Joint Stock Company
"NORVIK BANKA"

Consolidated and Separate Financial statements
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the year ended 31 December 2014 and
independent auditors' report

CONTENTS

	Page
Report of the Chairman of the Supervisory Council and the Chairman of the Management Board	3-4
Supervisory Council and Management Board	5
Statement of Management's Responsibilities	6
Consolidated and Separate Financial Statements:	
Consolidated and Separate Income Statement	7
Consolidated and Separate Statement of Comprehensive Income	8
Consolidated and Separate Balance Sheet and Off-balance Sheet Items	9
Consolidated Statement of Changes in Equity	10
Separate Statement of Changes in Equity	11
Consolidated and Separate Cash Flow Statement	12 – 13
Notes to the Consolidated and Separate Financial Statements	14 – 84
Independent auditors' report	85 - 86

Dear Shareholders, Clients and Partners,

Norvik Banka has seen significant positive changes in 2014 related to its revenue drivers, balance sheet structure, and its market positioning. For the full-year net operating income increased 18.1% on the previous year, and total assets increased by 23.1%. The management team is satisfied with the operational results of the year and is convinced that the long-term strategy is showing just rewards over the short-term.

The key message from last year was 'change' – in terms of the management team, optimisation of financial and human resources, business strategy, and dynamic external challenges based on the geopolitical situation in Eastern Europe.

The Bank in September 2014 publicly re-defined its corporate values, brand and long-term goals. The strategic direction of the Bank will be in the improvement of services through state-of-the-art solutions and technologies - the Bank plans to become the premier bank in Northern Europe, providing innovative solutions and service through multiple mobile channels. The corporate values as **Social Solidarity**, **Trust** and **Joint Support**, and these are encapsulated with the corporate slogan – **Loyalty Rewards**. The management team is certain that these values will help pave the road to success in Latvia and elsewhere.

The Bank takes its corporate social responsibilities seriously and during the reporting period it has: completed all the preliminary work so that in 2015 a new social campaign – the **Latvian Wikipedia Marathon** – could be launched, with the goal of having 100,000 Latvian language Wikipedia articles by the 100th anniversary of the founding of the Latvian Republic (2018); sponsored a festival weekend in celebration of the 450th anniversary of the birth of William Shakespeare; supported the website "www.pretkorupciju.lv" that has become popular in society as a platform where information on suspicious transactions against financial institutions is being reviewed, and publicised; agreed on long-term cooperation with the Latvian Biathlon Federation and Latvia's leading biathlete Andrejs Rastorgujevs.

The Bank has maintained the status of industry leader in terms of geographic coverage by offering a convenient and complete service near clients' homes or offices, with the Central office, 6 branches and 67 service centers in 16 cities.

The Bank continues to provide market leading online services (payments, foreign currency exchange, and brokerage operations) highly appreciated by our foreign customers. At the same time the Bank has expanded the distribution network in neighboring countries: in 2014 the Bank acquired a bank in Russia, and opened a subsidiary in London.

Customer confidence and trust in the running of the Bank is demonstrated by the 17.7% or EUR 126 million increase in the customer deposit base. At the start of 2015 the Bank was placed in the top-100 companies for market reputation in Latvia, with a 22 place improvement in its ranking. With the further attraction of additional funds from the majority shareholder of EUR 69.6 million, total assets at year-end 2014 reached EUR 976 million, an increase of EUR 183 million comparing to 31.12.2013. The loan portfolio at the end of 2014 amounted to EUR 210 million (a EUR 22 million increase year-on-year).

The liquidity ratio for the reporting period was 58.75% (December 2013 - 55.38%). The Bank follows a liquidity management strategy that provides a high rate of return balanced for the risk assumed, whilst purposefully maintaining significantly higher than the minimum required level of reserves.

Net interest income for 2014 was stable year-on-year at EUR 7.4 million compared to EUR 7.3 million in 2013. The successful implementation of the lending business plan through the latter half of the year led to significant improvement in this line item, and gives a solid foundation for the coming years for interest income.

Net commission income for 2014 showed significant increases of 15.1% due to re-pricing and increased transaction volumes, EUR 18.1 million compared to EUR 15.7 million in 2013.

Latvia joined the Eurozone from 1st January 2014, and as such net income from foreign currency exchange operations decreased year-on-year. However, in the second half of 2014 transaction volumes have improved in other currencies, and as a result, in 2014 the Bank earned EUR 7.9 million compared to EUR 11.1 million in 2013.

The run-off of the non-profile credit & investment portfolio continues, and coupled with the ruble devaluation in late 2014 there has been a significant impact to the evaluation of investments in Group entities. As a result, in 2014 an additional impairment charge due to a decrease in recoverable amounts was made in the amount of EUR 52.1 million (compared to EUR 33.5 million in 2013). A significant proportion of these reserves were related to the ruble devaluation effect that has been partly recovered during the first quarter of 2015.

The net loss for 2014 was thereby EUR 43.8 million (compared to a net loss of EUR 26.3 million in 2013). The net result of the Group is a loss of EUR 17.8 million (compared to a loss of EUR 19 million in 2013).

A key part of the financial activities through 2014 was the strengthening of the equity/capital of the Bank. This was required to both increase the scale of operations of the business, as well as support the run-off of the non-profile credit & investment portfolio. With the investment in share capital of EUR 69.6 million (XXVII issue) by Grigory Guselnikov, as well as EUR 33.3 million in subordinated deposits attracted, and subordinated bonds issued for EUR 4.3 million, the capital adequacy ratio as of December 2014 was 14.48%, - significantly higher than 10.76% as of December 2013. *Norvik Group's* capital adequacy ratio at year-end was 8.46% compared to 8.02% as of December 2013.

At the same time as the denomination of the shares from LVL to EUR in April 2014 the shareholders decided to absorb previous years retained losses through the reduction of the nominal value of one share. This will have a positive effect on the Bank's potential for growth, development and in attracting new investors.

The increases in capital and liquid resources enabled the Bank to diversify its total assets - to both increase the loan portfolio, and focus on increasing returns on investment securities in the capital markets unit. The Bank continues to work on improving the equity/capital position to meet its ambitious strategic goals.

Norvik Banka became the owner of 97.75% of shares of “Вятка-банк” OAO (Russia), furthering the growth of income as part of *Norvik Group*. The transaction was approved by the Central Bank of the Russian Federation and the Financial and Capital Market Commission (Latvia) was duly informed. *Вятка-банк OAO* is a regional, universal commercial bank represented in four regions of Russia, and specializes in offering financial services to individuals and small-medium size regional corporations. Owing to the diversified regional economy, *Вятка-банк OAO* has not been significantly impacted in 2014 by the global macro-economic situation. *Вятка-банк OAO* recorded a net profit in 2014 of 199 million RUB under IFRS and 269 million RUB under Russian Accounting Standards.

In late 2014, owing to worsening macro-economic conditions, and driven by declining oil and gas prices, the Russian market saw a significant downturn, and more specifically, a significant devaluation of the Russian Ruble (as of 31st December 2014 RUB 72.34 : 1 EUR, 2014 average RUB 50.95 : 1 EUR). Even given intervention regards the official Central Bank of Russia interest rates (from 10.50% to 17.00% on 16th December 2014), the situation failed to stabilise, and only towards the end of the first quarter 2015 is a positive drift visible (as of 27th March 2015 the exchange rate has reverted to RUB 62.23 : 1 EUR). The management of the Bank maintains a positive long-term outlook on Russia, even though the short-term geopolitical and macro-economic situation is volatile, and in lacks full transparency regards to the path to recovery. However, the devaluation effects have played a key role in terms of the financial results, and are thus separately commented in the relevant notes of the financial statements.

In mid-2014 the management of the Bank made the decision to restructure operations in the Armenian market (under “AS Norvik UCO”) by switching from a subsidiary business to a representative office, and this is due to be finalised in early 2015. The net income from this business in 2014 was EUR 0.4 million (EUR 0.6 million in 2013) given that the balance sheet rapidly decreased in accordance with the planned restructuring. The Bank does not plan any losses from this change given that the majority of the underlying assets have already realized at the year end.

The market share from the pension fund management business (under “AS Norvik Ieguldījumu Pārvaldes Sabiedrība”, Norvik IPS) continues to show gains owing to the Bank’s wide customer service network, and successful management results ensuring attractive profitability compared to the Bank’s competitors. As of December 2014 the number of participating customers was 79 687 (78 854 as of December 2013) and EUR 77.8 million in assets under management (EUR 69.6 million as of December 2013), which is an 11.78% year-on-year increase.

At the start of 2014 *Norvik Group* employed 1 002 members of staff (*Norvik Banka* 604), and at year-end 2014 *Norvik Group* employed 1 640 members of staff (*Norvik Banka* 606).

Norvik Banka‘s management expresses gratitude to its customers, partners, employees and shareholders for their trust, cooperation and loyalty in the further development of the Bank.

