AS Meridian Trade Bank

Bank separate and Group consolidated financial statements for the year ended 31 December 2015

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MANAGEMENT REPORT

Dear customers, partners and shareholders,

It is with great satisfaction that the Board of AS Meridian Trade Bank announces that the year 2015 has been completed successfully.

Despite the adverse external economic background, last year was a significant year for AS Meridian Trade Bank in terms of stable and systematic development. The Bank continued operating and developing successfully as a universal bank and improved its reputation in the Latvian financial industry. In 2015, the Bank's financial indicators continued to improve: The Bank retained its business and demonstrated improved performance across key indicators.

In 2015, AS Meridian Trade Bank continued providing financial services to customers in and outside of the EU focussing on the lines of business with established economic cooperation ties with Latvian and Baltic companies. Customer loyalty and tailoring of services to customer needs are among the key priorities for the Bank as the management believes that it is key to successful customer relationships. The Bank understands the business environment of both the Western and the Eastern Europe and it has extensive operational expertise in the EU and CIS countries. Similar to previous years, in 2015 the Bank used an individual approach to decision-making in relation to its customers, exercised high professionalism, integrity and confidentiality. The management strongly believes that these are the values that will promote the Bank's success both in Latvia and abroad.

During 2015 AS Meridian Trade Bank continued expanding its internet banking capabilities, introduced new services and technological products, firstly, in areas such as e-services, card servicing, international transfers, deposits, investments and e-commerce solutions. To expand the services related to the management of free funds, the Bank introduced new types of deposits with vast opportunities and flexible terms.

In 2015, AS Meridian Trade Bank retained the same number and geographic location of customer service centres and offered Latvian residents convenient and comprehensive servicing in the Head Office and 29 customer service centres in 10 cities of Latvia. Last year, the Lithuanian branch of the Bank moved to a new office. Lithuanian customers will now be able to receive a full range of financial services in the most modern office building in Vilnius. During 2015, the Bank continued developing financial services in Lithuania focussing on lending to natural persons and small and medium companies.

Prudence and security have always been the cornerstones of the Bank's success. During 2015, the Bank continued pursuing the policy of maintaining high liquidity ratios. Assets are placed by the Bank using a conservative approach, which requires that return on investment be balanced with risk and the Bank maintains a level of reserves which significantly exceeds the minimum requirement. The current structure of assets and liabilities fully complies with the new prudential requirements.

During 2015, significant efforts were devoted to offering customers effective and safe solutions for all matters. Each business project or situation is treated individually assessing its characteristics, concomitant conditions and factors. This is the approach that enables the Bank and its customers to achieve their goals even when the general background and situation appears unfavourable. The Bank's success and achievements are due to two key conditions that have remained the same over the past two decades. Firstly, it is our prudent, balanced and reasonable conservatism in terms of strategy and tactics. Secondly, it is the solid and highly qualified team of the Bank who is able to resolve matters of virtually any complexity.

AS Meridian Trade Bank is planning further development in circumstances that are still characterised both by difficulty to forecast regional economic development and severe competition in the financial sector, mounting regulatory requirements and rapid technology development. The Bank will continue positioning itself as a universal bank and make targeted efforts to expand the volume and range of services offered to residents of Latvia and Lithuania, both natural and legal persons. It will be based on the significant number of resident customers and an extensive network of settlement centres. It is planned to retain the existing market share in Latvia and make prudent efforts to increase the Lithuanian market share by consistently maintaining capital appropriate for the Bank's development plans and compliance of all normative indicators with relevant laws and regulations, and the Bank's internal restrictions, including by regulating the amount of exposures.

We would like to confirm that the Bank is and will continue to be a trustworthy and safe partner for its customers as we are certain that professional work, mutual respect and loyalty is the way to overcome any obstacles.

By way of conclusion, we would like to extend our gratitude to the Bank's employees and shareholders for their investment in the development and prosperity of the Bank. We also would like to thank our customers and partners for their loyalty and successful cooperation.

On behalf of the Management of the Bank:

Yours sincerely,

Svetlana Dzene
Chairperson of the Board

INFORMATION ON THE BANK'S MANAGEMENT

Council members as of the date of signing these financial statements

Name, Surname	Position	Date of Appointment
Goča Tutberidze	Chairman of the Council	7 May 2014
Mihails Gaņevs	Member of the Council	16 April 2015
Andris Dzenis	Member of the Council	12 November 2006
Natālija Prohorova	Member of the Council	7 May 2014

In 2015, Ilze Pudiste resigned from the Council and was appointed to the Board.
In addition, in 2015, Mihails Gaņevs was appointed to the Council.

Board members as of the date of signing these financial statements

Name, Surname	Position	Date of Appointment
Svetlana Dzene	Chairperson of the Board	28 September 1995
Ilze Pudiste	Member of the Board	16 April 2015
Ivars Lapiņš	Member of the Board	19 March 1999
Sergejs Golubčikovs	Member of the Board	27 June 2005
Dmitrijs Kozlovs	Member of the Board	22 October 2010
Jekaterina Meinharde	Member of the Board	5 December 2014

In 2015, Maija Treija resigned from the Board, Ilze Pudiste resigned from the Council and was appointed to the Board.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of AS Meridian Trade Bank (hereinafter – Bank) is responsible for the preparation of the Bank's separate financial statements and the consolidated financial statements of the Bank and its subsidiary AS MTB Finance (hereinafter – the Group).

The financial statements on pages 9 to 72 are prepared based on source documents and present fairly the financial position of the Bank and the Group as at 31 December 2015 and the results of its operations, and cash flows for the year ended 31 December 2015.

The Consolidated and the Bank's financial statements are prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. In the preparation of the financial statements the Management has made prudent and reasonable judgements and estimates.

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

On behalf of the Supervisory Council and Management Board:

Goča Tutberidze
Chairperson of the Council

Svetlana Dzene
Chairperson of the Board

21 March 2016

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Independent Auditors' Report

To the shareholders of AS Meridian Trade Bank

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of AS Meridian Trade Bank ("the Bank"), which comprise the separate statement of financial position as at 31 December 2015, the separate statements of profit or loss and 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 9 to 72. We have also audited the accompanying consolidated financial statements of AS Meridian Trade Bank and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and 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 9 to 72.

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 Company'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 Company'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 Company 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 qualified opinion.

Basis for Qualified Opinion

(i) As disclosed in Note 11f, the Group and the Bank as of 31 December 2015 had a material amount of loans and advances due from customers for which the payments have not been made in proper period. In our view, these are conditions that indicate that the loans and advances may be impaired. International Financial Reporting Standard IAS 39 Financial Instruments requires that, where such indications exist, management makes a formal estimate of the recoverable value of loans and advances and any impairment loss is recognized immediately. The Bank has prepared an impairment assessment of the above loans and advances as at 31 December 2015, and has concluded that no further impairment to the carrying value of the assets as at 31 December 2015 has occurred. The assumptions used in the impairment assessment are sensitive to the estimates of the recoverable value of the collateral - real estate and property under construction – and the outcome of the uncertainty associated with the future business operations of certain borrowers. We have been unable to satisfy ourselves with respect to the assumptions the Bank used to assess the impairment of the loans with the carrying amount of EUR 1 720 thousand and accordingly are unable to satisfy ourselves as to the recoverability of the carrying amount of these loans and advances. Accordingly, we were not able to determine whether any adjustments might have been found necessary in respect of loans and advances due from customers as at 31 December 2015 and the elements making up the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended.

(ii) As disclosed in Note 13, the Group subsidiary SIA MTB Finance as of 31 December 2015 has investment property with the carrying amount of EUR 11 761 million, material part of which was either under construction, unoccupied or generating rent incomes that did not cover property depreciation costs. In our view, these are conditions that indicate that the investment property may be impaired. International Financial Reporting Standard IAS 36 impairment of Assets requires that, where such indications exist, management makes a formal estimate of the recoverable value of the investment property and any impairment loss is recognized immediately. The Group has prepared an impairment assessment of the above investment property as at 31 December 2015, and has concluded that no further impairment to the carrying value of the assets as at 31 December 2015 has occurred. As disclosed in Note 13, the assumptions used in the impairment assessment are sensitive to the estimates of comparable property market prices, timing and volume of future investments required and returns expected on the investment property under construction, applied discount rates and expected costs to sell. We have been unable to satisfy ourselves with respect to the assumptions the Group used to assess the impairment of the investment property with the carrying value of EUR 1 896 thousand and accordingly are unable to satisfy ourselves as to the recoverability of the carrying amount of this investment property. Accordingly, we were not able to determine whether any adjustments might have been found necessary in respect of investment property as at 31 December 2015, and the elements making up the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion (i) paragraph above, the separate financial statements give a true and fair view of the financial position of AS Meridian Trade Bank 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, except for the possible effects of the matters described in the Basis for Qualified Opinion (i) and (ii) paragraphs above, the consolidated financial statements give a true and fair view of the consolidated financial position of AS Meridian Trade Bank and its subsidiary 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.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 38 of the separate and consolidated financial statements, which describes the assumptions of the Bank and the Group in relation to their ability to continue as a going concern in the light of capital adequacy requirements and financial performance of the Bank and the Group. As described in Note 38, while the Bank has been in compliance with the capital adequacy ratio set by the Financial and Capital Market Commission as at 31 December 2015, the future outcome of these events is uncertain.

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 3, 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
Licence No 55

Armine Movsisjana

Armine Movsisjana
Chairman of the Board
Latvian certified auditor
Certificate No 178
Riga, Latvia
21 March 2016

BANK SEPARATE AND GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	2015 Group EUR'000	2015 Bank EUR'000	2014 Group EUR'000	2014 Bank EUR'000
Cash and balance due from the Bank of Latvia	6	7,071	7,071	5,344	5,344
Demand deposits with credit institutions	7	100,078	100,078	84,653	84,653
Held-to-maturity investments	8	20,555	20,555	17,860	17,860
Fixed income securities		*20,555*	*20,555*	*17,860*	*17,860*
Available-for-sale financial investments:	9	64,520	64,520	15,857	15,857
Fixed income securities		*64,520*	*64,520*	*15,857*	*15,857*
Loans and receivables		111,602	126,502	108,518	120,559
Loans and term deposits due from credit institutions	10	*12,840*	*12,840*	*2,090*	*2,090*
Loans and advances due from customers	11	*98,762*	*113,662*	*106,428*	*118,469*
Financial assets held for trading:		2	2	3	3
Fixed income securities		*2*	*2*	*3*	*3*
Property and equipment	12	1,089	1,074	1,246	1,205
Investment property	13	11,761	-	8,677	-
Other assets	14	7,535	4,394	8,137	4,514
Total assets		**324,213**	**324,196**	**250,295**	**249,995**

The accompanying notes on pages 14 to 72 form an integral part of these Bank separate and Group consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank separate and Group consolidated financial statements as presented on pages 9 to 72 on 21 March 2016.

Goča Tutberidze
Chairperson of the Council

Svetlana Dzene
Chairperson of the Board

21 March 2016

BANK SEPARATE AND GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES	**Note**	**2015 Group EUR'000**	**2015 Bank EUR'000**	**2014 Group EUR'000**	**2014 Bank EUR'000**
Due to credit institutions on demand	15	5	5	7	7
Financial liabilities at amortized cost:		280,692	280,697	220,803	220,805
Deposits and balances due to financial institutions		*711*	*711*	*2,890*	*2,890*
Deposits and balances due to customers	16	*273,342*	*273,347*	*211,274*	*211,276*
Subordinated liabilities	17	*6,639*	*6,639*	*6,639*	*6,639*
Other liabilities	18	19,707	19,362	4,960	4,728
Deferred tax liability	27	34	34	34	34
Provisions	19	154	152	160	158
Total liabilities		**300,592**	**300,250**	**225,964**	**225,732**
Capital and reserves					
Share capital	20	15,651	15,651	15,651	15,651
Share premium on share issue		260	260	260	260
Reserves	20	4,155	4,155	4,155	4,155
Fair value reserve		(427)	(427)	(50)	(50)
Retained earnings		3,982	4,307	4,315	4,247
Total equity attributable to equity holders of the Group		**23,621**	**23,946**	**24,331**	**24,263**
Total capital and reserves		**23,621**	**23,946**	**24,331**	**24,263**
Total Liabilities		**324,213**	**324,196**	**250,295**	**249,995**
Contingent liabilities and commitments	32	**8,245**	**8,245**	**5,211**	**5,211**

The accompanying notes on pages 14 to 72 form an integral part of these Bank separate and Group consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank separate and Group consolidated financial statements as presented on pages 9 to 72 on 21 March 2016.

Goča Tutberidze
Chairperson of the Council

Svetlana Dzene
Chairperson of the Board

21 March 2016

BANK SEPARATE AND GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2015 Group EUR'000	2015 Bank EUR'000	2014 Group EUR'000	2014 Bank EUR'000
Interest income	21	5,344	5,344	4,782	4,612
Interest expense	22	(1,300)	(1,300)	(1,529)	(1,529)
Net interest income		**4,044**	**4,044**	**3,253**	**3,083**
Fee and commission income	23	3,855	3,851	3,894	3,890
Fee and commission expense	24	(1,128)	(1,128)	(984)	(984)
Net commission income		**2,727**	**2,723**	**2,910**	**2,906**
Gain on trading with financial instruments, net	25	813	911	1,394	1,457
Other operating income		281	55	406	119
Other operating expenses		(253)	(94)	(162)	(72)
Net operating income		**7,612**	**7,639**	**7,801**	**7,493**
Administrative expenses	26	(7,862)	(7,496)	(7,469)	(7,236)
Net impairment allowance expense	11	(83)	(83)	(556)	(556)
Profit/ (loss) before tax		**(333)**	**60**	**(224)**	**(299)**
Corporate income tax	27	-	-	-	-
Profit/ (loss) for the reporting period		**(333)**	**60**	**(224)**	**(299)**
Attributable to:					
Shareholders of the Bank		*(333)*	*60*	*(224)*	*(299)*
Non-controlling interest		-	-	-	-
Other comprehensive income					
Items that are or could be reclassified to profit or loss					
Available-for-sale financial assets - changes in fair value		(377)	(377)	(50)	(50)
Other comprehensive income for the reporting period		**(377)**	**(377)**	**(50)**	**(50)**
Total comprehensive income/ (loss)		**(710)**	**(317)**	**(274)**	**(349)**
Attributable to:					
Shareholders of the Bank		*(710)*	*(317)*	*(274)*	*(349)*
Non-controlling interest		-	-	-	-

The accompanying notes on pages 14 to 72 form an integral part of these Bank separate and Group consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank separate and Group consolidated financial statements as presented on pages 9 to 72 on 21 March 2016.

