fair value through profit or loss	6,868	47,335	-	**54,203**
Financial assets available for sale	89	-	-	**89**
Loans and receivables	37,754	27,730	14	**65,498**
Held-to-maturity financial assets	7,947	24,053	-	**32,000**
Other financial assets	1,640	728	28	**2,396**
Total financial assets	**311,659**	**267,495**	**13,931**	**593,085**
Financial liabilities				
Demand deposits with credit institutions	341	2,409	9	**2,759**
Derivatives	535	-	56	**591**
Financial liabilities carried at amortized cost	199,121	352,784	13,185	**565,090**
Other financial liabilities	70	177	18	**265**
Total financial liabilities	**200,067**	**355,370**	**13,268**	**568,705**
Assets (liabilities) arising from currency exchange				
Spot and forward transaction receivables	10,025	102,382	2,809	**115,216**
Spot and forward transaction liabilities	(96,207)	(13,428)	(3,728)	**(113,363)**
Net long/short currency position	**25,410**	**1,079**	**(256)**	**26,233**

The currency analysis of the Group is not significantly different from that of the Bank disclosed above.

42. REPRICING MATURITY ANALYSIS (BANK)

Interest rate risk relates to the changes in the value of the financial instrument as a result of changes in the market rates. As at 31 December 2015, interest rate re-pricing categories were:

2015 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Non interest bearing	Total, EUR'000
ASSETS								
Cash and demand deposits with central banks	146,098	-	-	-	-	-	686	**146,784**
Loans and receivables from banks	154,382	17,837	5,148	-	-	-	165,043	**342,410**
Financial assets at fair value through profit or loss	3,198	3,607	-	1,142	5,672	46	146	**13,811**
Financial assets available for sale	-	-	46,777	4,581	5,289	-	796	**57,443**
Loans and receivables	32,654	1,045	7,732	4,087	28,409	1,600	92	**75,619**
Held-to-maturity financial assets	-	-	-	17,991	63,912	500	1,458	**83,861**
Investments in subsidiary undertakings	-	-	-	-	-	-	15,315	**15,315**
Investment property	-	-	-	-	-	-	2,527	**2,527**
Property and equipment	-	-	-	-	-	-	2,592	**2,592**
Intangible assets	-	-	-	-	-	-	884	**884**
Income tax receivables	-	-	-	-	-	-	998	**998**
Prepayments and accrued income	-	-	-	-	-	-	165	**165**
Other assets	-	-	-	-	-	-	10,284	**10,284**
Total assets	**336,332**	**22,489**	**59,657**	**27,801**	**103,282**	**2,146**	**200,986**	**752,693**
TOTAL LIABILITIES AND EQUITY								
Demand deposits with credit institutions	-	-	-	-	-	-	(2,725)	**(2,725)**
Derivatives	(60)	-	-	-	-	-	-	**(60)**
Financial liabilities carried at amortized cost	(2,634)	(1,533)	(1,237)	(3,096)	(20,094)	(13,802)	(647,355)	**(689,751)**
Deferred income and accrued expenses	-	-	-	-	-	-	(376)	**(376)**
Provisions	-	-	-	-	-	-	(495)	**(495)**
Other liabilities	-	-	-	-	-	-	(4,361)	**(4,361)**
Capital and reserves	-	-	-	-	-	-	(54,925)	**(54,925)**
Total shareholders' equity and liabilities	**(2,694)**	**(1,533)**	**(1,237)**	**(3,096)**	**(20,094)**	**(13,802)**	**(710,251)**	**(752,693)**
Interest rate risk net position	**333,638**	**20,956**	**58,420**	**24,705**	**83,188**	**(11,656)**	**(509,251)**	**-**
Interest rate risk gross (cumulative) position	**333,638**	**354,594**	**413,014**	**437,719**	**520,907**	**509,251**	**-**	

The reprising maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

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Procentu likmes risks ir risks, ka finanšu instrumentu vērtība svārstīsies tirgus procentu likmju izmaiņu iespaidā. 2013. gada 31. decembrī procentu likmju izmaiņu risks ir šāds:

2014 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Non interest bearing	Total, EUR'000
ASSETS								
Cash and demand deposits with central banks	122,963	-	-	-	-	-	710	**123,673**
Loans and receivables from banks	108,376	13,570	11,555	12,030	1,030	-	168,665	**315,226**
Financial assets at fair value through profit or loss	4,914	5	33,821	2,485	8,766	3,916	296	**54,203**
Financial assets available for sale	-	-	-	-	-	-	89	**89**
Loans and receivables	26,628	1,481	3,827	10,857	20,791	1,824	90	**65,498**
Held-to-maturity financial assets	7,508	2,897	1,245	7,105	12,144	500	601	**32,000**
Investments in associates	-	-	-	-	-	-	1,565	**1,565**
Investments in subsidiary undertakings	-	-	-	-	-	-	15,541	**15,541**
Investment property	-	-	-	-	-	-	4,098	**4,098**
Property and equipment	-	-	-	-	-	-	1,058	**1,058**
Intangible assets	-	-	-	-	-	-	737	**737**
Prepayments and accrued income	-	-	-	-	-	-	161	**161**
Other assets	-	-	-	-	-	-	7,470	**7,470**
Total assets	**270,389**	**17,953**	**50,448**	**32,477**	**42,731**	**6,240**	**201,081**	**621,319**
TOTAL LIABILITIES AND EQUITY								
Demand deposits with credit institutions	-	-	-	-	-	-	(2,759)	**(2,759)**
Derivatives	(591)	-	-	-	-	-	-	**(591)**
Financial liabilities carried at amortized cost	(8,858)	(551)	(17,365)	(6,184)	(11,132)	-	(521,000)	**(565,090)**
Deferred income and accrued expenses	-	-	-	-	-	-	(342)	**(342)**
Provisions	-	-	-	-	-	-	(510)	**(510)**
Current tax liabilities	-	-	-	-	-	-	(12)	**(12)**
Other liabilities	-	-	-	-	-	-	(396)	**(396)**
Capital and reserves	-	-	-	-	-	-	(51,619)	**(51,619)**
Total shareholders' equity and liabilities	**(9,449)**	**(551)**	**(17,365)**	**(6,184)**	**(11,132)**	**-**	**(576,638)**	**(621,319)**
Interest rate risk net position	**260,940**	**17,402**	**33,083**	**26,293**	**31,599**	**6,240**	**(375,557)**	**-**
Interest rate risk gross (cumulative) position	**260,940**	**278,342**	**311,425**	**337,718**	**369,317**	**375,557**	**-**	

The reprising maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

43. MAXIMUM CREDIT RISK EXPOSURE

The Bank's maximum exposure to credit risk is set out below. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Maximum credit risk exposure

31 December	Notes	Gross maximum credit exposure	
		Bank	Bank
		2015	2014
Cash and balances with the central bank	15	146,784	123,673
Loans and receivables from banks	16	342,410	315,226
Financial instruments at fair value through profit or loss	17,32	13,811	54,203
Financial assets available for sale	18	56,848	-
Loans and receivables, gross	19	76,973	65,558
Held-to-maturity financial assets	20	83,994	32,119
Other financial assets	25	5,216	2,396
Total financial assets		**726,036**	**593 175**
Letters of credit	35	397	1,444
Unused loan facilities	35	31,767	22,735
Unused credit card facilities	35	1,944	1,444
Guarantees	35	244	369
Total guarantees and commitments		**34,352**	**25,992**
Total maximum credit risk exposure		**760,388**	**619,167**

The maximum credit risk exposure analysis of the Group is not significantly different from that of the Bank disclosed above.

NOTES TO THE GROUP CONSOLIDATED AND BANK SEPARATE FINANCIAL STATEMENTS

44. CAPITAL ADEQUACY CALCULATION (BANK)

	2015 EUR'000	2014 EUR'000
Tier 1		
Share capital	**39,493**	**39,493**
Reserves	24	24
Retained earnings for the previous periods	**10,442**	**6,502**
Profit for the reporting period	7,432	7,986
Other reserves	(2,474)	(2,400)
Intangible assets	(884)	(737)
Other deductions	(228)	(636)
Reduction of Tier 1 capital (Pillar 2 adjustments)	**(551)**	**(999)**
Total Tier 1	**53,254**	**50,232**
Subordinated capital	**19,227**	**11,322**
Reduction of Tier 2 capital (Pillar 2 adjustments)	(551)	-
Tier 2 capital	**18,676**	**11 322**
Shareholders' equity	**71,930**	**60,555**
Risk-weighted value		
Banking portfolio	**267,177**	**243,771**
Trading portfolio	11,316	20,274
Operating risk	**53,711**	**45,478**
Total risk weighted assets	**332,204**	**309,523**
Total capital as percentage of risk weighted assets (total capital ratio)	21,7%	20%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	16%	16%

As at 31 December 2015, the Bank's capital adequacy ratio was 21,7% (2014: 20%) which is above the minimum required ratio of 14.9% set in the Basel Capital Accord and the regulations of the Financial and Capital Market Commission of the Republic of Latvia.

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Group

31 December 2015	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Fixed income securities	13,045	523	-	**13,568**
Derivatives	-	243	-	**243**
Available-for-sale assets				
Fixed income securities	56,848	-	-	**56,848**
Non fixed income securities and shares	-	65	530	**595**
	69,893	**831**	**530**	**71,254**
Financial liabilities				
Derivatives	–	60	–	**60**
	–	**60**	**–**	**60**

31 December 2014	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Fixed income securities	46,481	467	4,997	**51,945**
Derivatives	-	2,258	-	**2,258**
Available-for-sale assets				
Non fixed income securities	-	89	529	**618**
	46,481	**2,814**	**5,526**	**54,821**
Financial liabilities				
Derivatives	–	591	–	**591**
	–	**591**	**–**	**591**