Chairman of the Supervisory Council G.Guselnikov	Chairman of the Management Board O.R.Bramwell

Riga 31 March 2015

Supervisory Council as at 31 December 2014

Name	Position	Date of initial appointment
G.Guselnikov	Chairman of the Supervisory Council	19/12/2013
A.Ruselis	Deputy Chairman of the Supervisory Council	20/07/2014
I.Smolin	Member of the Supervisory Council	19/12/2013
A.Danilenko	Member of the Supervisory Council	19/12/2013
P.M.Odintsov	Member of the Supervisory Council	20/07/2014

During the reporting period the following persons resigned from their position:
- Deputy Chairman of the Supervisory Council I.Bazhenov
- Member of the Supervisory Council N.Drozda

During the reporting period the following persons were appointed:
- Deputy Chairman of the Supervisory Council A.Ruselis
- Member of the Supervisory Council P.M.Odintsov

Management Board as at 31 December 2014

Name	Position	Date of initial appointment
O.R.Bramwell	Chairman of the Management Board	19/12/2013
R.Ruskulis	Member of the Mangement Board	19/12/2013
I.Rozanov	Member of the Mangement Board	19/12/2013
A.Zykov	Member of the Mangement Board	19/12/2013
M.Stepina	Member of the Mangement Board	06/11/2008
D.Novikov	Member of the Mangement Board	15/08/2014
S.Gorashchenko	Member of the Mangement Board	30/09/2014

During the reporting period the following persons resigned from their position:
- Member of the Management Board A.Fedosejevs

During the reporting period the following persons were appointed:
- Member of the Management Board D.Novikov
- Member of the Management Board S.Gorashchenko

On behalf of the Supervisory Council and Management Board:

Chairman of the Supervisory Council
G.Guselnikov

Chairman of the Management Board
O.R.Bramwell

Riga 31 March 2015

STATEMENT OF MANAGEMENT`S RESPONSIBILITIES

The Management of JSC “NORVIK BANKA” (the Bank) is responsible for preparing the Consolidated and Separate Financial Statements of the Bank and its subsidiaries (the Group).

The Consolidated and Separate Financial Statements are prepared in accordance with the source documents and present fairly the financial position of the Group as of 31 December 2014 and the results of its operations and cash flows for the financial year ended 31 December 2014, as well as the financial position of the Bank as of 31 December 2014 and the results of its operations and cash flows for the financial year ended 31 December 2014.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the Consolidated and Separate Financial Statements for the year ended 31 December 2014 set out on pages 7 to 84. The management also confirms that applicable International Financial Reporting Standards as adopted by the EU have been followed and that the Consolidated and the Separate Financial Statements have been prepared on a going concern basis and comply with the Regulations on the Preparation of Financial Statements of Banks issued by the Latvian Financial and Capital Market Commission in all material respects.

The Bank’s management is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group and of the Bank and to prevent and detect fraud and other irregularities. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, Regulations issued by the Latvian Financial and Capital Market Commission (FCMC) and other legislation of the Republic of Latvia in all material respects.

On the behalf of the Supervisory Council and Management Board:

Chairman of the Supervisory Council G.Guselnikov	Chairman of the Management Board O.R.Bramwell

Riga 31 March 2015

CONSOLIDATED AND SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

		2014		2013	
	Notes	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest and similar revenue		21 070	12 153	13 896	13 328
Interest and similar expense		(8 675)	(4 801)	(6 084)	(5 999)
Net interest income	4	**12 395**	**7 352**	**7 812**	**7 329**
Fee and commission revenue		24 682	21 355	19 374	18 583
Fee and commission expense		(3 433)	(3 303)	(2 920)	(2 902)
Net fee and commission income	5	**21 249**	**18 052**	**16 454**	**15 681**
Dividend revenue		118	104	6	185
Net trading income	6	14 440	7 881	14 030	11 066
Gain from subsidiaries disposal		-	-	687	-
Net gain or (loss) from sales of available-for-sale financial assets	7	447	180	8 346	(6 179)
Other operating income	8	30 493	2 051	42 682	2 285
Other operating expense	8	(19 084)	(1 727)	(33 356)	(1 663)
Net operating income		**60 058**	**33 893**	**56 661**	**28 704**
Administrative expenses	9	(44 550)	(24 146)	(35 668)	(19 578)
Personnel expenses		*(26 872)*	*(14 039)*	*(21 067)*	*(11 881)*
Other expenses		*(17 678)*	*(10 107)*	*(14 601)*	*(7 697)*
Depreciation and amortization		(3 695)	(1 045)	(11 339)	(1 195)
Profit before impairment charge and tax		**11 813**	**8 702**	**9 654**	**7 931**
Changes in fair value of investment property	20	(13 654)	317	478	(745)
Changes in fair value of biological assets	22	-	-	608	-
Impairment of Goodwill		(23)	-	-	-
Impairment of available for sale financial assets	17	(214)	(36 935)	(6 001)	(17 510)
Impairment loss on assets held for sale		(11)	(11)	(37)	(37)
Impairment loss on tangible fixed assets		317	-	(220)	29
Impairment losses on financial assets	16	(15 322)	(15 462)	(22 641)	(15 196)
Impairment charge		**(28 907)**	**(52 091)**	**(27 813)**	**(33 459)**
Net losses before tax		**(17 094)**	**(43 389)**	**(18 159)**	**(25 528)**
Corporate income tax	10	(679)	(431)	(866)	(718)
Loss for the year		**(17 773)**	**(43 820)**	**(19 025)**	**(26 246)**
Attributable to:					
Equity holders of the parent		(17 779)		(19 029)	
Minority interest		6		4	
Basic and Diluted Earnings per share (EUR)	31	(0.15)		(0.28)	

The accompanying notes on pages 14 to 84 form an integral part of these Consolidated and Bank Financial Statements.

The Consolidated and Separate Financial Statements on pages 7 to 84 were approved by the Supervisory Council and the Management Board on 31 March 2015 and signed on their behalf by:

Chairman of the Supervisory Council
G.Guselnikov

Chairman of the Management Board
O.R.Bramwell

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Loss for the year	**(17 773)**	**(43 820)**	**(19 025)**	**(26 246)**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Gain on revaluation of property	-	-	390	390
	-	**-**	**390**	**390**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	(24 373)	-	(5 303)	-
	(24 373)	**-**	**(5 303)**	**-**
Available- for-sale financial assets				
Net fair value gain on available-for-sale financial assets during the year	(1 537)	(4 249)	1 261	(2 908)
	(1 537)	**(4 249)**	**1 261**	**(2 908)**
Total comprehensive losses for the year	**(43 683)**	**(48 069)**	**(22 677)**	**(28 764)**
Attributable to:				
Equity holders of the parent	(43 689)		(22 681)	
Non-controlling interests	6		4	

The accompanying notes on pages 14 to 84 form an integral part of these Consolidated and Bank Financial Statements.

The Consolidated and Separate Financial Statements on pages 7 to 84 were approved by the Supervisory Council and the Management Board on 31 March 2015 and signed on their behalf by:

Chairman of the Supervisory Council	Chairman of the Management Board
G.Guselnikov	O.R.Bramwell

CONSOLIDATED AND SEPARATE BALANCE SHEET AND OFF-BALANCE SHEET ITEMS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31.12.2014 Group EUR'000	31.12.2014 Bank EUR'000	31.12.2013 Group EUR'000	31.12.2013 Bank EUR'000
Assets					
Cash and balances with the central bank	11	39 191	22 943	184 181	184 163
Loans to and receivables from banks	12	246 082	228 100	129 562	123 408
Trading financial assets	13	63 355	10 181	16 302	15 415
Derivatives financial instruments	14	909	828	1 680	1 680
Loans to and receivables from customers	15	364 690	236 800	192 889	202 503
Available-for-sale financial assets	17	191 959	427 909	54 230	228 572
Held-to-maturity financial assets	18	18 439	18 439	-	-
Prepaid corporate income tax		1 157	-	431	27
Investment property	20	121 675	6 571	117 765	14 003
Tangible fixed assets	21	51 616	16 200	42 281	16 646
Biological assets	22	-	-	12 094	-
Goodwill and other intangible assets	19	25 290	290	803	339
Assets held for sale		3 070	534	1 046	716
Other assets	23	29 667	7 501	21 232	5 436
Total assets		**1 157 100**	**976 296**	**774 496**	**792 908**
Liabilities					
Due to the central bank and other banks	25	2 404	9 371	1 034	1 034
Derivatives financial instruments	14	886	826	1 129	1 129
Customer deposits	26	1 008 699	840 346	698 427	713 901
Subordinated debt	27	41 853	33 298	21 874	21 874
Debt securities	28	4 331	4 331	-	-
Deferred tax liabilities	10	3 005	596	1 532	631
Other liabilities	29	21 276	6 506	12 278	5 890
Total liabilities		**1 082 454**	**895 274**	**736 274**	**744 459**
Equity attributable to equity holders of the Bank					
Share capital	30	123 101	123 101	124 746	124 746
Reserves		10	10	10	10
Revaluation reserve of tangible fixed assets, net of tax		3 380	3 380	3 576	3 576
Revaluation reserve of available-for-sale financial assets, net of tax		(4 161)	(4 517)	(2 624)	(268)
Revaluation reserve of foreign currency translation		(28 211)	-	(3 838)	-
Retained earnings (Accumulated losses)		(2 550)	2 868	(66 004)	(53 369)
Loss for the year		(17 779)	(43 820)	(19 029)	(26 246)
Total equity attributable to equity holders of the Bank		**73 790**	**81 022**	**36 837**	**48 449**
Minority interest		**856**	**-**	**1 385**	**-**
Total equity		**74 646**	**81 022**	**38 222**	**48 449**
Total liabilities and equity		**1 157 100**	**976 296**	**774 496**	**792 908**
Commitments and contingencies					
Contingent liabilities		14 980	5 464	13 123	13 123
Commitments		16 382	5 674	7 150	7 684
Total commitments and contingencies	33	**31 362**	**11 138**	**20 273**	**20 807**