Goča Tutberidze
Chairperson of the Council

Svetlana Dzene
Chairperson of the Board

21 March 2016

BANK SEPARATE AND GROUP CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group EUR'000	Note	Share capital	Share premium on share issue	Reserves	Fair value reserve	Retained earnings	Total Equity Attributable to Equity holders of the Bank	Non--controlling interest	Total equity
		Attributable to Equity Holders of the Bank							
31 December 2013		**15,660**	**260**	**149**	**-**	**4,660**	**20,729**	**(121)**	**20,608**
Total comprehensive loss									
Loss for the year		-	-	-	-	(224)	(224)	-	**(224)**
Other comprehensive income									
Net change in fair value		-	-	-	(50)	-	(50)	-	**(50)**
Increase in reserve capital	20	-	-	4,006	-	-	4,006	-	**4,006**
Share capital EUR translation difference		(9)	-	-	-	-	(9)	-	**(9)**
Changes in investments in subsidiaries									
Disposal of non-controlling interest without change in control		-	-	-	-	(121)	(121)	121	-
31 December 2014		**15,651**	**260**	**4,155**	**(50)**	**4,315**	**24,331**	**-**	**24,331**
Total comprehensive loss									
Profit for the year		-	-	-	-	(333)	(333)	-	**(333)**
Other comprehensive income									
Net change in fair value		-	-	-	(377)	-	(377)	-	**(377)**
31 December 2015		**15,651**	**260**	**4,155**	**(427)**	**3,982**	**23,621**	**-**	**23,621**

Bank EUR'000	Note	Share capital	Share premium on share issue	Reserves	Fair value reserve	Retained earnings	Total equity
31 December 2013		**12,814**	**260**	**149**	**-**	**2,907**	**16,130**
Total comprehensive loss							
Loss for the year		-	-	-	-	(299)	**(299)**
Other comprehensive income							
Net change in fair value		-	-	-	(50)	-	**(50)**
Increase in reserve capital	20	-	-	4,006	-	-	**4,006**
Share capital EUR translation difference		(9)	-	-	-	-	**(9)**
31 December 2014		**15,651**	**260**	**4,155**	**(50)**	**4,247**	**24,263**
Total comprehensive loss							
Profit for the year		-	-	-	-	60	**60**
Other comprehensive income							
Net change in fair value		-	-	-	(377)	-	**(377)**
31 December 2015		**15,651**	**260**	**4,155**	**(427)**	**4,307**	**23,946**

The accompanying notes on pages 14 to 72 form an integral part of these Bank separate and Group consolidated financial statements.
The Council and the Board of the Bank approved the issue of these Bank separate and Group consolidated financial statements as presented on pages 9 to 72 on 21 March 2016.

Goča Tutberidze
Chairperson of the Council
21 March 2016

Svetlana Dzene
Chairperson of the Board

BANK SEPARATE AND GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities	**Note**	**2015 Group EUR'000**	**2015 Bank EUR'000**	**2014 Group EUR'000**	**2014 Bank EUR'000**
Profit/ (loss) before corporate income tax		(333)	60	(224)	(299)
Depreciation		320	294	363	336
Increase of impairment allowance		83	83	556	556
Depreciation of investment property		262	-	151	-
Disposal of investment property		-	-	1,530	-
Other changes		(264)	(356)	(22)	(22)
Increase in cash and cash equivalents used in operating activities before changes in operating assets and liabilities		**68**	**81**	**2,354**	**571**
Due from credit institutions (term over 3 months)		(80)	(80)	2,832	2,832
Loans and advances due from customers		7,583	4,724	5,783	3,784
Shares and other securities with non-fixed income		1	1	18	18
Fixed income debt securities		(51,358)	(51,358)	8,225	8,225
Decrease /(increase) in other assets		602	120	(2,833)	(1,549)
Increase in deposit from banks – term deposits		1	1	710	710
(Decrease)/increase in deposits		62,068	62,071	(80,578)	(80,582)
(Decrease)/increase in other liabilities		14,741	14,628	(16,023)	(16,002)
Cash flows from operating activities before tax		**33,626**	**30,188**	**(79,512)**	**(81,993)**
Corporate income tax		-	-	(224)	(224)
Cash flows from operating activities after tax		**33,626**	**30,188**	**(79,736)**	**(82,217)**
Cash flow used in investing activities					
Purchased property and other property and equipment		(276)	(184)	(354)	(354)
Purchase of investment property		(3,346)	-	(2,481)	-
Net cash from investing activities		**(3,622)**	**(184)**	**(2,835)**	**(354)**
Cash flows from financing activities					
Share capital EUR translation difference		-	-	(9)	(9)
Increase in reserve capital		-	-	4,006	4,006
Decrease in cash and cash equivalents from financing activities		**-**	**-**	**3,997**	**3,997**
Net increase in cash and cash equivalents		**30,004**	**30,004**	**(78,574)**	**(78,574)**
Cash and cash equivalents at the beginning of reporting year		**89,200**	**89,200**	**167,774**	**167,774**
Cash and cash equivalents at the end of reporting year	28	**119,204**	**119,204**	**89,200**	**89,200**

The accompanying notes on pages 14 to 72 form an integral part of these Bank separate and Group consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank separate and Group consolidated financial statements as presented on pages 9 to 72 on 21 March 2016.

Goča Tutberidze
Chairperson of the Council

Svetlana Dzene
Chairman of the Board

21 March 2016

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Information on the Bank

AS Meridian Trade Bank (until 6 May 2014 AS SMP Bank – hereinafter the Bank) was incorporated in the Republic of Latvia as a joint stock company "Multibanka" in 1994, in Riga and is licensed as a bank offering a wide range of financial services to enterprises and individuals. The legal address of the Bank is Elizabetes iela 57, Riga, Latvia. The Bank has a branch in Liepaja and 16 cash offices in Riga, 3 cash offices in Daugavpils, 2 cash offices in Ventspils and cash offices in Olaine, Jelgava, Sigulda, Lubana, Saulkrasti and Jurmala. The Bank has a foreign branch in Vilnius (Lithuania) with local cash offices in Vilnius, Klaipeda, Siauliai and Kaunas and a representative office in Moscow, Russian Federation.

These financial statements include the Group consolidated and Bank separate financial statements. The consolidated financial statements for year ended 31 December 2015 include the financial statements of the Bank and its subsidiary AS MTB Finance (hereinafter "the Group"). The legal address of the AS MTB Finance is Elizabetes iela 57, Riga, Latvia. AS MTB Finance manages real estate portfolio and offers leasing services.

Legislation regulating the Bank's operations

The Bank's operations are governed by the laws of the Republic of Latvia "On Credit Institutions", "Commercial Law", and other laws and regulations issued by the Financial and Capital Market Commission (the FCMC). The above regulations govern capital adequacy, minimum equity, liquidity, foreign exchange positions, risk transaction restrictions with respect to one counterparty, group of related customers and related parties of the Bank, as well as other applicable requirements.

2 BASIS OF PREPARATION

Statement of Compliance

The Group consolidated financial statements and the Bank separate 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 in force as at 31 December 2015.

The Group consolidated financial statements and the Bank separate financial statements were approved for issue by the Board and the Council on 21 March 2016. The shareholders have the power to reject the Group consolidated and the Bank separate financial statements prepared and issued by management and the right to request that new financial statements be issued.

Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- financial assets and liabilities at fair value through profit or loss are stated at fair value (including financial assets held for trading);
- availiable-for-sale assests are stated at fair value.

Functional and Presentation Currency

The financial statements are presented in thousands of euros (EUR'000), unless stated otherwise. Euro is the functional currency of the Bank and the Group.

3 PRINCIPAL ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies have been consistently applied, except for the changes in accounting policies described in Note 3.

Basis of consolidation

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.

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

The investment in AS MTB Finance, in which the Bank holds a 100% interest and voting rights, is accounted for in the Bank's separate financial statements at cost less impairment.

Intra-group transactions, balances and unrealized profits arising from intra-group transactions are eliminated in the course of consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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.

Currency translation

Foreign exchange transactions are translated into the respective functional currency at the reference exchange rate published by the European Central Bank on the date of the respective transaction.

Monetary assets and liabilities denominated in foreign currencies and carried at historical cost are retranslated into the functional currency at the spot exchange rate at the transaction date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 in foreign currency 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 profit and loss statement except for the differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a 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. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are translated into the functional currency at the spot exchange rate at the date of acquisition. 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.

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

Currency	Reporting date	
	31.12.2015	**31.12.2014**
USD	1.0887	1.2141
LTL	-	3.4528
RUB	80.6736	72.3370

Financial instruments

Classification

Financial instruments are classified into the following categories:

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are acquired or incurred principally for the purpose of selling or repurchasing in the near term; or that are 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; or that are a derivative (except for a derivative that is a designated and effective hedging instrument); or that are upon initial recognition designated by the entity as assets or liabilities at fair value through profit or loss.

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

Available-for-sale instruments are those financial assets that are designated as available-for-sale or are classified as loans and receivables, held-to-maturity instruments or financial instruments at fair value through profit or loss.

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 designates upon initial recognition as financial assets at 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.

Liabilities carried at amortised cost include deposits and balances from banks and current accounts and deposits from customers, subordinated liabilities 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 debt securities 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.

Recognition

The Group and the Bank initially recognises loans and receivables, deposits and debt securities issued on the date at which they are originated. All other financial assets and liabilities are recognised in the statement of financial position on the trade date when the Group or the Bank becomes a party to the contractual provisions of the instrument.

Measurement

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

Subsequent to initial recognition, financial assets are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- held-to-maturity investments and loans and receivables that are measured at amortized cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.
- a gain or loss on an available-for-sale financial asset is recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses on debt financial instruments) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in the profit or loss. Interest in relation to an available-for-sale financial asset is recognized as earned in the profit or loss calculated using the effective interest method.

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. 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. 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.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as designed at fair value through profit or loss is recognised in the statement of profit or loss;
- for financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the statement of profit or loss when the financial asset or liability is derecognised or impaired.

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 rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group and Bank also derecognize certain assets when they write off balances pertaining to the assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the balance sheet and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents the interest expense and is recognised in the statement of comprehensive income over the term of the repo agreement using the effective interest rate method.

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.

If assets are purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivatives

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are initially recognized in the statement of financial position at their fair value. Attributable transaction costs are recognised in the profit and loss statement of the relevant period. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. OTC derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group and the Bank do not use hedge accounting.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

Property and equipment

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

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Cost includes expenses that are directly attributable to the acquisition of the asset.

Depreciation is charged to the profit and loss statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date when the asset becomes available for use or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Depreciation methods, useful lives and residual values are reviewed annually. The annual depreciation rates are as follows:

Buildings	5%
Furniture and cars	20%
Computers	35%
Other fixed assets	20%

Intangible assets

Intangible assets acquired by the Group or the Bank are stated at cost less accumulated amortisation and impairment losses.

Software licences are capitalised on the basis of the costs incurred to acquire and customise the specific software. Depreciation is charged to the profit and loss statement on a straight-line basis over the estimated useful lives of the individual assets. The estimated useful lives are 5 to 7 years.

Repossessed assets

As part of the normal course of business the Group and Bank occasionally take possession of property that originally was pledged as security for a loan. When the Group and Bank acquire (i.e. gain a full title to) a property in this way, the property's classification follows the nature of its intended use by the Group and Bank. When the Group and Bank is uncertain of its intentions with respect to property that it has repossessed, those properties are classified as investment property. Other types of collateral (repossessed finance lease objects) are classified as other assets and are recognized at cost less impairment.

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 or for administrative purposes. Investment property is carried at cost less accumulated depreciation and impairment. Depreciation is charged to the profit and loss statement on a straight-line basis. The annual depreciation rate for all investment property, except land, is 5%. No depreciation is calculated for land.

Recognition of income and expenses

All significant categories of income and expenses are recognised on an accrual basis.

Interest income is recognized as it accrues in the profit and loss statement using the effective interest method. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Loan origination fees and other fees including the related direct costs that are considered an integral part of the total loan profitability are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

Fair value measurement principles

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 has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities, which are accounted for at fair value or information about its fair value has to be presented in the financial statements.

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 (i.e., without modification or repackaging) 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 active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the fair value is established by the Group and the Bank 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 should make maximum use of market inputs, rely as little as possible on estimates specific to the Group and the Bank, incorporate all factors that market participants would consider in setting a price, and be consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank and the Group calibrate valuation techniques and test them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. For further analysis of the basis for fair value refer to Note 13.

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 as adopted by EU. This includes:

- Verifying that equity broker or pricing service is approved by the Group and the 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.

In determining the fair value of assets or liabilities the Group and the Bank use observable market data to the extent possible. 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. For further analysis of the basis for fair value refer to Note 40.

Impairment losses

Financial assets

At each reporting date the Group and the Bank assess whether there is objective evidence that financial assets other than those designed at fair value through profit or loss are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which 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.

Impairment losses on assets carried at amortised 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 recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised 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 profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in statement of comprehensive income. Changes in impairment provisions 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 debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

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.

An impairment loss is recognised whenever 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. Key assets and CGUs tested for impairment are represented by the Group's investment property portfolio. Some properties are tested on standalone basis, while others are evaluated as CGUs – development projects. Impairment losses are recognized as profit or loss in the profit and loss statement. Impairment losses recognized 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.

In respect of other assets, except goodwill, impairment losses recognised 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 carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Loan commitments

In the normal course of business, the Group and the Bank enter into credit related commitments comprising irrevocable credit line facilities, 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.

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.

Taxation

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

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 tax basis. Deferred tax is not recognized for the following temporary differences: 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 recognised in the statement of financial position only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Bank of Latvia and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group and the Bank in the management of its short-term commitments, excluding amounts due to the Bank of Latvia and credit institutions with maturities of less than 3 months.

Leases

Classification

Only risks and rewards incidental to ownership of the leased asset during the lease period should be considered in determining the classification of lease. Relevant risks include the possibility of losses from idle capacity or technological obsolescence and from decreases in the value of the asset; relevant rewards may include the gain from the increase in value of the asset or realization of the residual value at the end of the lease. Conversely, risks associated with construction of the asset prior to lease commencement, financing such construction and the costs of providing services using the leased asset, are not incidental to ownership of the leased asset during the lease period and in the Management's view generally should be disregarded in determining the classification of the lease. The classification of a lease is determined at the inception of the lease and is not revised unless the lease agreement is modified.

Finance lease

A finance lease is lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

When assets are leased out under finance lease terms, the net investment in finance lease is recognized as a receivable. The net investment in finance lease represents the difference between the gross receivable and the unearned finance income.

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

Operating lease

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 net of accumulated depreciation. They are depreciated over their expected useful lives on a basis consistent with similar owned Property and equipment.

Provisions

A provision is recognized in the statement of financial position when the Group and the Bank have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits that can be reliably estimated will be required to settle the obligation.

If the effect is material, 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.

A provision for restructuring is recognised when the Group and the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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.

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 Bank will have no obligations to pay further contributions relating to employee services in respect to pension of retired employees.

Adoption of new and/or amended IFRSs and IFRIC 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 2015, 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.

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

(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.

The Bank does not expect that the amendments, when initially applied, will have a material impact on the financial statements as the Bank 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 and on the separate financial statements of the Bank.

4 MANAGEMENT OF RISKS

The Board of the Group and Bank has developed a system for the identification, supervision and management of the key financial risks. The Bank's Council has approved this risk management system. This system is being constantly updated to take into account market conditions and the development of the Group's and Bank's main operations. The following policies have been approved in order to achieve the Group's and the Bank's objectives related to capital adequacy, credit risk, operational risk management and anti-money laundering and terrorism financing:

1. Liquidity risk management policy;
2. Credit policy;
3. Credit risk management policy and strategy;
4. Risk transactions and risk control policy for large transactions;
5. Currency risk management policy;
6. Country risk management policy;
7. Interest rate risk management policy;
8. Policy on the prevention of laundering of proceeds derived from criminal activity and terrorism financing;
9. Operational compliance risk management policy;
10. Capital adequacy assessment policy;
11. Operational risk management policy.

The Board of the Bank is responsible for the implementation of the risk management policy approved by the Council of the Bank.

Comprehensive management of the risk control functions at the Bank is ensured by Chief Risk Officer (CRO). The CRO ensures that the following functions are performed:

- Set-up, supervision and timely improvement of the Bank's risk management system;
- Providing, on a regular basis, to the Bank's Council, Board and heads of relevant units comprehensive and clear information on the Bank's overall risk profile, all key risks to the Bank and compliance with the risk strategy;
- Advising and supporting the Bank's Council and Board in the development of strategies (including for risk) and in making other decisions related to the Bank's risks.

To promote independence, the CRO's duties exclude such functions that are connected with the performance of the activities to be controlled.