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Bank

31 December 2015	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Fixed income securities	13,045	523	–	**13,568**
Derivatives	–	243	–	**243**
Available-for-sale assets				
Fixed income securities	56,848	–	–	**56,848**
Non fixed income securities and shares	–	65	530	**595**
	46,481	**2,814**	**4,997**	**54,292**
Financial liabilities				
Derivatives	–	60	–	**60**
	–	**60**	**–**	**60**

31 December 2014	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Fixed income securities	46,481	467	4,997	**51,945**
Derivatives	–	2,258	–	**2,258**
Available-for-sale assets				
Non fixed income securities	–	89	–	**89**
	46,481	**2,814**	**4,997**	**54,292**
Financial liabilities				
Derivatives	–	591	–	**591**
	–	**591**	**–**	**591**

Included in category "Published price quotations" (Level 1) are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

Included in category 2 "Valuation methods based on market observable data" are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data.

Not based upon market observable (Level 3) input means that fair values are determined in whole or in part using a valuation technique (model) base on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

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The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy (Group and Bank):

31 December 2015

Financial assets	As of 31 December 2014	Purchases	Sale	As of 31 December 2015
Financial assets at fair value through profit or loss:				
Fixed income securities	4,997	–	(4,997)	–
Available-for-sale assets				
Non fixed income securities and shares	–	530	–	**530**
Kopā finanšu aktīvi patiesāa vērtība				**530**

31 December 2014

Financial assets	As of 31 December 2013	Purchases	Sale	As of 31 December 2014
Financial assets at fair value through profit or loss:				
Fixed income securities	–	4,997	–	**4,997**
Kopā finanšu aktīvi patiesāja vērtība				**4,997**

Bank

Total gains or loss in the statement of comprehensive income for the reporting year are disclosed as follows:

EUR'000	Financial assets at fair value through profit or loss	Available-for-sale financial instruments	Financial liabilities at fair value through profit or loss	Total
Total gain or loss recognised in profit or loss comprises:				
Net gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	–

Total gains or loss in the statement of comprehensive income for 2014 are disclosed as follows:

EUR'000	Financial assets at fair value through profit or loss	Available-for-sale financial instruments	Financial liabilities at fair value through profit or loss	Total
Total gain or loss recognised in profit or loss comprises:				
Net gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	–

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Type	Valuation method	Significant unobservable inputs	Difference between significant unobservable inputs and fair value measurement
Assets at fair value through profit or loss (non-quoted forward exchange contracts and interest rate swaps)	Comparison approach: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Assets at fair value through profit or loss (equity securities)	Valuation is based on financial indicators, including discounted cash flows.	Net assets	The estimated fair value would increase (decrease) if: Increase/(decrease) in net assets
Available-for-sale assets	Broker quotes (prices)	Non-liquid securities quotes Adjusted market multiple	The estimated fair value would increase (decrease) if: Quoted bid price increase

(b) Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2015	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets					
Cash and due from central banks	–	–	146,784	146,784	146,784
Loans and advances due from financial institutions	–	–	342,410	342,335	342,410
Loans to customers	–	–	75,619	75,794	75,619
Held to maturity financial instruments	79,325	523	4,013	83,653	83,861
Other financial assets	–	–	5,216	5,216	5,216
Financial liabilities					
Deposits and balances due to financial institutions	–	–	2,725	2,725	2,725
Deposits	–	–	689,751	689,751	689,751
Other financial liabilities	–	–	4,046	4,046	4,046

31 December 2014	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets					
Cash and due from central banks	–	–	123,673	123,673	123,673
Loans and advances due from financial institutions	–	–	315,226	315,226	315,226
Loans to customers	–	–	65,498	65,498	65,498
Held to maturity financial instruments	–	24,585	5,000	29,585	32,000
Other financial assets	–	–	2,396	2,396	2,396
Financial liabilities					
Deposits and balances due to financial institutions	–	–	2,759	2,759	2,759
Deposits	–	–	565,090	565,090	565,090
Other financial liabilities		–	265	265	265

To determine the fair value of financial instruments not measured at fair value the Bank uses quoted prices in an active market for that instrument, or determine the fair value using a valuation technique. The Bank uses quoted prices for held-to-maturity financial instruments which were lower than the carrying amount as at 31 December 2014 due to a worsening economic situation in the financial sector. However, the Bank assesses impairment losses for each held-to-maturity financial instrument individually. Objective evidence that financial assets (including equity securities) are impaired can include restructuring on terms that the Bank would not otherwise consider, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data. As at 31 December 2015 and to the date of signing these financial statements the Bank did not identify any observable data, therefore no additional impairment allowances were recognised.

The table describes the valuation method used to arrive at the Level 2 and 3 fair value, and the significant unobservable inputs:

Type	Valuation method
Loans and advances due from financial institutions	Discounted cash flows
Loans to customers	Discounted cash flows
Due to financial institutions	Discounted cash flows
Deposits	Discounted cash flows

46. SUBSEQUENT EVENTS

Other than disclosed in these financial statements, no significant subsequent events have occurred in the period from the reporting date to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.