The accompanying notes on pages 14 to 84 form an integral part of these Consolidated and Bank Financial Statements.
The Consolidated and Separate Financial Statements on pages 7 to 84 were approved by the Supervisory Council and the Management Board on 31 March 2015 and signed on their behalf by:

Chairman of the Supervisory Council
G.Guselnikov

Chairman of the Management Board
O.R.Bramwell

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Group	Share capital	Reserve	Attributable to shareholders of the Bank Revaluation reserve of tangible fixed assets, net of tax	Revaluation reserve of available-for-sale financial assets, net of tax	Revaluation reserve of foreign currency translation	Accumul-ated losses	Total	Minority interest	Total Groups' equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31 December 2012	**93 296**	**10**	**3 357**	**(3 885)**	**1 465**	**(66 206)**	**28 037**	**2 432**	**30 469**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	1 261	-	-	**1 261**	-	**1 261**
Revaluation reserve of tangible fixed assets, net of tax	-	-	390	-	-	-	**390**	-	**390**
Foreign currency translation of foreign subsidiaries*	-	-	-	-	(5 303)	-	**(5 303)**	-	**(5 303)**
Loss for the year	-	-	-	-	-	(19 029)	**(19 029)**	4	**(19 025)**
Total comprehensive income for the year	**-**	**-**	**390**	**1 261**	**(5 303)**	**(19 029)**	**(22 681)**	**4**	**(22 677)**
Amortization of revaluation reserve of tangible fixed assets, net of tax	-	-	(171)	-	-	171	**-**	**-**	**-**
Other	-	-	-	-	-	31	**31**	**-**	**31**
Shareholders contribution	-	-	-	-	-	-	**-**	(2 431)	**(2 431)**
Increase of share capital	31 450	-	-	**-**	**-**	**-**	**31 450**	1 380	**32 830**
As at 31 December 2013	**124 746**	**10**	**3 576**	**(2 624)**	**(3 838)**	**(85 033)**	**36 837**	**1 385**	**38 222**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	(1 537)	-	-	**(1 537)**	-	**(1 537)**
Foreign currency translation of foreign subsidiaries*	-	-	-	-	(24 373)	-	**(24 373)**	-	**(24 373)**
Loss for the year	-	-	-	-	-	(17 779)	**(17 779)**	6	**(17 773)**
Total comprehensive income for the year	**-**	**-**	**-**	**(1 537)**	**(24 373)**	**(17 779)**	**(43 689)**	**6**	**(43 683)**
Amortization of revaluation reserve of tangible fixed assets, net of tax	-	-	(231)	-	-	231	**-**	**-**	**-**
Other	-	-	35	-	-	-	**35**	**-**	**35**
Decrease of share capital	(71 283)	-	-	-	-	71 283	**-**	**-**	**-**
Shareholder contribution	-	-	-	-	-	10 969	**10 969**	**-**	**10 969**
Increase of share capital	69 638	-	-	-	-	-	**69 638**	(535)	**69 103**
As at 31 December 2014	**123 101**	**10**	**3 380**	**(4 161)**	**(28 211)**	**(20 329)**	**73 790**	**856**	**74 646**

* Revaluation reserve on consolidation with the subsidiaries that operate in different currencies.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Bank	Share capital	Reserve	Revaluation reserve of tangible fixed assets, net of tax	Revaluation reserve of available-for-sale financial assets, net of tax	Accumu-lated losses	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31 December 2012	**93 296**	**10**	**3 357**	**2 640**	**(53 571)**	**45 732**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	(2 908)	-	**(2 908)**
Revaluation reserve of tangible fixed assets, net of tax	-	-	390	-	-	**390**
Loss for the year	-	-	-	-	(26 246)	**(26 246)**
Total comprehensive income for the year	**-**	**-**	**390**	**(2 908)**	**(26 246)**	**(28 764)**
Amortization of revaluation reserve of tangible fixed assets, net of tax	**-**	**-**	(171)	**-**	171	**-**
Other	**-**	**-**	-	**-**	31	**31**
Increase of share capital	31 450	-	-	-	-	**31 450**
As at 31 December 2013	**124 746**	**10**	**3 576**	**(268)**	**(79 615)**	**48 449**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	(4 249)	-	**(4 249)**
Loss for the year	**-**	**-**	**-**	**-**	(43 820)	**(43 820)**
Total comprehensive income for the year	**-**	**-**	**-**	**(4 249)**	**(43 820)**	**(48 069)**
Amortization of revaluation reserve of tangible fixed assets, net of tax	**-**	**-**	(231)	-	231	**-**
Other	**-**	**-**	35	-	-	**35**
Decrease of share capital to cover losses	(71 283)	-	-	-	71 283	**-**
Shareholder contribution	-	-	-	-	10 969	**10 969**
Increase of share capital	69 638	-	-	-	-	**69 638**
As at 31 December 2014	**123 101**	**10**	**3 380**	**(4 517)**	**(40 952)**	**81 022**

The accompanying notes on pages 14 to 84 form an integral part of these Consolidated and Bank Financial Statements.

The Consolidated and Separate Financial Statements on pages 7 to 84 were approved by the Supervisory Council and the Management Board on 31 March 2015 and signed on their behalf by:

Chairman of the Supervisory Council
G.Guselnikov

Chairman of the Management Board
O.R.Bramwell

		2014		2013	
		Group	Bank	Group	Bank
	Note	EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operations					
Loss before corporate income tax		(17 094)	(43 389)	(18 159)	(25 528)
Depreciation of intangible and tangible fixed assets and write off		4 234	1 171	11 986	1 326
Increase in provisions for impairments losses on financial investments		25 868	16 686	23 492	16 047
Impairment of tangible fixed assets		(317)	-	220	(29)
Impairment losses of assets held for sale		11	11	37	37
Impairment losses of available-for-sale financial assets		214	36 935	6 001	(4 896)
Profit from foreign exchange revaluation	6	(15 554)	(2 655)	(9 467)	(6 693)
Non-realized (profit)/loss from investment property	20	13 654	(317)	(478)	745
Operating cash flow before changes in operating assets and liabilities		**11 016**	**8 442**	**13 632**	**(18 991)**
Decrease/(increase) in loans and receivables to banks		6 311	(253)	10 669	6 810
Decrease/(increase) in trading financial assets		22 199	5 234	2 365	2 691
Decrease/(increase) in derivatives financial assets		771	852	14 853	14 853
Decrease/(increase) in loans and receivables to customers		14 622	(50 983)	25 259	95 348
Decrease/(increase) in assets held for sale		(1 859)	171	544	240
Decrease/(increase) in biological assets		12 094	-	-	-
Decrease/(increase) in other assets		348	(2 469)	(7 460)	(1 508)
Increase/(decrease) in due to banks		552	8 337	(1 027)	(1 027)
Increase/(decrease) in customer deposits		44 722	126 445	42 672	52 944
Increase/(decrease) in derivatives financial liabilities		(413)	(303)	(996)	(996)
Increase/(decrease) in other liabilities		4 704	616	(6 841)	(5 529)
Cash provided by (used in) operating activities		**115 067**	**96 089**	**93 670**	**144 835**
Corporate income tax (paid)		(313)	-	(104)	-
Net cash provided by (used in) operating activities		**114 754**	**96 089**	**93 566**	**144 835**
Cash flow from investing activities					
Acquisition of intangible and tangible fixed assets		(9 921)	(676)	(6 107)	(487)
Sale of intangible and tangible fixed assets		12 637	-	5 805	-
Decrease/ (increase) in held-to-maturity financial assets		(18 439)	(18 439)	2 322	2 322
Acquisition of investment property		(28 153)	-	-	-
Sale of investment property		8 721	7 749	2 575	-
Acquisition of subsidiary		(47 297)	-	-	-
Decrease/(increase) in available-for-sale financial assets		(146 167)	(229 552)	16 165	(40 495)
Debt securities issued		4 331	4 331	-	-
Net cash provided by (used in) investing activities		**(224 288)**	**(236 587)**	**20 760**	**(38 660)**
Cash flow from financing activities					
Increase in share capital		67 849	69 638	31 450	31 450
Increase/(decrease) in subordinated debt net		11 320	11 424	(5 717)	(5 717)
Net cash provided by financing activities		**79 169**	**81 062**	**25 733**	**25 733**
Net increase/(decrease) in cash and cash equivalents		**(30 365)**	**(59 436)**	**140 059**	**131 908**
Cash and cash equivalents at the beginning of the period		313 059	306 885	168 836	168 284
Effect of exchange changes on cash and cash equivalents		479	2 655	4 164	6 693
Cash and cash equivalents at the end of the period	32	**283 173**	**250 104**	**313 059**	**306 885**