Liquidity risk

Liquidity risk is defined as the risk that the Bank and the Group may be unable to sustain its current and future cash flows and secure borrowings to prevent threats to the Bank's daily operations or overall financial position of the Bank (liquidity risk of financing) and risk that the Bank and the Group may be unable to sell its financial assets in the desired term without material losses due to a market collapse or insufficient market depth (market liquidity risk).

The Group and Bank have maintained adequate amounts of liquid assets to ensure compliance with liquidity ratio required by the normative acts of the Republic of Latvia of 30% against the Group and Bank's current liabilities as at 31 December 2015 and 31 December 2014. According to the requirement set by the Financial and Capital Market Commission, during 2015 the Bank was required to maintain an individual liquidity ratio of 50%. The Group and Bank have approved internal limits for liquidity net position of the term structures of assets and liabilities in all currencies, EUR and USD. Internal limits for liquidity are used for risk analysis and control of liquidity and desirable structure of financing sources. An early warning system was developed in order to help identify exposure of the Bank's and the Group's liquidity position and necessity to attract additional sources. On the basis of data from early notification indices the Bank and the Group identify adverse trends impacting liquidity and analyse these trends and assess whether any hedging measures are required for liquidity risk. The Bank's Treasure Division organises and manages the daily process of resource management in order to ensure solvency, liquidity and profitability of the Bank. The Risk Management Department of the Bank evaluates and plans the term structure of assets and liabilities on a regular basis, and monitors compliance with the required liquidity norms and internal limits defined by the Group and the Bank. Liquidity stress testing is performed using 7 scenarios. Scenarios include both internal and external factors. Stress testing is performed to the following stress levels: internal and typical to the Bank unfavourable events, changes of general market conditions, banking crisis and general market crisis at the same time. The impact of various shock scenarios on the regulating liquidity ratio and the Bank's income is analysed. The Board of the Bank and the Group develops and the Council approves a Business Continuity Plan for liquidity crises that specifies: preventive measures for the reduction of the likelihood of liquidity crisis, methods of timely identification of liquidity crisis and risk assessment, measures that have to be taken immediately in order to overcome liquidity crisis. The plan is tested on a regular basis. For maturity analysis of assets and liabilities refer to Note 37.

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

Credit risk

Credit risk is the risk that:

- a counterparty, or obligor, fails to meet contractual obligations to the Group and Bank;
- the value of collateral will not cover the claim; and
- financial loss of the Group and the Bank occurring as a result of default by a borrower or counterparty on their obligation to the Group or the Bank.

To minimize credit risk, the Group and the Bank have developed policies for the management of credit exposures (both for the statement of financial position and estimated and possible liability exposures), including guidelines to limit portfolio concentration. The Credit Committee and the Asset Measurement Committee have been established and are rigorously monitoring the Group's and the Bank's credit risk. The Group's and Bank's Credit Policy and Credit Risk Management Policy and Strategy is reviewed and approved by the Board and Council.

The Group's and Bank's Credit Policy establishes:

- Fundamental principles for performing lending operations;
- Credit risk diversification instruments;
- Fundamental principles for the credit assessment of borrowers;
- Principles for the credit assessment of counterparties, issuers and insurance companies;
- Principles for the evaluation of collateral;
- Documentation rules for the lending process;

The Group's and Bank's Credit Risk Management Policy and Strategy establishes:

- Fundamental principles of credit risk management;
- Objectives of credit risk management;
- Primary methods for identification, assessment and monitoring (continuous supervision) of credit risk;
- Primary methods for credit risk control and mitigation.

Measurement of credit risks includes:

- risk assessment to make a decision on granting a loan;
- monitoring and management of credit risk;
- profit adjustment representing risk;
- risk analysis of credit portfolios;
- capital adequacy and capital distribution assessment;
- regular stress testing credit risk by the use of different scenarios.

The Group and Bank continuously monitor the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly determined by either independent appraisal companies or the Bank's specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

The Group's and the Bank's maximum exposure to financial position credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Group and the Bank determine concentration limits and monitor credit risk concentration by industry/sector, geographic location, type of loan, country of residence, loan currency and type of collateral. Overall, concentration of the loan portfolio is verified across seven positions. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 11 "Loans" and Note 39 "Maximum credit risk". In order to meet the requirements defined in the policy of risk transactions and large risk transactions, the Group and the Bank perform an assessment and control of risks associated with all assets and liabilities, including contingent liabilities of the Group and Bank on a regular basis. Limits are regarded as the main tool for the control of risk transactions. The Group and the Bank meet the required capital adequacy ratio – the proportion of weighted values of the Group and Bank's equity, assets, liabilities and off-balance items, which as at 31 December 2015 and 2014 was 12.8% and 15.1%, respectively.

Capital management

Regulation No 575/2013 requires credit institutions to maintain Common Equity Tier 1 capital ratio of 4.5%, Tier 1 capital ratio of 6% and total capital ratio of 8%. Capital ratios are calculated by the Bank as follows: Common Equity Tier 1 capital ratio is tier 1 equity of the Bank expressed as a percentage against total exposures; Tier 1 capital ratio is Tier 1 capital expressed as a percentage against total exposures; and total capital ratio is equity expressed as a percentage against total exposures. Total exposures are the sum of notional risk weighted assets and contingent liabilities are determined as the sum of capital requirements of risks multiplied by 12.5. According to the requirement set by the Financial and Capital Market Commission, during 2015 the Bank was required to maintain an individual common capital ratio of 11.6%.

Assets have been weighted in accordance with pre-defined risk grades, determining risks in accordance with the amount of capital, necessary to maintain these assets. Off-balance sheet loan liabilities are weighted in accordance with lending risk adjustment grades and risk grades defined for liabilities of partners. The following risk grades are applied: 0%, 20%, 35%, 50%, 100%, 150%.

Capital management is carried out at the Bank according to the Capital Adequacy Assessment Policy. Capital adequacy assessment is organised and managed at the Bank by the Risk Management Department.

An integral part of the capital adequacy assessment process at the Bank is the calculation, planning and maintenance of capital adequacy. The Bank's objectives when managing capital, which complies with the term "equity" in the statement of financial position, are:

- To comply with the capital regulatory requirements.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders.
- To maintain the strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management on a regular basis, employing techniques based on the guidelines developed by the Basel Committee and the European Union directives, as implemented by the Financial and Capital Market Commission.

For the calculation of capital adequacy refer to Note 38.

Currency risk

Currency risk represents the potential losses from revaluation of balance sheet and off-balance-sheet items denominated in foreign currencies due to movements in foreign exchange rates. Gold is regarded as foreign currency. The objective of currency risk management is to mitigate the impact of adverse changes in exchange rates by minimising open positions in foreign currencies. The Bank does not use foreign currency open positions to generate income from speculative operations. During 2015, the Group and the Bank performed daily controls of compliance with limits defined in Currency risk management policy, for transactions with foreign currency. The Bank and the Group are subject to the Credit Institutions Law which requires that the open position in an individual currency should not exceed 10% of the Bank's capital applicable to limiting large exposures according to Regulation No 575/2013 and the total open foreign currency position should not exceed 20% of the Bank's capital applicable to limiting large exposures according to Regulation No 575/2013. In accordance with the Currency Risk Management Policy, structural units of the Group and Bank are cooperating with the Risk Management Department in evaluation of the currency risk component of the planned transactions and elaboration of hedging method for it. For currency analysis refer to Note 36.

Interest rate risk

Interest risk is represented by possible negative influence on the Group and the Bank's income that can result from possible changes of interest rates. The GAP analysis is used for regular measurements of interest rates risk. Assets, liabilities, guarantees and contingent liabilities, subjected to interest rate risk, are divided in accordance with minimum period, left till possible repricing dates of interest rates. The Group and Bank calculate the influence on yearly net interest income, with parallel increase of interest rates for 100 base points. In order to assess the impact of adverse changes in interest rates on profitability and economic value in market emergencies the Bank performs interest rate risk stress testing. In accordance with requirements of Interest rate risk management policy, interest rate risk has to be assessed whenever limits for financial instruments are determined. For the results of sensitivity analysis refer to Note 34.

Country risk

Country risk is represented by possible losses in cases, where a debtor of the Group and Bank, being non-resident, will not be able to meet its liabilities against the Group and Bank, due to political, social or economic circumstances of the country of residency of the debtor. Country risk is managed by the Board of the Bank. Based on analyses of economic, political and social conditions of each particular country, limits are determined for geographic concentration of assets, liabilities and off-balance sheet items, for the purpose of management of country risk. The evaluation provided by international rating agencies is considered when assessing country risk. Limitations have been approved for placement of assets in countries graded as non-OECD, as well as for limitations on residual balances of nostro accounts. Limits for partners and transaction types are determined based on evaluation of risks of country and partners. Compliance with the limits is ensured by the Risk Management Department via regular control. For geographical concentration refer to Note 33.

Anti money laundering and counter terrorism financing

In order to avoid involvement in money-laundering schemes, the Bank and the Group have implemented AML and CTF policies and procedures. AML compliance risks may cause financial losses, arising from legal actions and eventual financial sanctions against the Bank and the Group, as well as from limitations on banking operations, loss of customers or segments of operational markets. The Group and Bank manage their AML compliance risks on regular basis, identifying legal, reputational, operational and concentration risks, as well as planning and performing necessary measures to minimise those risks based on requirements of AML strategy and Customer policy that has been developed and approved by the Group and the Bank. These requirements are based on the adequate identification of a customer and its beneficiary owner and "Know Your Customer" principle of their business, as well as identification of unusual and suspicious transactions, its control and reporting to state authorities according to requirements of applicable legislative acts. AML compliance action plan includes also AML training of staff of structural units of the Group and Bank, involved with servicing of customers and implementation of latest IT technologies and requirements of information security and data integrity principles in daily operations of the Group and Bank.

5 ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS as adopted by the 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Key sources of estimation uncertainty:

Impairment of financial instruments (other than loans and receivables)

The signs of impairment are determined based on a comparison of the financial instrument's carrying amount and fair value. The Group and the Bank uses the market price as the main source to determine the fair value of the financial instruments. If the Group and the Bank identify downturns in the financial and capital markets, the market price is assessed as not a reliable source for impairment indication. Therefore, in the absence of direct quotation, the Group and the Bank uses valuation models based on quoted market prices of similar products.

For the purposes of impairment loss measurement, 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.

Allowances for doubtful debts

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and 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 judgements about each counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are reviewed by the Credit Risk function.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial 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 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 is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

Deferred tax asset recognition

A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6 CASH AND DUE FROM THE BANK OF LATVIA

	2015	2015	2014	2014
EUR'000	**Group**	**Bank**	**Group**	**Bank**
Cash	5,172	5,172	4,849	4,849
Balance with the Bank of Latvia (including minimum reserve deposit)	1,899	1,899	495	495
Total	**7,071**	**7,071**	**5,344**	**5,344**

Due from the Bank of Latvia represents the EUR nominated balance on the correspondent account with the Bank of Latvia.

According to the regulations of the European Central Bank, the Bank is required to maintain obligatory reserves with the Bank of Latvia equal to 1% of the closing monthly balances due of overnight deposits, deposits with agreed maturity or period of notice up to 2 years, debt securities issued with maturity up to 2 years, money market paper. For all other liabilities included in the reserve calculation the applicable rate is 0%.

The compulsory reserve is compared to the Bank's average monthly balance on the correspondent account with the Bank of Latvia. The Bank's average cash and correspondent balance should exceed the compulsory reserve requirement.

On 1 January 2014 the Republic of Latvia joined the euro-zone and the Latvian Lat was replaced by the euro, as a result as of 1 January 2014 the obligatory reserve rates are determined by European Central Bank, previously these rates were determined by Bank of Latvia.

As at 31 December 2015 and 31 December 2014 the Bank was in compliance with the above requirements.

7 DEMAND DEPOSITS WITH CREDIT INSTITUTIONS

	2015	2015	2014	2014
EUR'000	**Group**	**Bank**	**Group**	**Bank**
Credit institutions of OECD countries	57,411	57,411	61,666	61,666
Latvian credit institutions	39,015	39,015	6,076	6,076
Credit institutions of non-OECD countries	3,652	3,652	16,911	16,911
	100,078	**100,078**	**84,653**	**84,653**

The Bank maintained relationship with 27 correspondent banks (2014: 28)

The main correspondent banks of the Bank and the Group:

	2015 EUR'000	2014 EUR'000
Deutsche Bank AG, Germany	27,837 (27.8%)	20,563 (24.3%)
AS Citadele banka, Latvia	21,126 (21.1%)	- (0.0%)
AS Rietumu Banka, Latvia	15,590 (15.6%)	3,576 (4.2%)
Deutsche Bank Trust Company, USA	14,860 (14.8%)	11,309 (13.4%)
Raiffeisen Bank International AG, Austria	2,232 (2.2%)	16,112 (19.0%)
Lietuvas Banka, Lithuania	131 (0.1%)	11,608 (13.7%)

NOTES TO THE BANK SEPARATE AND GROUP CONSOLIDATED FINANCIAL STATEMENTS

8 HELD-TO-MATURITY INVESTMENTS

(a) Latvian government bonds with fixed income

	Term	2015 Group EUR '000	2015 Bank EUR '000	2014 Group EUR '000	2014 Bank EUR '000
Latvian government bonds with fixed income (S&P – A-, Moody's – A3)	2015	-	-	1,499	1,499
	2017	3,866	3,866	2,202	2,202
	2018	2,321	2,321	-	-
	2021	1,674	1,674	1,580	1,580
		7,861	**7,861**	**5,281**	**5,281**

(b) Fixed income bonds

	Term	2015 Group EUR '000	2015 Bank EUR '000	2014 Group EUR '000	2014 Bank EUR '000
Promsvjazjbank, Russian Federation (S&P – BB-, Moody's – Ba3)	2015	-	-	2,142	2,142
Lithuanian government bonds with fixed income (S&P – A-, Moody's – Baa1)	2015	-	-	1,478	1,478
Promsvjazjbank, Russian Federation (S&P – BB-, Moody's – Ba3)	2016	989	989	920	920
Lithuanian government bonds with fixed income (S&P – A-, Moody's – Baa1)	2016	2,673	2,673	2,759	2,759
USA government bonds with fixed income (S&P- AA+, Moody's – Aaa)	2017	3,719	3,719	2,933	2,933
Alfa Bank, Russian Federation (S&P – BB, Moody's – Ba2)	2017	1,906	1,906	1,729	1,729
Lithuanian government bonds with fixed income (S&P – A-, Moody's – Baa1)	2017	298	298	298	298
Lithuanian government bonds with fixed income (S&P – A-, Moody's – Baa1)	2018	314	314	320	320
Lithuanian government bonds with fixed income (S&P – A-, Moody's – Baa1)	2020	2,795	2,795	-	-
		12,694	**12,694**	**12,579**	**12,579**
Total held-to-maturity investments		**20,555**	**20,555**	**17,860**	**17,860**

9 AVAILABLE FOR SALE FINANCIAL INVESTMENTS

(a) Latvian government bonds with fixed income

	Term	2015 Group EUR '000	2015 Bank EUR '000	2014 Group EUR '000	2014 Bank EUR '000
Latvian government bonds with fixed income (S&P – A-, Moody's – A3)	2017	1,468	1,468	2,249	2,249
Latvian government bonds with fixed income (S&P – A-, Moody's – A3)	2021	1,138	1,138	-	-
		2,606	**2,606**	**2,249**	**2,249**

(b) Fixed income bonds

	Term	2015 Group EUR '000	2015 Bank EUR '000	2014 Group EUR '000	2014 Bank EUR '000
Bucharest municipal bonds with fixed income (S&P – BBB, Moody's – Baa 3)	2015	-	-	2,062	2,062
Romanian government bonds with fixed income (S&P – BBB-, Moody's – Baa 3)	2016	3,689	3,689	2,198	2,198
USA government bonds with fixed income (S&P- AA+, Moody's – Aaa)	2016	22,964	22,964	-	-
Hungarian government bonds with fixed income (S&P – BB, Moody's – Baa 1)	2016	-	-	2,112	2,112
RENAULT SA bonds with fixed income (S&P – BB+, Moody's – Baa 2)	2016	1,752	1,752	-	-
Kazahstan Temir Zholy bonds with fixed income (S&P – BBB-, Moody's – Baa 2)	2016	937	937	-	-
Gazprom (Gaz Capital SA) bonds with fixed income (S&P – BB+, Moody's – Baa 1)	2016	998	998	-	-
Lithuanian government bonds with fixed income (S&P – A, Moody's – Baa 1)	2017	2,981	2,981	2,266	2,266
USA government bonds with fixed income (S&P- AA+, Moody's – Aaa)	2017	10,593	10,593	-	-
Croatia government bonds with fixed income (S&P – BB, Moody's – Baa 3)	2017	482	482	-	-
Telecom Italia bonds with fixed income (S&P – BB+, Moody's – Baa 2)	2017	2,152	2,152	-	-
Intergas Finance BV bonds with fixed income (S&P – BBB, Moody's – Baa 2)	2017	475	475	-	-
MOL Hungarian OIL&GAS bonds with fixed income (S&P – BB)	2017	2,742	2,742	-	-
Slovenian government bonds with fixed income (S&P – A-, Moody's – Baa 3)	2018	2,236	2,236	2,242	2,242
Hungarian government bonds with fixed income (S&P – A-, Moody's – Baa 3)	2018	2,607	2,607	-	-
EESTI ENERGIA AS bonds with fixed income (S&P – BBB, Moody's – Baa 2)	2018	4,260	4,260	1,115	1,115
Kazmunaygas National CO bonds with fixed income (S&P – BB+, Moody's – Baa 3)	2018	528	528	-	-
Lithuanian government bonds with fixed income (S&P – A, Moody's – Baa 1)	2018	-	-	1,175	1,175
Glencore Funding LLC bonds with fixed income (S&P – BBB-, Moody's – Baa 1)	2019	1,535	1,535	-	-
Slovenian government bonds with fixed income (S&P – A-, Moody's – Baa 3)	2019	983	983	438	438
		61,914	**61,914**	**13,608**	**13,608**
Available-for-sale financial assets		**64,520**	**64,520**	**15,857**	**15,857**

10 LOANS AND TERM DEPOSITS DUE FROM CREDIT INSTITUTIONS

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Term deposits with credit institutions	12,059	12,059	1,390	1,390
Other balances due from credit institutions	781	781	700	700
Total loans and term deposits	**12,840**	**12,840**	**2,090**	**2,090**

As at 31 December 2015 the Group and the Bank had due from credit institutions amounting to EUR 781 thousand (2014: EUR 700 thousand) that secured collaterals for the guarantees issued by the Bank.

Geographical classification:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Residents of OECD countries	7,210	7,210	700	700
Residents of Latvia	659	659	450	450
Residents of other non-OECD countries	4,971	4,971	940	940
Total loans and term deposits	**12,840**	**12,840**	**2,090**	**2,090**

11 LOANS TO CUSTOMERS

(a) Loans by groups are comprised as follows:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Individuals	18,226	15,907	18,106	15,380
Corporate customers	88,073	105,292	95,920	110,687
Personnel of the Bank	509	509	466	466
Total loans, gross	**106,808**	**121,708**	**114,492**	**126,533**
Impairment allowance	(8,046)	(8,046)	(8,064)	(8,064)
Total loans, net	**98,762**	**113,662**	**106,428**	**118,469**

(b) Loans by type:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Loans and advances to customers	99,306	104,468	106,553	107,465
Credit lines	7,280	17,018	7,189	18,318
Overdrafts	222	222	750	750
Loans, gross	**106,808**	**121,708**	**114,492**	**126,533**
Impairment allowance	(8,046)	(8,046)	(8,064)	(8,064)
Total loans, net	**98,762**	**113,662**	**106,428**	**118,469**

(c) Loans issued by industry, gross:

		2015		2015		2014		2014
Corporate customers		**Group**		**Bank**		**Group**		**Bank**
Real estate	36,301	41%	36,301	34%	37,987	40%	37,987	34%
Construction	28	1%	28	1%	662	1%	662	1%
Electricity	15,246	17%	15,246	14%	14,370	15%	14,370	13%
Wholesale and retailing	10,877	12%	10,877	10%	9,810	10%	9,810	9%
Industrial markets	9,674	11%	9,674	9%	18,437	19%	18,437	17%
Transport, warehousing and communications	1,849	2%	1,849	2%	1,790	2%	1,790	2%
Loans issued to financial intermediaries	-	-	27,070	26%	-	-	24,548	22%
Finance lease	9,851	11%	-	-	9,781	10%	-	-
Other	4,247	5%	4,247	4%	3,083	3%	3,083	2%
Total	**88,073**	**100%**	**105,292**	**100%**	**95,920**	**100%**	**110,687**	**100%**
Individuals and personnel of the Bank								
Consumer loans	278	4%	278	4%	683	4%	683	4%
Credit card commitments	454	3%	454	3%	520	3%	520	3%
Mortgage loans	8,983	37%	8,983	44%	6,931	37%	6,931	44%
Finance lease	2,319	15%	-	-	2,726	15%	-	-
Business loans	5,993	36%	5,993	42%	6,742	36%	6,742	42%
Other	708	5%	708	7%	970	5%	970	7%
Total	**18,735**	**100%**	**16,416**	**100%**	**18,572**	**100%**	**15,846**	**100%**

(d) Loans by geographical classification:

	2015	2015	2014	2014
EUR'000	**Group**	**Bank**	**Group**	**Bank**
Residents of Latvia	101,433	116,333	110,178	122,219
Residents of OECD countries	3,386	3,386	3,093	3,093
Residents of other non-OECD countries	1,989	1,989	1,221	1,221
Total gross loans and receivables to non-banking customers	**106,808**	**121,708**	**114,492**	**126,533**
Impairment allowance	(8,046)	(8,046)	(8,064)	(8,064)
Loans and receivables, net	**98,762**	**113,662**	**106,428**	**118,469**

(e) Analysis of movements in the impairment allowance

	2015	2015	2014	2014
EUR'000	**Group**	**Bank**	**Group**	**Bank**
Balance at the beginning of the year	**8,064**	**8,064**	**7,564**	**7,564**
Increase of provisions	*3,380*	*3,380*	*1,539*	*1,539*
Recovery of prior period loan loss allowances	*(3,297)*	*(3,297)*	*(983)*	*(983)*
Changes in impairment allowance	83	83	556	556
Release of impairment allowances recognised in previous periods	*(101)*	*(101)*	*(56)*	*(56)*
Balance at the end of the reporting period	**8,046**	**8,046**	**8,064**	**8,064**

(f) Loans and accrued interest allocation, depending on delay of payments:

Group

EUR'000 Loans to customers		Loans not overdue	Loans for which the payments have not been made in proper period					
			Up to 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
31 December 2015								
Gross loans and advances to customers	**106,808**	96,840	2,769	707	1	1,182	103	5,206
Impairment allowance	**(8,046)**	(6,183)	(117)	(33)	-	(1)	(2)	(1,710)
31 December 2014								
Gross loans and advances to customers	**114,492**	95,447	8,915	361	168	1,125	4,237	4,239
Impairment allowance	**(8,064)**	(5,504)	(116)	(120)	(2)	(16)	(562)	(1,744)

Bank

EUR'000 Loans to customers		Loans not overdue	Loans for which the payments have not been made in proper period					
			Up to 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
31 December 2015								
Gross loans and advances to customers	**121,708**	113,556	1,881	220	1	1,005	103	4,942
Impairment allowance	**(8,046)**	(6,183)	(117)	(33)	-	(1)	(2)	(1,710)
31 December 2014								
Gross loans and advances to customers	**126,533**	114,772	3,477	254	2	118	4,237	3,673
Impairment allowance	**(8,064)**	(5,504)	(116)	(120)	(2)	(16)	(562)	(1,744)

(g) Allocation of loans by qualitative evaluation of collateral:

The table below shows separate loan groups by their carrying amount. The Bank and the Group hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Loan quality by separate groups:

	2015 Group	2015 Bank	2014 Group	2014 Bank
Loans with collateral to corporate customers				
Loans without impairment allowances	61,348	61,348	72,024	72,024
Loans not overdue	*59,464*	*59,464*	*68,268*	*68,268*
Delayed payments not more than 90 days	*714*	*714*	*2,094*	*2,094*
Delayed payments over 90 days	*1,170*	*1,170*	*1,662*	*1,662*
Loans with impairment allowances	13,722	13,722	10,859	10,859
Loans not overdue	*12,268*	*12,268*	*8,296*	*8,296*
Delayed payments not more than 90 days	-	-	*987*	*987*
Delayed payments over 90 days	*1,454*	*1,454*	*1,576*	*1,576*
Impairment allowance	(4,333)	(4,678)	(4,042)	(4,042)
Total loans to corporate customers	**70,737**	**70,392**	**78,841**	**78,841**

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	2015 Group	2015 Bank	2014 Group	2014 Bank
Finance lease				
Lease	12,170	-	12,507	-
Loans not overdue	*10,355*	-	*12,507*	-
Delayed payments not more than 90 days	*1,374*	-	-	-
Delayed payments over 90 days	*441*	-	-	-
Impairment allowance	*(646)*	-	*(112)*	
Total finance lease	**11,524**	**-**	**12,395**	**-**
Mortgage loans to individuals				
Loans without impairment allowances	11,161	11,161	9,104	9,104
Loans not overdue	*10,598*	*10,598*	*7,844*	*7,844*
Delayed payments not more than 90 days	*141*	*141*	*344*	*344*
Delayed payments over 90 days	*422*	*422*	*916*	*916*
Loans with impairment allowances	3,709	3,709	5,163	5,163
Loans not overdue	*424*	*424*	*2,326*	*2,326*
Delayed payments not more than 90 days	*1,191*	*1,191*	*127*	*127*
Delayed payments over 90 days	*2,094*	*2,094*	*2,710*	*2,710*
Impairment allowance	(520)	(520)	(1,042)	(1,042)
Total mortgage loans to individuals	**14,350**	**14,350**	**13,225**	**13,225**

	2015 Group	2015 Bank	2014 Group	2014 Bank
Loans to individuals with other collateral				
Loans without impairment allowances	268	268	220	220
Loans not overdue	*268*	*268*	*206*	*206*
Delayed payments not more than 90 days	-	-	*3*	*3*
Delayed payments over 90 days	-	-	*11*	*11*
Loans with impairment allowances	597	597	615	615
Loans not overdue	*368*	*368*	*7*	*7*
Delayed payments not more than 90 days	*2*	*2*	*177*	*177*
Delayed payments over 90 days	*227*	*227*	*431*	*431*
Impairment allowance	(546)	(546)	(561)	(561)
Total loans to individuals with other collateral	**319**	**319**	**274**	**274**

The amounts shown in the table represent the gross carrying amount of the loans by type of collateral and do not necessarily represent the fair value of the underlying collateral:

	31 December 2015				31 December 2014			
	Group		Bank		Group		Bank	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
Commercial buildings	51,097	48%	51,097	42%	57,252	50%	57,252	45%
Commercial assets pledge	11,763	11%	11,763	10%	14,651	13%	14,651	12%
Land mortgage	4,578	4%	4,578	4%	5,002	4%	5,002	4%
Mortgage on residential properties	21,445	20%	21,445	18%	19,130	17%	19,130	15%
Guarantee	1,274	1%	1,274	1%	1,286	1%	1,286	1%
Lease and other	12,818	12%	648	1%	13,171	12%	664	1%
No collateral	3,833	4%	30,903	24%	4,000	3%	28,548	22%
Total	**106,808**	**100%**	**121,708**	**100%**	**114,492**	**100%**	**126,533**	**100%**

Significant credit risk concentration

As at 31 December 2015 and 31 December 2014 the Bank had loan balances with 14 and 13 borrowers or groups of related borrowers respectively which exceeded 10% of the Bank's equity disclosed in Note 37. The gross amount of the above loans as at 31 December 2015 and 2014 was EUR 61,588 thousand and EUR 56,569 thousand, respectively. As at 31 December 2015 and 31 December 2014, for the above loans impairment allowances were raised in the amount of EUR 1,999 thousand and EUR 1,188 thousand, respectively.

According to regulatory requirements, the Bank is not allowed to have a credit exposure to one client or group of related clients of more than 25% of the Bank's equity. As at 31 December 2015 and 2014 the Bank was in compliance with these requirements.

(h) Loan classification according to credit risk assessment

When reviewing the loans the Group and the Bank set the following categories for individual loans to assess their credit risk:

Group

2015 **EUR'000**	**Gross**	**Impairment allowance**
Standard	73,696	-
Watch	19,607	1,586
Substandard	9,247	2,433
Doubtful	1,029	798
Lost	3,229	3,229
Total	**106,808**	**8,046**

2014 **EUR'000**	**Gross**	**Impairment allowance**
Standard	88,937	-
Watch	10,879	480
Substandard	9,802	3,229
Doubtful	1,482	963
Lost	3,392	3,392
Total	**114,492**	**8,064**

Bank

2015 EUR'000	Gross	Impairment allowance
Standard	88,596	-
Watch	19,607	1,586
Substandard	9,247	2,433
Doubtful	1,029	798
Lost	3,229	3,229
Total	**121,708**	**8,046**

2014 EUR'000	Gross	Impairment allowance
Standard	100,978	-
Watch	10,879	480
Substandard	9,802	3,229
Doubtful	1,482	963
Lost	3,392	3,392
Total	**126,533**	**8,064**

Restructured loans

During the twelve months period ended 31 December 2015, the Group and Bank restructured loans in the total amount of:

EUR'000	31 December 2015 EUR'000	31 December 2014 EUR'000
Principal and interest payments waiver	18,380	5,516
Total	**18,380**	**5,516**

(i) Impaired loans

Group

	2015 EUR'000	2014 EUR'000
Impaired loans, gross	20,330	19,069
Impairment allowance	(8,046)	(8,064)
Impaired loans and receivables, net:	**12,284**	**11,005**

Bank

	2015 EUR'000	2014 EUR'000
Impaired loans, gross	20,330	19,069
Impairment allowance	(8,046)	(8,064)
Impaired loans and receivables, net:	**12,284**	**11,005**

(j) Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain fixed assets where the Group is lessor:

EUR'000	2015	2014
Gross investment in finance leases, receivable with maturity:		
Less than one year	3,447	4,748
Between one year and five years	6,551	4,375
More than 5 years	3,963	5,435
Total gross investment in finance leases, receivables	**13,961**	**14,558**
Unearned interest income	(1,791)	(2,051)
Net investment in finance lease	**12,170**	**12,507**
Net investments in finance leases with maturity:		
Less than one year	3,090	4,359
Between one year and five years	5,511	3,329
More than 5 years	3,569	4,819
	12,170	**12,507**

12 PROPERTY AND EQUIPMENT

Group property and equipment

EUR'000	Buildings	Vehicles	Office equipment	Leasehold improvements	Total
Cost					
31 December 2013	**726**	**134**	**1,243**	**-**	**2,103**
Additions	-	-	116	238	354
Disposals	-	-	(189)	-	(189)
31 December 2014	**726**	**134**	**1,170**	**238**	**2,268**
Additions	3	-	175	98	276
Sold	(21)	-	-	-	(21)
Disposals	-	-	(504)	(92)	(596)
31 December 2015	**708**	**134**	**841**	**244**	**1,927**
Accumulated depreciation					
31 December 2013	**177**	**66**	**605**	**-**	**848**
Amortisation for the year	34	27	302	-	363
Depreciation of disposed fixed assets	-	-	(189)	-	(189)
31 December 2014	**211**	**93**	**718**	**-**	**1,022**
Amortisation for the year	34	26	260	-	320
Depreciation of disposed fixed assets	-	-	(504)	-	(504)
31 December 2015	**245**	**119**	**474**	**-**	**838**
Balance					
31 December 2013	**549**	**68**	**638**	**-**	**1,255**
31 December 2014	**515**	**41**	**452**	**238**	**1,246**
31 December 2015	**463**	**15**	**367**	**244**	**1,089**