Operating cash flows from interest and dividends

	2014		2013	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Interest paid	8 717	4 843	7 385	7 306
Interest received	21 791	12 875	14 860	13 551
Dividend received	118	104	6	185

The accompanying notes on pages 14 to 84 forms an integral part of these Consolidated and Bank Financial Statements.

The Consolidated and Separate Financial Statements on pages 7 to 84 were approved by the Supervisory Council and the Management Board on 31 March 2015 and signed on their behalf by:

Chairman of the Supervisory Council
G.Guselnikov

Chairman of the Management Board
O.R.Bramwell

1. GENERAL INFORMATION

"NORVIK BANKA" ("the Bank") is a joint stock company incorporated in the Republic of Latvia acting in accordance with Latvian legislation and License No. 30 issued by the Bank of Latvia on 27 April 1992.

The legal address of JSC "NORVIK BANKA" is E.Birznieka-Upīša Street 21 Riga LV-1011 Latvia.

The Bank has a central office, 6 branches, 67 accounting groups and one representative office in Moscow (Russia). The main banking operations are local and international money transfers, the issuance of loans, securities operations and foreign currency transactions.

In accordance with the Commercial Law of the Republic of Latvia the shareholders' meeting has the right and obligation to make decisions on approval of the annual financial statements.

Group publish Information Disclosure report prepared in accordance with the Regulation (EU) Nr. 575/2013 of the European Parliament and of the Council requirements on Bank's web page www.norvik.eu.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

(1) Basis of preparation

The accompanying financial statements are presented in the national currency of Latvia in thousands of euro ("EUR'000").

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU") and rules set by Financial and Capital Market Commission of Latvia.

The consolidated and separate financial statements have been prepared under the historical cost convention except for available for sale securities including investments in subsidiaries and investment property which are measured at fair value and real estate included in the tangible fixed assets carried at revalued amounts. Other financial assets and liabilities are carried at amortized cost in accordance with the effective interest rate method.

Accounting policies applied in the year 2014 are consistent with those followed in the preparation of the Group`s and Bank`s annual financial statements for the year ended 31 December 2013.

Standards and Interpretations effective in the current period.

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 32 “Financial instruments: presentation”** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 36 “Impairment of assets”** - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective
At the date of authorization of these financial statements the following standards, amendments to the existing standards and interpretations adopted by the EU were in issue but not yet effective:

- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),

- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

- **IFRIC 21 “Levies**” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Basis of Consolidation

The consolidated financial statements include all subsidiaries which are those companies in which the Group directly or indirectly has an interest of more than half of the voting rights or otherwise has power to exercise control over operations. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The subsidiaries are consolidated from the date on which effective control is acquired by the Group and are no longer consolidated from the date of loss of control.

The Bank and following companies make up a group of entities, controlled either directly by the Bank or through Bank's investment funds ("the Group"):

- Вятка-банк ОАО (97.75%, RU);
- CJSC Norvik Universal Credit Organisation (100%, AM);
- Norvik Ieguldījumu Pārvaldes Sabiedrība AS (100%, LV) and its subsidiary company Accounting LAB SIA (100%, LV);
- Norvik Banka UK Limited (100%, GB);
- Norvik Apdrošināšanas Brokeris SIA (100%, LV);
- Norvik Līzings SIA (100%, LV);
- Norvik IPS AS SIF Nākotnes Īpašumu Fonds (100%, LV) and its subsidiary companies: Magnum Estate SIA (100%, LV) and its subsidiary companies: Пресес Намс Балтия ООО (99.9%, RU) and Пресес Намс Балтия ООО (99%, BY); Serenity SIA (100%, LV), Paletes SIA (100%, LV), Ostas 1 SIA (100%, LV), SIA Top Estate (100%, LV), Lat Estate SIA (100%, LV), Lanora SIA (100%, LV), Gauja CS SIA (100%, LV), Pilnskalna 911 SIA (100%, LV), Krasta SIA (100%, LV), Seastone SIA (100%, LV), PNB Print SIA (100%, LV), Baltijas Naftas Grupa SIA (100%, LV), Baltijas Degviela SIA (100%, LV), Baltijas Nafta SIA (100%, LV), Visalia SIA (100%, LV), Madora SIA (100%, LV), Lanata SIA (100%, LV), Days SIA (100%, LV), Homelink SIA (100%, LV), Acton SIA (100%, LV), Karavella Property SIA (100%, LV), City Estates SIA (100%, LV), Relocation SIA (100%, LV), Solum Estate SIA (100%, LV), Merkurs Rigante Pluss SIA (100%, LV), Eko Forums Pluss SIA (100%, LV) and its subsidiary company Alpi Trans Pluss SIA (100%, LV); Alfa Timber SIA (100%, LV), Prospectum SIA (100%, LV), NBT Agro SIA (100%, LV), Ganību Dambis 27 SIA (100%, LV), Монолит ООО (99.99%, RU), Капитель ООО (99.99%, RU), Лесстрой ООО (99.99%, RU), Орион ООО (99.99%, RU), NBT Agro2 SIA (100%, LV), NBT Energy SIA (100%, LV), NBT1 Energy SIA (100%, LV) and its subsidiary company SIA Cēsu Miesnieks (100%, LV); NBT3 Energy SIA (100%, LV), NBT5 Energy SIA (100%, LV), A5 & M3 SIA (100%, LV), Профпроект ООО (100%, RU), Soleanna Limited (100%, VG) and its subsidiary company Общая Карта ООО (95%, RU); Thermlan Limited (100%, CY) and its subsidiary company Каланчевская 13 ООО (100%, RU); Iksov CJSC (100%, AM), Lan LTD (100%, AM), Olerinia Limited (100%, CY) and its subsidiary company E15 SIA (100%, LV); Allurine LTD (100%, CY), V Capital SIA (100%, LV);
- Cecily Holdings Limited (100%, CY) and its subsidiary company Landowner OOO (100%, RU);
- Балтикс ООО (99.917%, RU);
- Meža Fonds SIA (100%, LV).

In accordance with IAS 27 "Consolidated and Separate Financial Statements" and the requirements of FCMC the Bank has prepared consolidated financial statements for the Group and separate financial statements of the Bank.

In the separate financial statements the Bank has recognized investments in subsidiaries share capital at fair value. The separate financial statements of the Bank and its subsidiaries are consolidated line by line by combining items of assets, liabilities aggregation of off-balance sheets exposures income and expenses. Intragroup balances of the Bank and its subsidiary as well as intragroup transactions, including income and expenses are eliminated.

Goodwill

The excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill.

After initial recognition goodwill in the business combination is carried at cost less any impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is from acquisition date allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquire are assigned to those units. Each unit to which the goodwill is allocated:

- Represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IFRS 8 Operating Segments.

Under IAS 36 *“Impairment of Assets”* goodwill is reviewed for impairment at each balance sheet date or more frequently when there are indications that impairment may have occurred. If such indications exist the Bank estimates the recoverable amount of goodwill. In case of the carrying amount of goodwill is greater than its estimated recoverable amount an impairment loss of goodwill is recognized in the Group’s consolidated income statement. There was no impairment identified in 2014 (2013: nil).

(2) Significant accounting judgments and estimates

The presentation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the entity to make estimates and assumptions that affect the recognized amounts for assets liabilities and disclosure of contingent assets and liabilities as of the date of balance sheet date as well as recognized income and expenses for the reporting period. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may significantly differ from related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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.

The most significant judgments and estimates representing most probably sources of uncertainty existing in current financial and economical market are presented below:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from active markets fair value is determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible but where this is not feasible a degree of judgment is required in establishing fair values depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Allowances for impairment losses on loans and receivables

The Group reviews its loan portfolios at each reporting date to assess whether an allowance for impairment should be recognized in the income statement and for which amount. In particular judgment about financial position of counterparty and realization value of underlined collateral made by management in the estimation of net present value of expected future cash flows when determining the amount of allowance required based on best knowledge about current situation.