Bank property and equipment

EUR'000	Buildings	Vehicles	Office equipment	Leasehold improvements	Total
Cost					
31 December 2013	**726**	**51**	**1,243**	**-**	**2,020**
Additions	-	-	116	238	354
Disposals	-	-	(189)	-	(189)
31 December 2014	**726**	**51**	**1,170**	**238**	**2,185**
Additions	3	-	175	6	184
Sold	(21)	-	-	-	(21)
Disposals	-	-	(504)	-	(504)
31 December 2015	**708**	**51**	**841**	**244**	**1,844**
Accumulated depreciation					
31 December 2013	**177**	**51**	**605**	**-**	**833**
Amortisation for the year	34	-	302	-	336
Depreciation of disposed fixed assets	-	-	(189)	-	(189)
31 December 2014	**211**	**51**	**718**	**-**	**980**
Amortisation for the year	34	-	260	-	294
Depreciation of disposed fixed assets	-	-	(504)	-	(504)
31 December 2015	**245**	**51**	**474**	**-**	**770**
Balance					
31 December 2013	**549**	**-**	**638**	**-**	**1,187**
31 December 2014	**515**	**-**	**452**	**238**	**1,205**
31 December 2015	**463**	**-**	**367**	**244**	**1,074**

13 INVESTMENT PROPERTY

The Group's investment property

	Land	Buildings	Total
Carrying amount			
31 December 2013	**2,103**	**6,057**	**8,160**
Acquisitions	819	1,662	2,481
Disposals	(719)	(811)	(1,530)
31 December 2014	**2,203**	**6,908**	**9,111**
Acquisitions	2,124	1,222	3,346
31 December 2015	**4,327**	**8,130**	**12,457**
Accumulated depreciation			
31 December 2013	-	**283**	**283**
Amortisation for the year	-	151	151
31 December 2014	-	**434**	**434**
Amortisation for the year	-	262	262
31 December 2015	-	**696**	**696**
Balance			
31 December 2013	**2,103**	**5,774**	**7,877**
31 December 2014	**2,203**	**6,474**	**8,677**
31 December 2015	**4,327**	**7,434**	**11,761**

Income from lease of investment property in 2015 amounted to EUR 199 thousand (2014: EUR 176 thousand) and relevant maintenance expenses in 2015 amounted to EUR 156 thousand (2014: EUR 76 thousand).

Investment property is recognized at cost less depreciation expenses and impairment costs. Investment property consists of land, residential properties and commercial properties.

The fair value of investment properties as at 31 December 2015 amounted to EUR 17,624 thousand (2014: EUR 11,185 thousand). The following assumptions supported the fair value estimates for key investment property objects:

Group	2015 Fair value EUR'000	2015 Carrying value EUR'000	2014 Fair value EUR'000	2014 Carrying value EUR'000	Key assumptions used
Property 1 - residential real estate, Salaspils region	2,999	2,840	2,669	2,470	Determined based on comparable market transactions method
Property 2 - sand and gravel deposit, Talsi region	4,460	1,978	-	-	Discount rate of 15.12% Cash flow period of 10 years Income based on sale of different quality of extracted sand and gravel
Property 3 - residential real estate, Riga	3,370	1,409	3,010	1,453	Land value determined based on comparable transactions Building value determined based on costs incurred in construction for different components of the building EUR 600 to EUR 2250 per m^2
Property 4 - commercial real estate, Daugavpils	1,530	1,042	851	978	Discount rate of 8% Cash flow period of 6 years Occupancy rate of 100% to 98% Lease EUR 2.35 to EUR 13 per m^2

The fair value measurement for investment property has been categorised as a Level 3 in the fair value hierarchy.

14 OTHER ASSETS

Other assets are as follows:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Financial assets:				
Funds in transit	3,353	3,353	3,539	3,539
Receivables	2,883	39	2,165	86
Credit card transactions in transit	694	694	578	578
Other financial assets	259	208	334	224
	7,189	**4,294**	**6,616**	**4,427**
Non-financial assets:				
Deferred expenses and accrued income	105	100	92	87
Other non-financial assets	241	-	1,429	-
	346	**100**	**1,521**	**87**
Total	**7,535**	**4,394**	**8,137**	**4,514**

15 DUE TO CREDIT INSTITUTIONS ON DEMAND

Due to credit institutions are comprised as follows:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Credit institutions registered in OECD countries	5	5	7	7
Total demand deposits	**5**	**5**	**7**	**7**

As at 31 December 2015 there was 1 account in a correspondent bank (31 December 2014 - 1).

16 DEPOSITS

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Sector profile:				
Non-banking deposits				
Corporate customers	147,952	147,957	101,188	101,190
Individuals	118,508	118,508	107,291	107,291
State institutions	6,882	6,882	2,795	2,795
Total non-banking deposits:	**273,342**	**273,347**	**211,274**	**211,276**
Total deposits	**273,342**	**273,347**	**211,274**	**211,276**
Geographical profile:				
Residents	89,181	89,186	83,468	83,470
Non-residents	184,161	184,161	127,806	127,806
Residents of OECD countries	*40,742*	*40,742*	*27,205*	*27,205*
Residents of other non-OECD countries	*143,419*	*143,419*	*100,601*	*100,601*
Total deposits	**273,342**	**273,347**	**211,274**	**211,276**

EUR'000	**2015**	**2015**	**2014**	**2014**
Term profile	**Group**	**Bank**	**Group**	**Bank**
Demand				
Corporate customers	131,181	131,186	97,428	97,430
Private individuals	79,610	79,610	65,098	65,098
State institutions	6,882	6,882	2,795	2,795
Total demand deposits	**217,673**	**217,678**	**165,321**	**165,323**
Term deposits				
Corporate customers	16,772	16,772	3,761	3,761
Private individuals	38,897	38,897	42,192	42,192
Total term deposits	**55,669**	**55,669**	**45,953**	**45,953**
Total current accounts and deposits from non-banking customers	**273,342**	**273,347**	**211,274**	**211,276**

As at 31 December 2015, the Bank maintained customer deposit balances of EUR 819 thousand (2014: EUR 2,713 thousand) which were blocked by the Bank as collateral for loans and other contingent liabilities granted by the Bank.

Concentrations of current accounts and customer deposits

As at 31 December 2015 and 31 December 2014 the Bank had no customers, whose deposits exceeded 10% of total customer short term deposits.

17 SUBORDINATED DEBT

Subordinated liabilities as at 31 December 2015 comprise loans received from 10 individuals and 1 legal entity (31 December 2014: 10 individuals and 1 legal entity).

			31 December 2015, EUR'000		**31 December 2014, EUR'000**	
	Maturity	**Interest rate**	**Group**	**Bank**	**Group**	**Bank**
Loan No. 1	02.09.2017	4%	284	284	284	284
Loan No. 2	02.09.2017	4%	427	427	427	427
Loan No. 3	02.09.2017	4%	285	285	285	285
Loan No. 4	28.12.2017	4%	427	427	427	427
Loan No. 5	30.09.2016	3.2%	305	305	305	305
Loan No. 6	26.04.2018	4%	427	427	427	427
Loan No. 7 (related party)	30.12.2016	3.5%	500	500	500	500
Loan No. 8	25.11.2018	3.6%	1,300	1,300	1,300	1,300
Loan No. 9	22.03.2019	3.6%	1,500	1,500	1,500	1,500
Loan No. 10	30.10.2017	3.5%	300	300	300	300
Loan No. 11	29.04.2018	2%	284	284	284	284
Loan No. 12	09.07.2018	4.25%	300	300	300	300
Loan No. 13	08.09.2018	3.75%	300	300	300	300
Total			**6,639**	**6,639**	**6,639**	**6,639**

Subordinated loans are to be satisfied after the claims of all other creditors of the Bank, but before claims of shareholders of the Bank in case of liquidation of the Bank.

18 OTHER LIABILITIES

Other liabilities are as follows:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Financial liabilities				
Funds in transit	555	555	538	538
Unmatched funds	17,538	17,538	2,792	2,792
Other financial liabilities	1,125	1,125	1,325	1,255
	19,218	**19,218**	**4,655**	**4,585**
Non-financial liabilities				
Accrued expenses and deferred income	132	115	125	124
Other payable	357	29	180	19
	489	**144**	**305**	**143**
Total	**19,707**	**19,362**	**4,960**	**4,728**

Cash in transit includes amounts requested by clients for payment with a value date of 2 January 2016 and 2015 respectively.

Unmatched funds include amounts for which the Bank has not matched incoming funds to its client accounts. Unmatched accounts are matched within ten working days after they are received.

19 PROVISIONS

Provisions include provisions for unused vacations and amount to EUR 152 thousand for the Bank purposes and EUR 154 thousand for the Group purposes (2014: EUR 158 thousand and EUR 160 thousand, respectively).

20 SHARE CAPITAL

		31 December 2015		31 December 2014	
	Nominal value (EUR)	Number of shares	Share capital, EUR'000	Number of shares	Share capital, EUR'000
Ordinary shares	71.10	220,124	15,651	220,124	15,651

Shareholders' analysis

	2015 Number of shares	%	2014 Number of shares	%
Individuals	205,651	93.43	205,577	93.39
Other shareholders	14,473	6.57	14,547	6.61
Total	**220,124**	**100**	**220,124**	**100**

The Bank's capital is registered and fully paid. Ordinary shares rank equally with respect to dividends, as may be declared, and entitle all holders to equal voting rights at the shareholders' meeting. All shares rank equal with respect to residual assets. As at 31 December 2015, there were 7 shareholders – 1 legal persons and 6 individuals (2014: 9 – 2 legal persons and 7 individuals).

Upon privatization of the Bank in accordance with statutory requirements in force as at the date of privatization reserves amounting to EUR 149 thousand were created.

The former shareholder of the bank transferred its owned shares to the Bank without compensation in May 2014. In November 2014 the Bank sold these shares for EUR 4,006 thousand and as at 31 December 2014 these investments are classified as reserve capital.

The use of share premium is defined by applicable Latvian legislation.

21 INTEREST INCOME

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Interest income on loans and receivables				
Loans and receivables	3,752	3,752	3,740	3,570
Loans and receivables from banks	417	417	549	549
Held-to-maturity investments	501	501	463	463
Available-for-sale securities	674	674	30	30
Total	**5,344**	**5,344**	**4,782**	**4,612**

Interest recognized on impaired loans during the year ended 31 December 2015 amounts to EUR 440 thousand (31 December 2014: EUR 290 thousand).

22 INTEREST EXPENSE

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Interest expenses on liabilities at amortized cost:				
Current accounts and deposits of customers	1,300	1,300	1,529	1,529
Total	**1,300**	**1,300**	**1,529**	**1,529**

23 FEE AND COMMISSION INCOME

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Commissions from money transfers, cash operations and servicing accounts	2,591	2,591	2,737	2,737
Fees from cards services	779	779	735	735
Commissions from guarantees	200	200	165	165
Brokerage fees	166	166	194	194
Other	119	115	63	59
Total	**3,855**	**3,851**	**3,894**	**3,890**

24 FEE AND COMMISSION EXPENSE

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Commissions paid to correspondent banks	239	239	328	328
Commissions for transactions with payment cards	818	818	590	590
Fees for operations with securities	71	71	65	65
Other	-	-	1	1
Total	**1,128**	**1,128**	**984**	**984**

25 GAIN ON TRADING WITH FINANCIAL INSTRUMENTS, NET

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Profit from foreign currency transactions	879	879	1,327	1,327
Profit/(loss) from revaluation of foreign exchange	21	119	67	130
Profit/(loss) from transactions with fixed income securities	(86)	(86)	-	-
Profit/(loss) from transactions with non-fixed income securities	-	-	(80)	(80)
Profit/(loss) from revaluation of investments	(1)	(1)	80	80
Total	**813**	**911**	**1,394**	**1,457**

26 ADMINISTRATIVE EXPENSES

Salaries, wages and related social security contributions represent the basic remuneration of the employees, social security contributions as well as other remuneration. During the years ended 31 December 2015 and 2014, the Bank and the Group employed on average 250 and 238 employees, respectively. Administrative expenses are as follows:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Personnel salaries and wages	3,522	3,500	3,108	3,093
Rent of premises and other maintenance expenses	1,128	1,128	955	955
Compulsory state social security contributions	890	885	799	796
Professional services	1,049	1,049	1,089	1,089
Depreciation of property and equipment and investments in rented property and equipment	582	294	514	336
Salaries to Board of Directors and Council	315	315	336	336
Office supplies	45	45	47	47
Advertising and marketing	16	16	33	33
Other	315	264	588	551
Total	**7,862**	**7,496**	**7,469**	**7,236**

Total personnel expenses are included in the following profit or loss caption:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Administrative expenses	4,727	4,700	4,243	4,225
Total	**4,727**	**4,700**	**4,243**	**4,225**

Total depreciation of property and equipment and investments in rented property and equipment is included in the following profit or loss caption:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Administrative expenses	582	294	514	336
Total	**582**	**294**	**514**	**336**

27 TAXES

(a) Corporate income tax

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Corporate income tax	-	-	-	-
Corporate income tax	**-**	**-**	**-**	**-**

(b) Reconciliation of effective tax rate:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Profit/ (loss) before tax	(333)	60	(224)	(216)
Expected tax charge applying current tax rate of 15%	(50)	9	(34)	(32)
Non-deductible expenses and non-taxable income	66	7	(17)	(19)
Impact from unrecognized deferred tax asset	(16)	(16)	51	51
Corporate income tax	-	-	-	-

(c) Deferred tax assets and liabilities:

These deductible temporary differences, which have no expiry dates, are listed below:

Bank	Assets		Liabilities		Net	
EUR'000	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Property and equipment	-	-	(55)	(55)	(55)	(55)
Other accruals	21	21	-	-	21	21
Tax losses carried forward	35	51	-	-	35	51
Unrecognised deferred tax asset	(35)	(51)	-	-	(35)	(51)
Total deferred tax asset /(liabilities)	**21**	**21**	**(55)**	**(55)**	**(34)**	**(34)**

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

Movement in temporary differences during the year ended 31 December 2015

Bank EUR'000	Balance at 1 January 2015	Recognized in the statement of comprehensive income	31 December 2015
Property and equipment	(55)	-	(55)
Provisions	21	-	21
	(34)	-	**(34)**

Movement in temporary differences during the year ended 31 December 2014

Bank EUR'000	Balance at 1 January 2014	Recognized in the statement of comprehensive income	31 December 2014
Property and equipment	(55)	-	(55)
Provisions	21	-	21
	(34)	-	**(34)**

These deductible temporary differences, which have no expiry dates, are listed below:

Group	Assets		Liabilities		Net	
EUR'000	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Property and equipment	-	-	(55)	(55)	(55)	(55)
Other provisions	21	21	-	-	21	21
Total deferred tax asset /(liabilities)	**21**	**21**	**(55)**	**(55)**	**(34)**	**(34)**

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

Movement in temporary differences during the year ended 31 December 2015

Group EUR'000	Balance at 1 January 2015	Recognized in the statement of comprehensive income	Balance as at 31 December 2015
Property and equipment	(55)	-	(55)
Provisions	21	-	21
	(34)	**-**	**(34)**

Movement in temporary differences during the year ended 31 December 2014

Group EUR'000	Balance at 1 January 2014	Recognized in the statement of comprehensive income	Balance as at 31 December 2014
Property and equipment	(55)	-	(55)
Provisions	21	-	21
	(34)	**-**	**(34)**

28 CASH AND CASH EQUIVALENTS

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Cash	5,172	5,172	4,849	4,849
Current placements with the Bank of Latvia	1,899	1,899	495	495
Demand deposits and term deposits with other credit institutions with initial maturity of less than three months	112,138	112,138	86,043	86,043
Due to credit institutions with maturity of less than three months	(5)	(5)	(2,187)	(2,187)
Total	**119,204**	**119,204**	**89,200**	**89,200**

29 INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries (Bank)

	Investment %	
Name of the subsidiary	**2015**	**2014**
MTB Finance AS	100%	100%

EUR'000	31 December 2015	31 December 2014
Investments in subsidiary capital	44	44
Impairment allowances	(44)	(44)
Investments in subsidiary capital, net	**-**	**-**

EUR'000	Current asset	Long-term investment	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
31 December 2015	8,405	18,695	27,100	19,309	8,460	27,769	(669)
31 December 2014	8,370	15,500	23,870	(12,372)	(11,742)	(24,114)	(244)

	Income	Expense	Net loss
31 December 2015	703	(1,060)	(357)
31 December 2014	688	(743)	(55)

30 RELATED PARTY TRANSACTIONS

(a) Control relationships

Related parties are defined as shareholders who have significant influence over the Bank and its subsidiary, members of the Supervisory Board and Board of Management, and other related parties, i.e., key Management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

During 2015 and 2014, all related party transactions were performed on an arm's length basis.