In addition to specific allowances for individually significant loans and receivables the Group also creates a collective impairment allowance for exposures which although not specifically identified as requiring a specific allowance have a greater risk of default than when originally granted (credit card and consumer loans). Collective impairment allowances reflect historical data of respective markets as well as specific features of financial investment for which allowances estimations are made.

Impairment of financial instruments

The determination of impairment indication is based on comparison of the financial instrument’s carrying value and fair value. Due to volatility on financial and capital markets the market price is not always a reliable source for impairment indication. If available the Group 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 analysis of financial position of the issuer of the financial instrument.

Impairment of equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists.

Valuation of investment property

Investment property is stated at fair value which has been determined based on valuation performed by certified valuator close to reporting date. The fair value represents the amount at which the assets could be exchanged between an unrelated knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

Valuation of tangible fixed assets carried at revalued amounts

Land and buildings held for own use are stated at their revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Valuation of biological assets

Biological assets reflected at fair value less cost of sale in accordance to IAS 41. The fair value represents the amount at which the assets could be exchanged between an unrelated knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation

(3) Operating environment of the Group

The Group's operations in the Russian Federation and the related exposure

A significant part of the Group's assets belongs to Russian origin:

1) Subsidiaries - Вятка-банк OAO was acquired during 2014, and provides a full scope of commercial banking services in Russia; the balance sheet value of investment in Вятка-банк OAO as of December 2014 was EUR 51.5 million;
2) Commercial loans - granted to Russian commercial real estate developers, including hoteliers, operating in some of the largest Russian cities – Moscow, Yekaterinburg, Tomsk, Perm and Kirov with a total exposure of EUR 67.8 million;
3) Investments – the Group has a portfolio of investments in real estate in Russia, comprising of mass-market retail assets in Kirov and Kirovo-Chepetsk and a land bank in the Moscow region held for golf course / resort development; the total net balance of these investments is EUR 16.3 million.

The volume of deposits of the Bank with ultimate beneficial owners being Russian residents is EUR 61.5 million, or approximately 7.3% of the total Bank's deposit base as of December 2014.

The Group does not hold any significant open currency position in rubles.

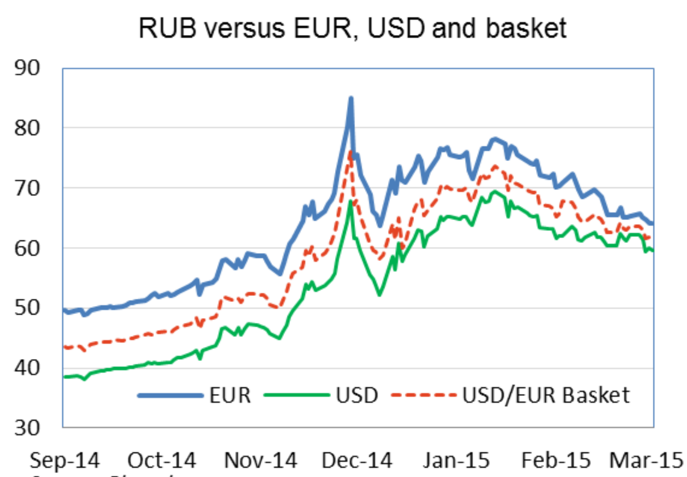
However, it is clear that the Russian economy, its development, and Russian Ruble exchange rate fluctuations, have significant impacts on the Bank's and Group's balance sheet exposures. The sharp deterioration of Russia's external environment since the 2nd quarter of 2014, including the nearly 50% drop in crude oil prices and the imposition of Western economic and financial sanctions against a range of the country's banks and companies has had a profound impact on the stability of the Russian ruble (RUB) against the benchmark currencies. The central bank decision in early November 2014 to introduce a free float for the ruble (ahead of the transition to inflation targeting in early 2015) added to the volatility, eventually leading to a bout of full-blown market panic and extreme ruble weakness in mid-December 2014 (the ruble depreciated by 17% over 15-16th December 2014, with even higher intraday shifts). Following an emergency interest rate hike on 16th December 2014 and measures to restore financial stability, including additional refinancing instruments in the foreign exchange market and efforts to stimulate exporters to accelerate sales with hard currency proceeds, the ruble has largely stabilized and started to appreciate against both the US Dollar and the euro).

The currency has been on an appreciating trend since late January 2015. Over the past six months the ruble has experienced some of the highest volatility since the 1998 financial crisis, worse even than during the global recession in 2008-2009. As of 31st December 2014 the ruble: euro exchange rate was RUB 72.34 : 1 EUR, but as shown appreciation in the first quarter of 2015 by 14% - as of 27th March 2015 the exchange rate has reverted to RUB 62.23 : 1 EUR.

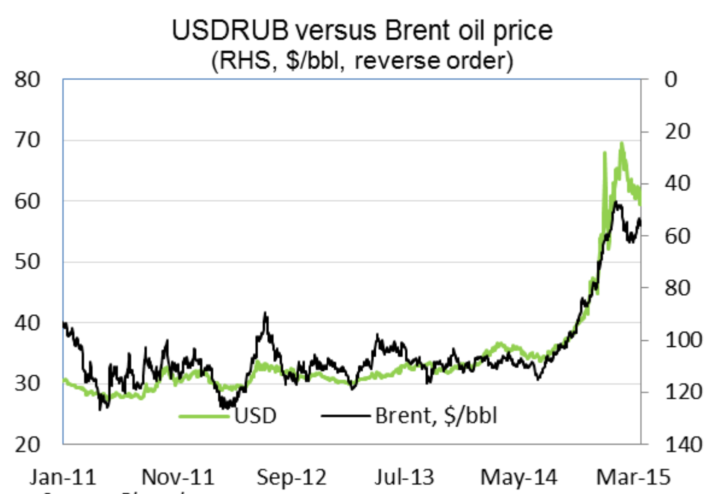
Historically, most of the ruble fluctuations can be explained by changes in oil prices as the energy sector represents over two thirds of Russia's export values, close to a quarter of nominal GDP (including transportation of hydrocarbons) and a large share of sources of all private sector investment flows.

For foreign investors, the outlook for ruble-denominated assets (both direct and portfolio) is closely linked to the prospects of the ruble's movements against the key benchmark currencies. While projecting the ruble exchange rate over a distant period has become far less reliable following the introduction of a free float (since 10th November 2014) and the imposition of Western sanctions against Russian entities in 2014, the evolution of Russia's monetary and fiscal policy in 2015, alongside the progress towards a resolution of the conflict over Eastern Ukraine, have allowed us to make a number of important assumptions:

1. The ruble's movements in 2015 are set to reflect primarily longer-term trends such as the rebalancing of Russia's external account, rather than near-tem changes in oil prices;
2. The risk of sudden adverse developments for the ruble (such as new trade restrictions or financial sanctions) has diminished but has not disappeared completely. Notwithstanding this risk, our medium-term forecasts for the ruble see further gradual appreciation against both the US Dollar and the euro;
3. The ruble exchange rate against the euro is not a key currency pair and would be determined by the ruble's moves against the basket (that are followed by Russia's central bank closely) and the US Dollar (which is the focus for most investors in Russia);
4. We expect the broad euro weakness to persist and even deepen this year, reflecting the divergence in monetary policy between the Eurozone and the US, the impact of the large-scale liquidity injections under the QE mechanism and



Source: Bloomberg.



Source: Bloomberg.

persistent uncertainty associated with the Greek crisis. We currently expect the euro to be at 1.04 against the US Dollar in 3 months' time and near parity by year-end 2015 (we currently expect the euro to stay near parity versus the US Dollar in 2016).

The Group's Chief Economist's current projections for the ruble exchange rate of 57.0 versus the US Dollar at year-end 2015 and 55.00 at year-end 2016, and the parity between the US Dollar and the euro at both year-end 2015 and on through 2016, we project that the ruble would strengthen further against the euro later this year (most likely, in the second half) and remain broadly stable through 2016.

Aside from currency fluctuations, the market value of investment assets in Russia will be determined by a number of factors including the external perception of Russia's sovereign risk in relation to the geopolitical crisis around Ukraine, and the evolution of demand for such assets over the recovery period.

The agreement in Minsk in February 2015 and the subsequent de-escalation of the tensions (however gradual and tentative) have allowed investors to take a more constructive view of Russia's sovereign credit risk. The US and European governments have reportedly concluded that an extreme version of financial sanctions against Russia involving an attempt to deprive Russia of access to the SWIFT payment system would entail undesirable consequences for the West, including a further serious escalation of the standoff. It also reflected a realisation that negotiations rather than sanctions have thus far proven to be the more effective way forward. Accordingly, we do not expect a major further escalation of the sanctions regime, nor a near-term material easing of these sanctions.

Russia's near-term economic outlook remains challenging, with the most likely outcome for 2015 real GDP contraction in the 2.5% to 4.0% range (we expect a 3.5% year-on-year drop in 2015 and a broadly flat outcome for 2016). Notably, the flexibility of the ruble exchange rate has proven to be an important stabilizing factor as large-scale import substitution (particularly, in agriculture) has supported both domestic manufacturing and allowed the current account balance to stay in a sizeable surplus, despite the impact of the sharp drop in energy export values.

The brunt of the crisis trends will be in the private consumption area, as falling real wages (by 10% year-on-year in February 2015) will continue to put strong downward pressures on consumption (real retail sales fell by 6.1% year-on-year over January-February 2015). Accordingly, demand for retail services and products is set to be sluggish this year, with a modest recovery likely in the second half of 2016.

Prospects for a recovery in demand for commercial real estate, including in the hospitality sector, looks more promising than for purely retail outlets. The reason to expect a recovery in the hospitality sector ahead of a pick-up in consumer demand is that the tourist services will also be affected by the import substitution process, and a large share of foreign tourist flows will now be redirected towards the domestic market. It is too early to conclude that demand for hospitality sector services in areas outside of domestic hot spots such as Sochi will exceed pre-crisis levels soon, but it is clear that local hotel operators will be likely among the first to benefit from the stabilization in real incomes and the level of business activity.

Capital and future plans:

In the middle of 2014 there were changes in the shareholding structure - 92.9% of share capital is directly or indirectly controlled by Mr. G.Guselnikov as of December 2014. In 2014, there was one Bank's share issuance that amounted to EUR 69 million, paid in full by Mr. G.Guselnikov.

At the end of 2014 the Bank and the Group have received additional support from the majority shareholder, and at the date of issuance of the financial statements the transaction is officially finalised and registered. This was in the form of the contribution of investment property to the Group (Note 20). The net assets acquired in the transaction amounts to EUR 10.9 million, in the form of the unfinished construction object "Hilton Mozhaisk Borodino Hotel & Spa" – a 5 star real estate project, with 160 rooms, located in the Moscow region (Mozhajsky region, Borisovsky). The hotel is expected to be completed and open for business by late 2015, and in accordance with the Banks forecasts this will be the most probable recovery period for all sectors and provides a sound basis to expect future increases in the investment value. The volume of additional investment necessary to complete this project is approximately 500 million RUB, or approximately EUR 7.8 million.

The Bank's capital adequacy ratio at the end of 2014 was 14.48% (Group's capital adequacy ratio at the end of 2014 was 8.46%), exceeding the previous year's ratio of 10.76% for the Bank (8.02% for the Group) (the aforementioned shareholder support/contribution gave a 1.46 b.p. increase in the Bank's capital adequacy ratio and 1.21 b.p. increase in the Group's capital adequacy ratio).

The bank actively uses subordinated capital – during 2014 the balance value of subordinated deposits and subordinated bonds increased from EUR 21.9 million to EUR 37.6 million, and during the period from 1st January 2015 till the reporting date, an additional EUR 25 million in subordinated capital was attracted.

The strategic development plan of the Bank puts emphasis on growth in profitability whilst maintaining a high ratio of liquid assets, with attention focused on ensuring an optimal balance sheet structure providing the best possible utilisation of resources from a risk/reward perspective. To ensure sufficient capital to support business growth (total assets have grown 23,1% year-on-year), and considering the strict requirements for capital adequacy from the local regulator, the Bank has an open capital enhancement plan, the purpose of which is to ensure further capital is provided as assets volumes increase based on business demands, and taking into consideration the external environment. The Bank on an ongoing basis continues to seek additional investments in share capital, being the core element of tier 1 capital and acting as the basis for expanding the business.

The capital enhancement plan for 2015 prescribes for additional shareholder capital at a minimum of €10 million.

Further capital will drive further profit from business growth, and will enable the Bank to show net profits in the future, whereas to date, due to the significant clean-up of the Bank balance sheet during the last few years, the Bank has shown net losses. After several years of operating in the post-crisis period, and after attracting a new majority shareholder at the end of 2013, the Bank has demonstrated growth in operating income, a great first step to generating new profits.

Together with shareholder capital, the Bank actively uses subordinated capital. In accordance with Basel 3, the utilization of tier 2 capital for eligible equity purposes is limited to 75% from tier 1 capital in 2015 and to 50% from tier 1 capital in 2016. Nevertheless, such forms of capital are important and further support business expansion. Year-on-year, tier 1 capital increased 36,8% at the Group level and 61,7% at the Bank level, tier 2 capital increased respectively by 109,6% and 80,2%. The tier 2 : tier 1 ratio at the end of 2014 was 70% at the Group level and 40,9% at the Bank level.

Through to 2016 the Bank plans to ensure it maintains its existing product-customer niche on the market, and extend its reach to new customer segments through the further development of existing products and services, offering innovative, high-technology products, and covering new geographic regions. Given the current economic, as well as geo-political tensions the Bank is going to focus on commission-based income lines; and more specifically those related to transactional business – this covers foreign exchange operations, payment services and assets management. To further this goal, and increase transaction volumes, significant efforts will be made to open new customer segments, through technology and physical presence across different geographies.

In 2015 the Bank does not plan to aggressively enter into the corporate and retail lending markets, and has taken a conservative risk-management position. The Bank is planning to exit from markets, such as Armenia, where the aforementioned economic risks are highest, and close out non-essential subsidiaries. The market share in pension fund management through "*AS Norvik Ieguldījumu Pārvaldes Sabiedrība"* continues to show gains owing to the Bank's wide customer service network, and successful performance. The volume of Tier 2 pension funds under management by "*Norvik IPS"* has reached EUR 77.8 million (EUR 69.6 million as of December 2013).

Legal proceedings:

(a)
As of 31 December 2014 the Bank and the Group has a total gross exposure of EUR 56 473 thousand related to alternative energy sector, comprising gross loan exposure in the amount of EUR 52 145 thousand and other exposure in the amount of EUR 4 328 thousand.

Starting in 2013, the Bank initiated a number of legal proceedings related to its exposure to the alternative energy sector. The scope of legal proceedings includes, inter alia, various claims and different applications to the state courts for protection of its interests, including fighting for its rights within insolvency and reorganization proceedings.

The Bank has an active position in fighting against a group of borrowers (including "SIA Winergy" and related companies) that have taken various actions to avoid repayment of loans and foreclosure on the collateral (e.g. reducing the collateral value and attempting to transfer the business and/or assets).

Notwithstanding SIA Winergy's efforts to remain either within insolvency or the legal protection process, all the Banks applications were successful in protest of the decisions of the district courts. Having regard to the above, the ruling of the Supreme Court date 20th February 2015 should be specifically noted. Not only the ruling canceled the decision on approval of the legal protection plan of SIA Winergy due to the inconsistent procedural failings allowed by the judge, the insolvency administrator was also removed, specifically noting prejudiced and illegal actions undertaken by said administrator (e.g. allowing apparently fictitious creditors to vote for the approval of the legal protection plan). Moreover, the aforementioned ruling highlighted a number of facts strongly indicative of large scale fraud by SIA Winergy and related parties with the aim to avoid the repayment of the borrowed funds to the Bank as the sole genuine creditor.

Substantial progress should be noted as well in other civil litigation processes. The Bank succeeded in winning important claims aimed to regain control over the collateral by the Bank within 2014 and the first months of 2015. Litigations continue since the above decisions were appealable, but the Bank views its position as strong.

Significant progress in the investigation of fraud by law enforcement authorities within these criminal proceedings should also be noted.

All the assets constituting the collateral of the loan (namely, the wind turbines, funds on accounts of the borrowers) remain under court-ordered restraint and are therefore secure. Nine individuals involved in the fraud scheme under investigation were declared as suspects, indicating that there is already enough evidence obtained within the investigation of fraud itself and recognition of the group of individuals and companies who could have used the illegally sourced funds.

It is anticipated that the investigation will be faster and more transparent in the future as there is an investment dispute against the Republic of Latvia initiated by the nominal (formal) beneficial owner of SIA Winergy, Indrek Kuivalliik. While the investment dispute application for EUR 51.0 million is merely serving the sole purpose of avoiding the repayment of the loans received from the Bank, as it was also clearly mentioned in the ruling of the Supreme Court dated 20th February 2015, its accusations address the state police actions within the investigation of the fraud case where the Bank was recognized as the victim of the fraud.

The Bank continued to take consequent and efficient actions with the aim to protect its own legal interests and rights within the year (e.g. submission of documentary evidence, professional financial advice) that have also positively impacted the progress of the investigation.