The balance of subordinated liabilities to related parties as at 31 December 2015 is EUR 500 thousand (2014: EUR 500 thousand). Refer to Note 17 for more detailed information.

Transactions with AS MTB Finance (Latvia) for the year ended 31 December 2015 are as follows:

EUR'000	2015 Bank	Weighted average rate	2014 Bank	Weighted average rate
Loans to AS MTB Finance	27,070	1.70%	24,548	1.74%
Deposits from AS MTB Finance	5	-	2	-

The total amount of related party loans and deposits at the year-end:

EUR'000	2015 Bank	Weighted average rate	2014 Bank	Weighted average rate
Deposits from AS MTB Finance and other related parties	**4,667**	**0.57%**	**5,282**	**0.53%**
Loans to other related parties				
Opening balance	1,486		2,457	
Issued loans in current year	784		346	
Matured loans in current year	(900)		(1,317)	
Loans closing balance	**1,370**	**2.70%**	**1,486**	**3.15%**

Remuneration to the Supervisory Council and Management Board:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Remuneration of the Supervisory Council and Management Board	315	315	336	336
Total	**315**	**315**	**336**	**336**

Transactions with related parties during the year are as follows:

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Interest income	67	495	202	450
Interest expense	(29)	(29)	(62)	(62)
Total	**38**	**466**	**140**	**388**

31 ASSETS AND LIABILITIES UNDER TRUST MANAGEMENT

Assets EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Fiduciary loan	13,100	13,100	12,753	12,753
Total	**13,100**	**13,100**	**12,753**	**12,753**

Liabilities EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Funds received from individuals	525	525	50	50
Funds received from corporate customers	12,575	12,575	12,703	12,703
Total	**13,100**	**13,100**	**12,753**	**12,753**

Liabilities under trust management consist of funds of non-resident clients in the total amount of EUR 12,575 thousand and the funds of resident clients in the total amount of EUR 525 thousand.

A fiduciary loan is a transaction whereby the Bank and Group have attracted a fiduciary deposit that has been issued to a borrower specified by those depositors on behalf of the depositors and at the depositor's risk. The property owned by clients is kept under management separately from the property of the Bank and Group and is kept in separate accounts at credit institutions through which the funds are invested. Assets under management often represent a securities portfolio separated from the Bank's and the Group's assets, which is treated as a joint management object with its own structure, liquidity degree, sources of resources, yield and common risk. The Group and Bank is engaged in securities purchase and sales on behalf of their clients. Such securities are not recognized on statement of financial position of the Bank and the Group.

32 CONTINGENT LIABILITIES

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans, 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 ten years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions

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 exposure that would be recognised in the statement of comprehensive income if counterparties failed to honour their contracted liabilities to any extent.

EUR'000	2015 Group	2015 Bank	2014 Group	2014 Bank
Loans and credit line liabilities	7,107	7,107	2,841	2,841
Guarantees and letters of credit	1,138	1,138	2,370	2,370
Total	**8,245**	**8,245**	**5,211**	**5,211**

33 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities as at 31 December 2015 was as follows:

Group

31 December 2015	Latvia	OECD countries	CIS countries	Other countries	Total
Assets EUR'000					
Cash and balance due from the Bank of Latvia	6,627	-	-	444	7,071
Held-to-maturity investments	7,861	3,719	2,895	6,080	20,555
Available-for-sale financial assets	2,606	51,824	2,938	7,152	64,520
Demand deposits with credit institutions	39,015	57,411	3,521	131	100,078
Loans and term deposits due from credit institutions	659	7,210	4,971	-	12,840
Loans and advances due from customers	96,010	763	1,948	41	98,762
Held-for-trading financial assets:	2	-	-	-	2
Property and equipment	1,072	-	-	17	1,089
Investment property	11,761	-	-	-	11,761
Other assets	4,151	125	2	3,257	7,535
Total assets	**169,764**	**121,052**	**16,275**	**17,122**	**324,213**

31 December 2015	Latvia	OECD countries	CIS countries	Other countries	Total
Liabilities EUR'000					
Demand deposits with credit institutions	-	5	-	-	5
Term deposits due from credit institutions	711	-	-	-	711
Deposits	89,181	40,742	30,567	112,852	273,342
Subordinated liabilities	500	-	4,639	1,500	6,639
Other liabilities	19,514	-	-	193	19,707
Provisions	141	-	-	13	154
Deferred tax liability	34	-	-	-	34
Capital and reserves	23,621	-	-	-	23,621
Total equity, reserves and liabilities	**133,702**	**40,747**	**35,206**	**114,558**	**324,213**
Forecasted and contingent liabilities	**8,180**	**19**	**31**	**15**	**8,245**

33 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES (CONTINUED)

Bank

31 December 2015	Latvia	OECD countries	CIS countries	Other countries	Total
Assets EUR'000					
Cash and balance due from the Bank of Latvia	6,627	-	-	444	7,071
Held-to-maturity investments	7,861	3,719	2,895	6,080	20,555
Available-for-sale financial assets	2,606	51,824	2,938	7,152	64,520
Demand deposits with credit institutions	39,015	57,411	3,521	131	100,078
Loans and term deposits due from credit institutions	659	7,210	4,971	-	12,840
Loans to customers	110,910	763	1,948	41	113,662
Held-for-trading financial assets:	2	-	-	-	2
Property and equipment	1,057	-	-	17	1,074
Other assets	1,010	125	2	3,257	4,394
Total assets	**169,747**	**121,052**	**16,275**	**17,122**	**324,196**

31 December 2015	Latvia	OECD countries	CIS countries	Other countries	Total
Liabilities EUR'000					
Due to credit institutions on demand	-	5	-	-	5
Balances due on term to other credit institutions	711	-	-	-	711
Deposits	89,186	40,742	30,567	112,852	273,347
Subordinated liabilities	500	-	4,639	1,500	6,639
Other liabilities	19,169	-	-	193	19,362
Provisions	139	-	-	13	152
Deferred tax liability	34	-	-	-	34
Capital and reserves	23,946	-	-	-	23,946
Total EQUITY, reserves and liabilities	**133,685**	**40,747**	**35,206**	**114,558**	**324,196**
Forecasted and contingent liabilities	**8,180**	**19**	**31**	**15**	**8,245**

33 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES (CONTINUED)

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities as at 31 December 2014 was as follows:

Group

31 December 2014	Latvia	OECD countries	CIS countries	Other countries	Total
Assets EUR'000					
Cash and balance due from the Bank of Latvia	4,655	-	-	689	5,344
Held-to-maturity financial assets	5,281	2,933	4,791	4,855	17,860
Available-for-sale financial assets	2,249	5,907	-	7,701	15,857
Demand deposits with credit institutions	6,076	61,666	5,303	11,608	84,653
Loans and term deposits due from credit institutions	450	700	940	-	2,090
Loans to customers	104,707	499	483	739	106,428
Held-for-trading financial assets:	3	-	-	-	3
Property and equipment	1,224	-	-	22	1,246
Investment property	8,677	-	-	-	8,677
Other assets	4,795	-	2	3,340	8,137
Total assets	**138,117**	**71,705**	**11,519**	**28,954**	**250,295**

31 December 2014	Latvia	OECD countries	CIS countries	Other countries	Total
Liabilities EUR'000					
Due to credit institutions on demand	-	7	-	-	7
Balances due on term to other credit institutions	710	-	-	2,180	2,890
Deposits	83,468	27,205	20,429	80,172	211,274
Subordinated liabilities	500	-	4,639	1,500	6,639
Other liabilities	4,732	-	-	228	4,960
Provisions	147	-	-	13	160
Deferred tax liability	34	-	-	-	34
Capital and reserves	24,331	-	-	-	24,331
Total EQUITY, reserves and liabilities	**113,922**	**27,212**	**25,068**	**84,093**	**250,295**
Forecasted and contingent liabilities	**4,511**	**700**	**-**	**-**	**5,211**

33 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES (CONTINUED)

Bank

31 December 2014	Latvia	OECD countries	CIS countries	Other countries	Total
Assets EUR'000					
Cash and balance due from the Bank of Latvia	4,655	-	-	689	5,344
Held-to-maturity assets	5,281	2,933	4,791	4,855	17,860
Available-for-sale financial assets	2,249	5,907	-	7,701	15,857
Demand deposits with credit institutions	6,076	61,666	5,303	11,608	84,653
Loans and term deposits due from credit institutions	450	700	940	-	2,090
Loans to customers	116,748	499	483	739	118,469
Held-for-trading financial assets:	3	-	-	-	3
Property and equipment	1,183	-	-	22	1,205
Other assets	1,172	-	2	3,340	4,514
Total assets	**137,817**	**71,705**	**11,519**	**28,954**	**249,995**

31 December 2014	Latvia	OECD countries	CIS countries	Other countries	Total
Liabilities EUR'000					
Due to credit institutions on demand	-	7	-	-	7
Balances due on term to other credit institutions	710	-	-	2,180	2,890
Deposits	83,470	27,205	20,429	80,172	211,276
Subordinated liabilities	500	-	4,639	1,500	6,639
Other liabilities	4,500	-	-	228	4,728
Provisions	145	-	-	13	158
Deferred tax liability	34	-	-	-	34
Capital and reserves	24,263	-	-	-	24,263
Total equity, reserves and liabilities	**113,622**	**27,212**	**25,068**	**84,093**	**249,995**
Forecasted and contingent liabilities	**4,511**	**700**	**-**	**-**	**5,211**

34 INTEREST RATE REPRICING ANALYSIS

The interest rate repricing analysis of the Group's and Bank's assets and liabilities as of 31 December 2015 was as follows:

Group

EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 to 5 years	Over 5 years	Not sensitive against interest rate changes	Total
Financial assets								
Cash and balance due from the Bank of Latvia	1,899	-	-	-	-	-	5,172	7,071
Demand deposits with credit institutions	100,078	-	-	-	-	-	-	100,078
Held-to-maturity assets	-	2,074	-	1,588	12,535	4,358	-	20,555
Available-for-sale financial assets	64,520	-	-	-	-	-	-	64,520
Loans to customers	8,217	16,271	26,470	23,916	16,991	6,897	-	98,762
Loans and term deposits due from credit institutions	12,060	-	780	-	-	-	-	12,840
Held-for-trading securities	-	-	-	-	-	-	2	2
Other financial assets	-	-	-	-	-	-	7,189	7,189
Total financial assets	**186,774**	**18,345**	**27,250**	**25,504**	**29,526**	**11,255**	**12,363**	**311,017**
Financial liabilities								
Due to credit institutions on demand	5	-	-	-	-	-	-	5
Balances due on term to other credit institutions	-	-	-	-	711	-	-	711
Deposits	227,375	10,082	13,234	11,798	10,753	100	-	273,342
Subordinated liabilities	-	-	-	305	6,334	-	-	6,639
Other financial liabilities	-	-	-	-	-	-	19,218	19,218
Total financial liabilities	**227,380**	**10,082**	**13,234**	**12,103**	**17,798**	**100**	**19,218**	**299,915**
Interest rate risk	**(40,606)**	**8,263**	**14,016**	**13,401**	**11,728**	**11,155**	**(6,855)**	**11,102**

34 INTEREST RATE REPRICING ANALYSIS (CONTINUED)

Bank

EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 to 5 years	Over 5 years	Not sensitive against interest rate changes	Total
Financial assets								
Cash and balance due from the Bank of Latvia	1,899	-	-	-	-	-	5,172	7,071
Demand deposits with credit institutions	100,078	-	-	-	-	-	-	100,078
Held-to-maturity assets	-	2,074	-	1,588	12,535	4,358	-	20,555
Available-for-sale financial assets	64,520	-	-	-	-	-	-	64,520
Loans to customers	4,354	17,573	25,953	38,504	21,200	6,078	-	113,662
Loans and term deposits due from credit institutions	12,060	-	780	-	-	-	-	12,840
Held-for-trading securities	-	-	-	-	-	-	2	2
Other financial assets	-	-	-	-	-	-	4,294	4,294
Total financial assets	**182,911**	**19,647**	**26,733**	**40,092**	**33,735**	**10,436**	**9,468**	**323,022**
Financial liabilities								
Due to credit institutions on demand	5	-	-	-	-	-	-	5
Balances due on term to other credit institutions	-	-	-	-	711	-	-	711
Deposits and balances due to customers	227,380	10,082	13,234	11,798	10,753	100	-	273,347
Subordinated liabilities	-	-	-	305	6,334	-	-	6,639
Other financial liabilities	-	-	-	-	-	-	19,218	19,218
Total financial liabilities	**227,385**	**10,082**	**13,234**	**12,103**	**17,798**	**100**	**19,218**	**299,920**
Interest rate risk	**(44,474)**	**9,565**	**13,499**	**27,989**	**15,937**	**10,336**	**(9,750)**	**23,102**

34 INTEREST RATE REPRICING ANALYSIS (CONTINUED)

The interest rate repricing analysis of the Group's and Bank's assets and liabilities as of 31 December 2014 was as follows:

Group

EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 to 5 years	Over 5 years	Not sensitive against interest rate changes	Total
Financial assets								
Cash and balance due from the Bank of Latvia	495	-	-	-	-	-	4,849	5,344
Demand deposits with credit institutions	84,653	-	-	-	-	-	-	84,653
Held-to-maturity assets	290	1,499	2,744	586	11,161	1,580	-	17,860
Available-for-sale financial assets	15,857	-	-	-	-	-	-	15,857
Loans to customers	6,777	19,300	29,850	18,926	27,725	3,850	-	106,428
Loans and term deposits due from credit institutions	1,140	250	-	700	-	-	-	2,090
Held-for-trading securities	-	-	-	-	-	-	3	3
Other financial assets	-	-	-	-	-	-	6,616	6,616
Total financial assets	**109,212**	**21,049**	**32,594**	**20,212**	**38,886**	**5,430**	**11,468**	**238,851**
Financial liabilities								
Due to credit institutions on demand	7	-	-	-	-	-	-	7
Balances due on term to other credit institutions	2,180	-	-	-	710	-	-	2,890
Deposits	178,676	4,298	6,026	13,642	8,436	196	-	211,274
Subordinated liabilities	-	-	-	-	6,639	-	-	6,639
Other financial liabilities	-	-	-	-	-	-	4,655	4,655
Total financial liabilities	**180,863**	**4,298**	**6,026**	**13,642**	**15,785**	**196**	**4,655**	**225,465**
Interest rate risk	**(71,651)**	**16,751**	**26,568**	**6,570**	**23,101**	**5,234**	**6,813**	**13,386**

34 INTEREST RATE REPRICING ANALYSIS (CONTINUED)

Bank

EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 to 5 years	Over 5 years	Not sensitive against interest rate changes	Total
Financial assets								
Cash and balance due from the Bank of Latvia	495	-	-	-	-	-	4,849	5,344
Demand deposits with credit institutions	84,653	-	-	-	-	-	-	84,653
Held-to-maturity assets	290	1,499	2,744	586	11,161	1,580	-	17,860
Available-for-sale financial assets	15,857	-	-	-	-	-	-	15,857
Loans to customers	6,777	19,300	29,850	30,967	27,725	3,850	-	118,469
Loans and term deposits due from credit institutions	1,140	250	-	700	-	-	-	2,090
Held-for-trading securities	-	-	-	-	-	-	3	3
Other assets	-	-	-	-	-	-	4,427	4,427
Total financial assets	**109,212**	**21,049**	**32,594**	**32,253**	**38,886**	**5,430**	**9,279**	**248,703**
Financial liabilities								
Due to credit institutions on demand	7	-	-	-	-	-	-	7
Balances due on term to other credit institutions	2,180	-	-	-	710	-	-	2,890
Deposits	178,678	4,298	6,026	13,642	8,436	196	-	211,276
Subordinated liabilities	-	-	-	-	6,639	-	-	6,639
Other financial liabilities	-	-	-	-	-	-	4,585	4,585
Total financial liabilities	**180,865**	**4,298**	**6,026**	**13,642**	**15,785**	**196**	**4,585**	**225,397**
Interest rate risk	**(71,653)**	**16,751**	**26,568**	**18,611**	**23,101**	**5,234**	**4,694**	**23,306**

34 INTEREST RATE REPRICING ANALYSIS (CONTINUED)

Sensitivity analyses

The following demonstrates the sensitivity to reasonably possible changes in interest rates of the Bank's statement of comprehensive income. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The sensitivity of statement of comprehensive income is the effect of the assumed changes in the interest rates on the net interest income for one year, following the reporting period end date, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2015 and 31 December 2014.

Sensitivity of the Group's profit and loss to changes in interest rates is not disclosed separately as it does not differ significantly from that of the Bank.

An increase and decrease of interest rates by 100 basis points would result in the following change to the statement of comprehensive income and equity:

EUR'000	2015 Profit or loss	2015 Equity	2014 Profit or loss	2014 Equity
Interest rate increase	(810)	(192)	(486)	(335)
Interest rate decrease	810	192	486	335

35 FINANCIAL ASSETS AND LIABILITIES BY TYPES

Group, as at 31 December 2015

EUR'000	Held-to-maturity investments	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities designated at fair value through other comprehensive income	Loans and receivables	Liabilities measured at amortised cost	Total
Financial assets						
Cash and balance due from the Bank of Latvia	-	-	-	7,071	-	**7,071**
Demand deposits with credit institutions	-	-	-	100,078	-	**100,078**
Held-to-maturity investments	20,555	-	-	-	-	**20,555**
Available-for-sale financial assets	-	-	64,520	-	-	**64,520**
Loans and receivables	-	-	-	111,602		**111,602**
Held-for-trading securities	-	2	-	-	-	**2**
Other financial assets	-	-	-	7,189	-	**7,189**
Total financial assets	**20,555**	**2**	**64,520**	**225,940**	**-**	**311,017**
Financial liabilities						
Due to credit institutions on demand	-	-	-	-	5	**5**
Balances due on term to other credit institutions	-	-	-	-	711	**711**
Deposits	-	-	-	-	273,342	**273,342**
Subordinated liabilities	-	-	-	-	6,639	**6,639**
Other financial liabilities	-	-	-	-	19,218	**19,218**
Total financial liabilities	**-**	**-**	**-**	**-**	**299,915**	**299,915**

35 FINANCIAL ASSETS AND LIABILITIES BY TYPES (CONTINUED)

Bank, as at 31 December 2015

EUR'000	Held-to-maturity investments	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities designated at fair value through other comprehensive income	Loans and receivables	Liabilities measured at amortised cost	Total
Financial assets						
Cash and balance due from the Bank of Latvia	-	-	-	7,071	-	**7,071**
Demand deposits with credit institutions	-	-	-	100,078	-	**100,078**
Held-to-maturity investments	20,555	-	-	-	-	**20,555**
Available-for-sale financial assets	-	-	64,520	-	-	**64,520**
Held-for-trading financial assets:	-	2	-	-	-	**2**
Loans and receivables	-	-	-	126,502	-	**126,502**
Other financial assets	-	-	-	4,294	-	**4,294**
Total financial assets	**20,555**	**2**	**64,520**	**237,945**	**-**	**323,022**
Financial liabilities						
Due to credit institutions on demand	-	-	-	-	5	**5**
Balances due on term to other credit institutions	-	-	-	-	711	**711**
Deposits and balances due to customers	-	-	-	-	273,347	**273,347**
Subordinated liabilities	-	-	-	-	6,639	**6,639**
Other financial liabilities	-	-	-	-	19,218	**19,218**
Total financial liabilities	**-**	**-**	**-**	**-**	**299,920**	**299,920**

35 FINANCIAL ASSETS AND LIABILITIES BY TYPES (CONTINUED)

Group, as at 31 December 2014

EUR'000	Held-to-maturity investments	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities designated at fair value through other compre-hensive income	Loans and receivables	Liabilities measured at amortised cost	Total
Financial assets						
Cash and balance due from the Bank of Latvia	-	-	-	5,344	-	**5,344**
Demand deposits with credit institutions	-	-	-	84,653	-	**84,653**
Held-to-maturity investments	17,860	-	-	-	-	**17,860**
Available-for-sale financial assets	-	-	15,857	-	-	**15,857**
Loans and receivables	-	-	-	108,518		**108,518**
Held-for-trading financial assets:	-	3	-	-	-	**3**
Other financial assets	-	-	-	6,616	-	**6,616**
Total financial assets	**17,860**	**3**	**15,857**	**205,131**	**-**	**238,851**
Financial liabilities						
Due to credit institutions on demand	-	-	-	-	7	**7**
Balances due on term to other credit institutions	-	-	-	-	2,890	**2,890**
Deposits	-	-	-	-	211,274	**211,274**
Subordinated liabilities	-	-	-	-	6,639	**6,639**
Other financial liabilities	-	-	-	-	4,655	**4,655**
Total financial liabilities	**-**	**-**	**-**	**-**	**225,465**	**225,465**

35 FINANCIAL ASSETS AND LIABILITIES BY TYPES (CONTINUED)

Bank, as at 31 December 2014

EUR'000	Held-to-maturity investments	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities designated at fair value through other compre-hensive income	Loans and receivables	Liabilities measured at amortised cost	Total
Financial assets						
Cash and balance due from the Bank of Latvia	-	-	-	5,344	-	**5,344**
Demand deposits with credit institutions	-	-	-	84,653	-	**84,653**
Held-to-maturity investments	17,860	-	-	-	-	**17,860**
Available-for-sale financial assets	-	-	15,857	-	-	**15,857**
Held-for-trading financial assets:	-	3	-	-	-	**3**
Loans and receivables	-	-	-	120,559	-	**120,559**
Other financial assets	-	-	-	4,427	-	**4,427**
Total financial assets	**17,860**	**3**	**15,857**	**214,983**	**-**	**248,703**
Financial liabilities						
Due to credit institutions on demand	-	-	-	-	7	**7**
Balances due on term to other credit institutions	-	-	-	-	2,890	**2,890**
Deposits	-	-	-	-	211,276	**211,276**
Subordinated liabilities	-	-	-	-	6,639	**6,639**
Other financial liabilities	-	-	-	-	4,585	**4,585**
Total financial liabilities	**-**	**-**	**-**	**-**	**225,397**	**225,397**

36 CURRENCY ANALYSIS

The Group and Bank actively controls foreign exchange open positions. The Bank operates based on the Law on Credit Institutions stating that the open position in any currency should not exceed 10% of shareholders' equity and that the total open position should not exceed 20% of the shareholders' equity.

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities as at 31 December 2015 was as follows:

Group

	EUR	USD	Other	Total
31 December 2015	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets				
Cash and balance due from the Bank of Latvia	5,491	1,344	236	7,071
Demand deposits with credit institutions	48,088	49,866	2,124	100,078
Held-to-maturity investments	6,362	14,193	-	20,555
Available-for-sale financial assets	18,544	45,976	-	64,520
Loans to customers	94,325	4,437	-	98,762
Loans and term deposits due from credit institutions	200	7,670	4,970	12,840
Held-for-trading financial assets:	2	-	-	2
Other financial assets	6,216	894	79	7,189
Total financial assets	**179,228**	**124,380**	**7,409**	**311,017**
Financial liabilities				
Due to credit institutions on demand	5	-	-	5
Term deposits due from credit institutions	711	-	-	711
Deposits	157,949	108,584	6,809	273,342
Subordinated liabilities	6,639	-	-	6,639
Other financial liabilities	2,983	16,234	1	19,218
Total financial liabilities	**168,287**	**124,818**	**6,810**	**299,915**
Net open position in the statement of financial position	10,941	(438)	599	11,102
Net position arising from currency exchange transactions	700	(289)	(411)	-
Total net open position	**11,641**	**(727)**	**188**	**11,102**

36 CURRENCY ANALYSIS (CONTINUED)

Bank

31 December 2015	EUR EUR'000	USD EUR'000	Other EUR'000	Total EUR'000
Financial assets				
Cash and balance due from the Bank of Latvia	5,491	1,344	236	7,071
Demand deposits with credit institutions	48,088	49,866	2,124	100,078
Held-to-maturity investments	6,362	14,193	-	20,555
Available-for-sale financial assets	18,544	45,976	-	64,520
Loans to customers	108,752	4,910	-	113,662
Loans and term deposits due from credit institutions	200	7,670	4,970	12,840
Held-for-trading financial assets:	2	-	-	2
Other financial assets	3,321	894	79	4,294
Total financial assets	**190,760**	**124,853**	**7,409**	**323,022**
Financial liabilities				
Due to credit institutions on demand	5	-	-	5
Term deposits due from credit institutions	711	-	-	711
Deposits	157,954	108,584	6,809	273,347
Subordinated liabilities	6,639	-	-	6,639
Other financial liabilities	2,983	16,234	1	19,218
Total financial liabilities	**168,292**	**124,818**	**6,810**	**299,920**
Net open position in the statement of financial position	22,468	35	599	23,102
Net position arising from currency exchange transactions	700	(289)	(411)	-
Total net open position	**23,168**	**(254)**	**188**	**23,102**

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities as at 31 December 2014 was as follows:

Group

31 December 2014	EUR EUR'000	USD EUR'000	LTL EUR'000	Other EUR'000	Total EUR'000
Financial assets					
Cash and balance due from the Bank of Latvia	3,653	1,007	482	202	5,344
Demand deposits with credit institutions	45,070	23,544	11,605	4,434	84,653
Held-to-maturity investments	4,399	10,749	2,712	-	17,860
Available-for-sale financial assets	10,904	4,953	-	-	15,857
Loans to customers	101,722	4,706	-	-	106,428
Loans and term deposits due from credit institutions	450	700	-	940	2,090
Held-for-trading financial assets:	3	-	-	-	3
Other financial assets	5,727	236	565	88	6,616
Total financial assets	**171,928**	**45,895**	**15,364**	**5,664**	**238,851**
Financial liabilities					
Due to credit institutions on demand	7	-	-	-	7
Term deposits due from credit institutions	2,890	-	-	-	2,890
Deposits	147,010	44,657	14,944	4,663	211,274
Subordinated liabilities	6,639	-	-	-	6,639
Other financial liabilities	2,639	1,321	121	574	4,655
Total financial liabilities	**159,185**	**45,978**	**15,065**	**5,237**	**225,465**
Net open position in the statement of financial position	12,743	(83)	299	427	13,386
Net position arising from currency exchange transactions	1,144	(856)	-	(288)	-
Total net open position	**13,887**	**(939)**	**299**	**139**	**13,386**

36 CURRENCY ANALYSIS (CONTINUED)

Bank

31 December 2014	EUR EUR'000	USD EUR'000	LTL EUR'000	Other EUR'000	Total EUR'000
Financial assets					
Cash and balance due from the Bank of Latvia	3,653	1,007	482	202	5,344
Demand deposits with credit institutions	45,070	23,544	11,605	4,434	84,653
Held-to-maturity investments	4,399	10,749	2,712	-	17,860
Available-for-sale financial assets	10,904	4,953	-	-	15,857
Loans to customers	112,786	5,683	-	-	118,469
Loans and term deposits due from credit institutions	450	700	-	940	2,090
Held-for-trading financial assets:	3	-	-	-	3
Other financial assets	3,538	236	565	88	4,427
Total financial assets	**180,803**	**46,872**	**15,364**	**5,664**	**248,703**
Financial liabilities					
Due to credit institutions on demand	7	-	-	-	7
Term deposits due from credit institutions	2,890	-	-	-	2,890
Deposits	147,012	44,657	14,944	4,663	211,276
Subordinated liabilities	6,639	-	-	-	6,639
Other financial liabilities	2,569	1,321	121	574	4,585
Total financial liabilities	**159,117**	**45,978**	**15,065**	**5,237**	**225,397**
Net open position in the statement of financial position	21,686	894	299	427	23,306
Net position arising from currency exchange transactions	1,144	(856)	-	(288)	-
Total net open position	**22,830**	**38**	**299**	**139**	**23,306**

An analysis of sensitivity of the Group's and Bank's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2014 and 2015 and a simplified scenario of a 10% change in USD to EUR exchange rates is as follows:

Group

EUR'000	2015 Net profit	2014 Net profit
10% appreciation of USD against EUR	81	104
10% depreciation of USD against EUR	(81)	(104)

Bank

EUR'000	2015 Net profit	2014 Net profit
10% appreciation of USD against EUR	28	(4)
10% depreciation of USD against EUR	(28)	4

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The below amounts represent the assets and liabilities grouped by residual maturity.

The Finance Operation Department based on its liquidity management policy manages liquidity risk. All departments whose operations affect the liquidity of the Group and Bank are involved in liquidity management. The structure of assets/liabilities and the difference between them are calculated in order to carry out liquidity control. Liquidity is largely managed by using monetary instruments.

The Bank is active in managing its net liquidity position by means of:

- reducing maturities of assets, including by maintaining large balances on correspondent accounts or interbank overnight deposits and by investing funds in highly liquid debt securities in the available-for-sale portfolio or in highly liquid debt securities in the held-to-maturity portfolio, which are accepted as collateral by ECB or other market players.
- increasing maturities of liabilities by attracting term deposits.

The Bank approves limits on net liquidity positions in general, as well as in EUR and USD.