Having regard to the above, the management of the Bank has reasonable grounds to evaluate the likelihood of cash inflow for repayment of the advanced funds in 2015 as high based on both the set schedule for the court hearings in civil proceedings, as well as the tempo of the criminal investigation process and materials to be transferred to the court(s).

The Bank has evaluated the perspectives and timing of the recovery procedures and has created impairment allowances, based on the estimates of the management regards the alternative energy sector loans. As of 31st December 2014 the Bank has assessed impairment allowances in the amount of EUR'000 12 351, which are believed to be the best estimate by the Management as of the date of the issuance of these financial statements.

(b)
USD 3 960 693 was frozen on the account of the Bank opened in the Deutsche Bank Trust Company Americas due to a Rule B court order (based on the alter ego claim) of the New York Court. The Bank filed a substantiated opposition against the alter ego claim (i.e. not a direct claim against the Bank).

The direct claim (against the plaintiff in the USA case) shall be heard in front of the UK Arbitration Court in May 2015, where a positive outcome is anticipated and which, in its turn, shall lead to the dismissal of the USA alter ego claim.

Having regard to the above and since the external legal advisors mandated by the Bank in the USA have the grounded opinion that the indirect alter ego claim has no merit (the same is being proven also by the fact that the Plaintiff's two motions within the case have been declined by the USA court in mid-March 2015), the management of the Bank at the reporting date believe that the likelihood of an adverse outcome for the Bank is low and therefore impairment allowances have not been assessed by the Bank as of 31st December 2014.

(c)
The process of winding up Norvik (Malta) Sicav Plc. and its sub-funds was initiated in 2014. The liquidator has been appointed by the court and the interim liquidation report to the court is due to be filed within the first half of 2015, including the distribution of the assets of the sub-funds. The Bank is the sole investor in the sub-funds; the investment is stated at fair value based on the latest available valuation reports by independent evaluators.

(4) Foreign currency translation

Transactions and balances

Transactions denominated in foreign currencies are translated into euro (EUR) at the official Bank of Latvia exchange rate on the date of the transaction which approximates the prevailing market rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date.

All realized gains and losses are recorded in the income statement in the period in which they arise. Unrealized gains and losses at reporting dates are credited or charged to the income statement.

The foreign currency exchange rates for the principal currencies that were used as of the end of the period were as follows (euro for one foreign currency unit):

	Exchange rates as of 31 December 2014	**Exchange rates as of 31 December 2013**
LVL/EUR	-	0.702804
USD/ EUR	1.2141	1.364668
RUB/EUR	72.337	45.0515

As of 1 January 2014 Latvia became a member state in the European Monetary Union. Starting from 1st January 2014 the Bank’s and Group’s functional currency is the euro (EUR). For conversion to the euro the official exchange rate was set by the Bank of Latvia as EUR 1= LVL 0,702804.

Changes in functional currency do not impact the Bank’s and Group’s accounting policy.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the dates of the transactions);

- All resulting exchange differences are recognized as a separate component of equity *"Revaluation reserve of foreign currency translations"*.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity.

(5) Financial assets and liabilities

Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are those that have been acquired or have arisen mainly for the purpose of earning a profit from short-term price fluctuations. These include trading debt securities and equity instruments. Trading securities are initially recorded in the balance sheet at fair value. Subsequently these securities are recorded at their fair value based on quoted market price. Any realized and unrealized profit or loss is recorded in the income statement as net profit or loss from trading securities. Interest earned by the Group from held for trading securities is recognized as interest income. Dividends received are recorded as dividend income. The Group recognizes purchase or sale of trading securities using settlement date accounting.

Derivatives recorded at fair value through profit or loss

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, and/or discounted cash flow models. The Group and the Bank operates with derivative financial instruments such as future currency agreements (forwards) and currency exchange agreements (swaps). All derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative. Fair value of derivative transactions is included in the balance sheet as "Derivatives financial instruments". Changes in the fair value of derivatives are included in the income statement in "Net trading income" on a daily basis.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit and loss. Available-for-sale financial assets include certain bonds, investments in funds, investments in jointly controlled entities and investments in subsidiaries.

Available-for-sale financial assets are initially recorded at their fair value (including expenses on purchase of the assets). The Group recognizes purchase or sale of available-for-sale financial assets using settlement date accounting. Subsequently assets are measured at their fair value based on quoted market prices where available. If financial assets are not quoted in an active market their fair value is measured using alternative methods (for example, prices of similar investments, net asset value calculation, or valuation performed by a certified valuator).

Available-for-sale assets for which the market price is not quoted and which fair value is not possible to measure by using other previously mentioned alternative methods are initially recorded at their fair value and subsequently measured at cost less allowance for impairment when appropriate.

Unrealized gains or losses on available-for-sale financial assets are recognized directly in equity except for impairment losses and foreign currency exchange gains and losses arising from monetary assets until the financial asset is derecognized at which time the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Investments in joint ventures

Investments in joint ventures are included in line "Available-for-sale financial assets" and are presented in accounting following all Available for sale financial assets accounting regulations.

Loans and receivables to banks and to customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans are measured at amortized cost using the effective interest rate method. The amortized cost of a loan is the amount at which the loan is measured at initial recognition minus principal repayments plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (through the use of an allowance account) for impairment or uncollectibility.

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership to the lessee at the inception of the lease. Receivables arising from finance lease are recognized as loans granted to clients. Received lease payments less principal amount are recognized as interest income based on a pattern reflecting a constant periodic return on the net investment.

Reverse repurchase agreements

Securities purchases under agreements to resell at a specified future date (“reverse repo”) are not recognized on the balance sheet. The corresponding cash paid including accrued interest is recognized on the balance sheet as a Loans to and receivables from customers. The difference between the purchase and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

Financial liabilities

Included in balance sheets as “Due to banks”, “Customer deposits”, “Debt securities” and “Subordinated debt” are financial liabilities measured at amortized cost.

After initial measurement these financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate. The amortization is included in “Interest and similar expense” in the income statement.

Derecognition of financial assets and financial liabilities

A financial asset is derecognized where:

- the right to receive cash flows from the assets has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a `pass-through` arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the assets or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the assets.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank or Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the statement of financial position on a net basis.

The Bank and Group does not offset any financial assets and financial liabilities.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and for all overdue loans regardless of the balance of the outstanding principal. Assets that are individually assessed for impairment are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument’s original effective interest rate.

For the measurement of collective impairment the Group assumes that all contractual cash flows will be received and recognizes impairment losses based on historical loss experience which is adjusted on the basis of currently available data.

Allowances are assessed collectively on portfolios with similar features - credit cards portfolio and unsecured consumer loans portfolio. The main criterion for assessment is settlement discipline and the calculation of necessary allowances on portfolio is based on experience and previous period’s statistics.

The carrying amount of the asset is reduced through the use of an allowance and the increase/decrease in the amount of the impairment loss is recognized in the income statement. If any loan and receivable cannot be recovered they are written off from the balance sheet accounts and charged against allowance for credit losses.

(6) Investment property

The Group holds real estate as an investment property with the purpose to earn rental income or for value appreciation. Initially investment property is measured at cost. The fair value model of accounting is used for subsequent measurement of investment property. Fair value of investment property reflects market conditions at the balance sheet date. See Note 20 for more detailed information with respect to the Group’s investment property. Gains or losses arising from changes in the fair value of investment property are included in the income statement in “Changes in fair value of investment property” in the period in which they arise.

(7) Intangible (except for goodwill) and tangible fixed assets

All fixed tangible and intangible assets except for goodwill and real estate are accounted at their cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis using the following depreciation and amortization rates:

Intangible assets:	*Annual charge*
Licenses	20%
Software	20%
Tangible fixed assets:	
Buildings	3%
Other	7%-33%

Intangible assets with finite lives are amortized over the useful life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each (financial) year-end. The depreciation and amortization expense on tangible fixed and intangible assets with finite lives is recognized in the income statement line “Depreciation and amortization”.

To avoid significant differences between book value and fair value of its real estate the Bank decided to carry its land and buildings at revalued amounts. Revaluations are performed with sufficient regularity. Fair value is determined based on valuator reports done by independent certified valuators. The increase of building value as the result of revaluation is recognized in equity and included in the comprehensive income report. If such increases cancel previous revaluation decreases then it is recognized in the statement of profit or loss. The decrease of a building’s fair value that appeared during revaluation is recognized in the statement of profit or loss except where such a decrease cancels a previous revaluation increase that is shown in equity (and included in the comprehensive income report), in that case the decrease is recognized in equity and included in the other comprehensive income report. After building revaluation the Bank depreciates its value in accordance with Bank’s depreciation rates.

(8) Assets held for sale

Assets held for sale relate to foreclosed properties and equipment held for sale. These assets are carried at the lower of book value and net realizable value. The changes in the asset value are recorded in the profit or loss statement.