The maturity analysis of the Bank's assets and liabilities as of 31 December 2015 was as follows:

Group

	Up to 1 month including	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Over 5 years or not determined	Total
31 December 2015	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets							
Cash and balance due from the Bank of Latvia	7,071	-	-	-	-	-	7,071
Demand deposits with credit institutions	100,078	-	-	-	-	-	100,078
Held-to-maturity investments	-	2,074	-	1,588	15,219	1,674	20,555
Available-for-sale financial assets	64,520	-	-	-	-	-	64,520
Loans and term deposits due from credit institutions	12,060	-	780	-	-	-	12,840
Loans to customers	2,364	1,599	3,510	27,846	51,741	11,702	98,762
Held-for-trading financial assets:	-	-	-	-	-	2	2
Other financial assets	7,189	-	-	-	-	-	7,189
Total financial assets	**193,282**	**3,673**	**4,290**	**29,434**	**66,960**	**13,378**	**311,017**
Financial liabilities							
Due to credit institutions on demand	5	-	-	-	-	-	5
Term deposits due from credit institutions	-	-	-	-	711	-	711
Deposits	226,695	10,123	13,020	10,101	13,296	107	273,342
Subordinated liabilities	-	-	-	805	5,834	-	6,639
Other financial liabilities	19,218	-	-	-	-	-	19,218
Total financial liabilities	**245,918**	**10,123**	**13,020**	**10,906**	**19,841**	**107**	**299,915**
Liquidity risk	**(52,636)**	**(6,450)**	**(8,730)**	**18,528**	**47,119**	**13,271**	**11,102**

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

Bank

	Up to 1 month including	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Over 5 years or not determined	Total
31 December 2015	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets							
Cash and balance due from the Bank of Latvia	7,071	-	-	-	-	-	7,071
Demand deposits with credit institutions	100,078	-	-	-	-	-	100,078
Held-to-maturity investments	-	2,074	-	1,588	15,219	1,674	20,555
Available-for-sale financial assets	64,520	-	-	-	-	-	64,520
Loans and term deposits due from credit institutions	12,060	-	780	-	-	-	12,840
Loans and advances due from customers	2,402	2,943	3,835	42,159	52,766	10,557	113,662
Held-for-trading financial assets:	-	-	-	-	-	2	2
Other financial assets	4,294	-	-	-	-	-	4,294
Total financial assets	**190,425**	**5,017**	**4,615**	**43,747**	**66,985**	**12,233**	**323,022**
Financial liabilities							
Due to credit institutions on demand	5	-	-	-	-	-	5
Term deposits due from credit institutions	-	-	-	-	711	-	711
Deposits	226,700	10,123	13,020	10,101	13,296	107	273,347
Subordinated liabilities	-	-	-	805	5,834	-	6,639
Other financial liabilities	19,218	-	-	-	-	-	19,218
Total financial liabilities	**245,923**	**10,123**	**13,020**	**10,906**	**19,841**	**107**	**299,920**
Liquidity risk	**(55,498)**	**(5,106)**	**(8,405)**	**32,841**	**47,114**	**12,126**	**23,102**

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

The maturity analysis of the Bank's assets and liabilities as of 31 December 2014 was as follows:

Group

	Up to 1 month including	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Over 5 years or not determined	Total
31 December 2014	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets							
Cash and balance due from the Bank of Latvia	5,344	-	-	-	-	-	5,344
Demand deposits with credit institutions	84,653	-	-	-	-	-	84,653
Held-to-maturity investments	290	1,499	2,744	586	11,161	1,580	17,860
Available-for-sale financial assets	15,857	-	-	-	-	-	15,857
Loans and term deposits due from credit institutions	1,390	-	700	-	-	-	2,090
Loans and advances due from customers	5,907	1,551	5,108	32,248	59,386	2,228	106,428
Held-for-trading financial assets:	-	-	-	-	-	3	3
Other financial assets	6,616	-	-	-	-	-	6,616
Total financial assets	**120,057**	**3,050**	**8,552**	**32,834**	**70,547**	**3,811**	**238,851**
Financial liabilities							
Due to credit institutions on demand	7	-	-	-	-	-	7
Term deposits due from credit institutions	2,180	-	-	-	710	-	2,890
Deposits	167,614	4,388	6,229	13,658	8,732	10,653	211,274
Subordinated liabilities	-	-	-	-	6,639	-	6,639
Other financial liabilities	4,655	-	-	-	-	-	4,655
Total financial liabilities	**174,456**	**4,388**	**6,229**	**13,658**	**16,081**	**10,653**	**225,465**
Liquidity risk	**(54,399)**	**(1,338)**	**2,323**	**19,176**	**54,466**	**(6,842)**	**13,386**

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

Bank

	Up to 1 month including	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Over 5 years or not determined	Total
31 December 2014	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets							
Cash and balance due from the Bank of Latvia	5,344	-	-	-	-	-	5,344
Demand deposits with credit institutions	84,653	-	-	-	-	-	84,653
Held-to-maturity investments	290	1,499	2,744	586	11,161	1,580	17,860
Available-for-sale financial assets	15,857	-	-	-	-	-	15,857
Loans and term deposits due from credit institutions	1,390	-	700	-	-	-	2,090
Loans to customers	5,435	2,587	4,915	43,564	60,558	1,410	118,469
Held-for-trading financial assets:	-	-	-	-	-	3	3
Other financial assets	4,427	-	-	-	-	-	4,427
Total financial assets	**117,396**	**4,086**	**8,359**	**44,150**	**71,719**	**2,993**	**248,703**
Financial liabilities							
Due to credit institutions on demand	7	-	-	-	-	-	7
Term deposits due from credit institutions	2,180	-	-	-	710	-	2,890
Deposits	167,616	4,388	6,229	13,658	8,732	10,653	211,276
Subordinated liabilities	-	-	-	305	6,334	-	6,639
Other financial liabilities	4,585	-	-	-	-	-	4,585
Total financial liabilities	**174,388**	**4,388**	**6,229**	**13,963**	**15,776**	**10,653**	**225,397**
Liquidity risk	**(56,992)**	**(302)**	**2,130**	**30,187**	**55,943**	**(7,660)**	**23,306**

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

Analysis of financial liabilities' contractual undiscounted cash flows.

The table below presents the cash flows payable by the Bank under both non-derivative and derivative financial liabilities by remaining contractual maturities as at 31 December 2015 and 2014.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

The Group analysis of financial liabilities' contractual undiscounted cash flows has not been presented as the differences to the Bank analysis are insignificant.

31 December 2015	Carrying amount	Gross nominal out flow	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Over 5 years
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Due to credit institutions on demand	(5)	(5)	(5)	-	-	-	-
Balances due on term to other credit institutions	(711)	(711)	-	-	-	(711)	-
Deposits	(273,347)	(273,677)	(233,208)	(10,365)	(25,399)	(4,583)	(122)
Subordinated liabilities	(6,639)	(7,453)	(5)	(64)	(498)	(6,886)	-
Other financial liabilities	(19,218)	(19,218)	(19,218)	-	-	-	-
Total non-derivative financial liabilities	**(299,920)**	**(301,064)**	**(252,436)**	**(10,429)**	**(25,897)**	**(12,180)**	**(122)**
Loans and credit line liabilities	(7,107)	(7,107)	(7,107)	-	-	-	-
Guarantees and letters of credit	(1,138)	(1,138)	(139)	(31)	-	(968)	-
Total financial liabilities	**(308,165)**	**(309,309)**	**(259,682)**	**(10,460)**	**(25,897)**	**(13,148)**	**(122)**

31 December 2014	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Over 5 years
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-derivative financial liabilities							
Due to credit institutions on demand	(7)	(7)	(7)	-	-	-	-
Balances due on term to other credit institutions	(2,890)	(2,890)	(2,180)	-	-	(710)	-
Deposits	(211,276)	(211,409)	(183,500)	(3,630)	(16,659)	(7,620)	-
Subordinated liabilities	(6,639)	(7,620)	(5)	(64)	(141)	(7,410)	-
Other financial liabilities	(4,585)	(4,585)	(4,585)	-	-	-	-
Total non-derivative financial liabilities	**(225,397)**	**(226,511)**	**(190,277)**	**(3,694)**	**(16,800)**	**(15,740)**	**-**
Loans and credit line liabilities	(2,841)	(2,841)	(2,841)	-	-	-	-
Guarantees and letters of credit	(2,370)	(2,370)	(475)	(790)	(893)	(116)	(96)
Total financial liabilities	**(230,608)**	**(231,722)**	**(193,593)**	**(4,484)**	**(17,693)**	**(15,856)**	**(96)**

38 CAPITAL ADEQUACY

The Financial and Capital Market Commission sets and monitors capital requirements for the Bank and the Group.

The Bank and the Group defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by the Financial and Capital Market Commission, banks must maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2015, the individual minimum level is set at 11.6% (31 December 2014: 11.6%). The Bank and the Group was in compliance with the FCMC determined individual capital ratio during the year ended 31 December 2015 and 2014.

The Bank's risk based capital adequacy ratio as at 31 December 2015 was 12.8% (31 December 2014: 15.1%).

The Group's capital adequacy ratio does not differ significantly from Bank's capital adequacy ratio, as such it is not disclosed separately.

The following table shows the composition of the Banks's capital position as at 31 December 2015:

	31 December 2015 EUR'000	31 December 2014 EUR'000
Tier 1 capital		
Share capital	15,651	15,651
Share premium on share issue	260	260
Reserves	4,155	4,155
Retained earnings	4,247	4,546
Profit/ (loss) for the reporting period	60	(299)
Revaluation reserve of available-for-sale other financial assets	(427)	(50)
Total tier 1 capital	**23,946**	**24,263**
Tier 2 capital		
Subordinated debt (unamortised portion)	3,128	4,457
Total tier 2 capital	**3,128**	**4,457**
Deductions from Tier 1 and Tier 2 capital prescribed by legislation	**(1,267)**	**(2,449)**
Total capital	**25,807**	**26,271**
Capital requirements		
Risk weighted value of exposures to credit risk, counterparty credit risk, impairment of recoverable amounts and unpaid deliveries risk	185,251	156,287
Total exposure to position risk, foreign currency risk and commodity risk	454	525
Total exposure to operational risk	16,147	17,464
Total risk exposure	**201,852**	**174,276**
Capital adequacy ratio	**12.8%**	**15.1%**
Minimal capital adequacy ratio set by FCMC	**11.6%**	**11.6%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank and the Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Bank and the Group. The Bank and the Group has complied with all externally imposed capital requirements during the years ended 31 December 2015 and 31 December 2014.

The Group has been loss making in both 2015 (net loss of EUR 333 thousand) and 2014 (net loss of EUR 224 thousand), while the Bank generated losses of EUR 299 thousand in 2014 and has been marginally profitable in 2015 (profit of EUR 60 thousand). Furthermore, as noted above, The Bank's risk based capital adequacy ratio as at 31 December 2015 was 12.8% as compared to the minimal capital adequacy ratio set by FCMC of 11.6%. The Bank's capital adequacy compliance with the capital adequacy ratio set by FCMC is materially sensitive to any negative outcomes of the estimation uncertainty associated with assumptions used to assess the recoverable amount of the Bank's assets (see Note 39 for the Bank's maximum credit risk exposure and Note 11 for the details of credit risk exposure and extent of impairment allowances for loans and receivables). Any potential increase in the Bank's impairment allowances for higher risk grade assets in excess of EUR 2.9 million would bring the Bank's risk based capital adequacy ratio below the minimum set by the FCMC. These events and conditions present material uncertainty in relation to the Bank's ability to continue as a going concern.

To strengthen equity, during the three next years the Bank plans to increase share capital by issuing new shares to new shareholders that are being actively sought at the moment and the existing ones. Furthermore, in order to attract subordinated capital, it is intended to make use of the residence permit programme and offer competitive interest rates for subordinated deposits as part of the deposit programme. According to the Bank's development strategy that will be presented to FCMC, the Bank plans to increase its operational activity by working pro-actively with its clients, improving its services and developing technologies thus increasing the operating results of three future years that will be used to increase capital. In the unlikely event when capital adequacy requirements and/or internal capital limits are not met, the existing shareholders are prepared to support the Bank through financing of further subordinated.

As a result, these consolidated and stand-alone financial statements for the year ended 31 December 2015 were prepared on the going concern basis consistently applying the International Financial Reporting Standards as adopted by the European Union.

39 MAXIMUM CREDIT RISK EXPOSURE

The table below shows the maximum credit risk for the components of the statement of the financial position, including derivatives. Credit risk exposure is disclosed based on subjected to credit risk net carrying amount of statement of financial position items less doubtful loans and receivables.

The maximum credit exposures are shown gross, i.e. without taking into account any pledges and collaterals. Detailed information on the type and amount of collateral is presented in the respective notes.

The maximum credit risk exposure for the Group is not disclosed as it does not differ significantly from that of the Bank.

	Maximum credit exposure EUR'000	
	2015	**2014**
Balances with the Bank of Latvia	1,899	495
Demand deposits with credit institutions	100,078	84,653
Held-to-maturity investments	20,555	17,860
Investments classified as available for sale	64,520	15,857
Loans and term deposits due from credit institutions	12,840	2,090
Loans and receivables	113,662	118,469
Held-for-trading financial assets:	2	3
Other financial assets	4,294	4,427
Total items of the statement of financial position subjected to credit risk	**317,850**	**243,854**
Loans and credit line liabilities	7,107	2,841
Guarantees and letters of credit	1,138	2,370
Forecasted and contingent liabilities	**8,245**	**5,211**
Maximum credit risk in total	**326,095**	**249,065**

As it is shown above, 35% from total gross maximum credit risk amount refers to loans and receivables (2014: 48%).

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

The table below analyses the financial instruments of the Group and the Bank 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.

2015	Level 1: EUR'000	Level 2: EUR'000	Level 3: EUR'000	Total EUR'000
Available-for-sale financial assets	64,520	-	-	64,520
Held-for-trading financial assets	2	-	-	2
Total	**64,522**	-	-	**64,522**
2014				
Financial assets				
Available-for-sale financial assets	15,857	-	-	15,857
Held-for-trading financial assets	3	-	-	3
Total	**15,860**	-	-	**15,860**

(b) Financial instruments not measured at fair value

The table below analyses the fair values of the financial instruments of the Bank other than measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised. The fair values of the financial instruments of the Group other than measured at fair value are not disclosed as they do not differ significantly from those of the Bank.

31 December 2015	Level 1: EUR'000	Level 2: EUR'000	Level 3: EUR'000	Total fair value EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and due from central banks	-	-	7,071	7,071	7,071
Loans and advances due from financial institutions	-	-	100,078	100,078	100,078
Loans to customers	-	-	126,502	126,502	126,502
Held to maturity financial instruments	20,080	-	-	20,080	20,555
Other financial assets	-	-	4,294	4,294	4,294
Financial liabilities					
Deposits and balances due to financial institutions	-	-	716	716	716
Deposits and balances due to customers	-	-	273,347	273,347	273,347
Other loans	-	-	6,639	6,639	6,639
Other liabilities	-	-	19,218	19,218	19,218
31 December 2014					
Financial assets					
Cash and due from central banks	-	-	5,344	5,344	5,344
Loans and advances due from financial institutions	-	-	84,653	84,653	84,653
Loans to customers	-	-	120,559	120,559	120,559
Held to maturity financial instruments	17,587	-	-	17,587	17,860
Other financial assets	-	-	4,427	4,427	4,427
Financial liabilities					
Deposits and balances due to financial institutions	-	-	2,897	2,897	2,897
Deposits and balances due to customers	-	-	211,276	211,276	211,276
Other loans	-	-	6,639	6,639	6,639
Other financial liabilities	-	-	4,585	4,585	4,585

During the reporting year, due to changes in market conditions for certain financial instruments not measured at fair value, inputs became less reliable, and some unobservable inputs have appeared; thus management had to apply judgment on how to interpret the inputs received. Therefore, based on received inputs these financial instruments were transferred from Level 2 to Level 3 in the fair value hierarchy.

41 LITIGATION

In the ordinary course of business the Group and Bank are subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Group or the Bank.

42 SUBSEQUENT EVENTS

No other significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would are not disclosed in these financial statements, but require adjustments to be made to these financial statements and disclosures added to the notes thereto.