(9) Interest and fee income and expense recognition

Interest income and expenses are recognized in the income statement on an accrual basis of accounting using the effective interest rate method. Interest income and expense include the amortization of any difference (discount premium or other) between the initial carrying amount of the interest-bearing financial asset or liability and its maturity amount calculated on an effective interest rate foundation.
Interest income includes coupons earned on bonds and other fixed income securities.
Accrued interest income is recognized in the income statement, except if the Group has objective evidence that they will not be received in full.
Fee and commission income and expense consist of fees and commissions received/paid by the Bank for providing financial services other than those related to the origination of a financial asset or liability, which form a part of the effective interest income/expense. Fees and commissions arise on financial services provided by the Bank, including payment services, brokerage services, investment advice and financial planning, investment banking services and asset management services. Fee and commission income is recognised when the corresponding service is provided or completed.

(10) Cash and cash equivalents

Under IAS 7 *“Cash Flow Statements”* cash and cash equivalents comprise cash balances with the Bank of Latvia correspondent accounts and deposits with original maturity of 3 months or less in other banks. The cash flow statement reflects an analysis of the cash flow from operating investing and financing activities for the period.

Cash flows from operating activities are presented using the indirect method. Cash flows from investing and financing activities are presented based on gross receipts and payments made during the reporting period.

(11) Taxes

Corporate income tax is calculated in conformity with the tax legislation of the Republic of Latvia. Deferred taxation is provided for temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base according to taxation legislation. The deferred taxation asset or liability is calculated based on the tax rates that are expected to apply when the temporary differences reverse. When an overall deferred tax asset arises this is only recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows.

The Group creates provisions for guarantees issued and other off balance sheet items based on individual review of off balance sheet items. The management uses its judgement and estimates as to the probability of an outflow of economic resources and makes assessment of the value of security and collateral held and the amounts and timings of such outflows and recoveries if any.

3. RISK MANAGEMENT

Risk is an integral part of the Group’s activities and it is managed through a process of ongoing identification, assessment and monitoring. The process of risk management is essential for the Group’s continuing profitability. Each separate structural unit of the Group is responsible for the risk exposures relating to their responsibilities. The Group activity is subject to the following main types of risks: liquidity risk, credit risk and market risk as well as operational risk. The risk monitoring function on the level of the Group and the Bank is separated from the business structures. The system of risk limits that is established on the level of the Group and the Bank includes all of the aforementioned types of risk.

Risk management structure

The Management Board is ultimately responsible for identifying and controlling risks.

Supervisory Council

The Supervisory Council reviews and approves risk management policies.

Management Board

The Management Board is responsible for the overall risk management approach, for the establishment of risk management principles and structure as well as for the approval of the methodologies and procedures to ensure implementation of risk management policies. The Management Board sets limits on total portfolios and restrictions on large exposures.

Assets and Liabilities Committee

The Assets and Liabilities Committee is responsible for assets and liabilities management monitoring and sets limits on counterparties within the limits and restrictions set by the Board.

Credit Committee

The Credit Committee is responsible for the approval of an exposure within its competence and loan portfolio quality analysis.

Investments Committee

The Investments Committee is responsible for matters related to the Bank’s investments in financial instruments, equities (excluding listed shares), real estate etcetera.

Risk Management Committee

The Risk Management Committee carries out the monitoring of the risk management system and the capital adequacy assessment process.

Chief Risk Officer

The Chief Risk Officer performs overall risk control functions, supervises the risk management system and coordinates the activity of the Bank’s units involved in risk management.

Risk Management Department

The Risk Management Department is responsible for the establishment of the Risk Management system: identification and assessment of risks inherent in the Bank's activity; preparation and submission of the risk reports. This unit also ensures the development of the Internal Capital Adequacy Assessment Process (ICAAP).

Finance Department

The Finance Department is responsible for managing assets and liabilities within set norms and limits, i.e. it is charged with liquidity, funding and deposits pricing, interest rate risks and cash management.

Capital Markets Department

The Capital Markets Department is responsible for the foreign currency exchange business and foreign currency exchange operations, the brokerage business as well as the Bank's securities portfolios management.

Internal Audit Department

Risk Management processes are audited annually by the Internal Audit Department that examines both the adequacy of the policies and procedures and the compliance with the internal and external requirements. Internal Audit discusses the results of inspections with the management and submits reports on inspection results with necessary recommendations to the Supervisory Council Managing Board and related units. Internal Audit performs follow-up engagements to check whether recommendations are followed and implemented.

To ensure control and management over financial risks the Management Board and Supervisory Council of the Group has approved Credit policy, Investment policy and Financial Risks Management and Control policy with regard to such significant risks as liquidity risk credit risk and market risk as well as other documents that regulate the financial risk management system created by the Group.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet the payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn or paid. This may result in the failure to meet obligations to repay depositors and fulfil commitments to lend.

In order to limit this risk the Bank as the Group liquidity manager places its assets so as to ensure settling of their creditors' legal claims at any time (liquidity) has arranged diversified funding sources in extent appropriate to current market condition in addition to its core deposit base and monitors future cash flows and liquidity on a daily basis.

To ensure liquidity the Bank evaluates and plans the term structure of its assets and liabilities on a regular basis. The Bank maintains marketable trading and available-for-sale portfolios that can be liquidated or pledged in unforeseen situations. The bank also has money market lines that it can use to meet liquidity needs. In addition the Bank maintains an obligatory reserve deposit with the Central bank of Latvia equal to 1% of borrowings (at the end of 2014). In accordance to liquidity requirements determined by the FCMC the Bank maintains liquid assets that are sufficient for settling liabilities however no less than 50% of total current liabilities of the Bank (liquidity ratio). Current liabilities are on-demand liabilities and liabilities with a residual maturity of no more than 30 days.

The Group's experience shows that demand deposits balance is a stable source of funding, so, despite the fact that holders have a right to get the demand deposits at any time without any penalties, deposits with an original maturity of "on demand", in liabilities maturity analysis are shown by maturity breakdown, which corresponds to the Group's experience about the actual holding period of these deposits. In accordance with the Group's experience, the breakdown maturity of such deposits does not exceed 5 years.

The liquidity ratio during the year was as follows:

	2014	2013
	%	%
31 December	58.75	55.38

Average during the period	59.12	46.77
Highest	64.77	57.97
Lowest	52.60	37.76

The Financial Risk Management and Control Policy determines liquidity risk control and management according to that the Management Board of the Bank and the Assets and Liabilities Committee state general liquidity risk management criteria by regulating the volumes terms and directions of the Group's activities, the Finance Department manages liquidity on a daily basis and the Risk Management Department measures and monitors liquidity risk and submits reports to the management.

Liquidity risk management and control is based on asset and liability term analysis incoming and outgoing cash flows analysis internal limit regulations regarding the net liquidity position the effective usage of liquidity surplus and liquidity regulation for the remaining free resources etc.

MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below presents an analysis of the Group assets liabilities and off-balance sheet liabilities analyzed according to their contractual maturity, with the except of customer' s demand deposits with maturity distribution to the Group's experience of the actual holding term deposits.

Group As at 31 December 2014	Up to 1 month EUR’000	From 1 to 3 months EUR’000	From 3 to 6 months EUR’000	From 6 months to 1 year EUR’000	From 1 to 5 years EUR’000	5 years and over EUR’000	Other EUR’000	Total EUR’000
Assets								
Cash and balance with the central bank	39 191	-	-	-	-	-	-	**39 191**
Loans and receivables to banks	242 199	-	-	-	-	-	3 883	**246 082**
Trading financial assets	10 690	33 655	16 535	709	908	350	508	**63 355**
Derivative financial instruments	847	13	-	38	11	-	-	**909**
Loans and receivables to customers	34 359	36 951	21 026	50 718	121 860	56 499	43 277	**364 690**
Available-for-sale financial assets	183 229	-	-	-	7 531	1 199	-	**191 959**
Held to maturity financial assets	-	-	-	-	4 605	1 489	12 345	**18 439**
Prepaid corporate income tax	-	-	385	-	772	-	-	**1 157**
Investment property	-	-	-	-	-	-	121 675	**121 675**
Tangible fixed assets	-	-	-	-	-	-	51 616	**51 616**
Biological assets	-	-	-	-	-	-	-	**-**
Goodwill and other intangible assets	-	-	-	-	-	-	25 290	**25 290**
Assets held for sale	-	-	-	3 070	-	-	-	**3 070**
Other assets	18 205	153	10 949	34	140	85	101	**29 667**
Total assets	**528 720**	**70 772**	**48 895**	**54 569**	**135 827**	**59 622**	**258 695**	**1 157 100**
Liabilities								
Due to the central bank and other banks	2 290	-	60	51	3	-	-	**2 404**
Derivative financial instruments	671	213	-	-	2	-	-	**886**
Customer deposits	171 425	64 607	86 808	111 478	573 341	238	802	**1 008 699**
Subordinated debt	-	4 278	-	2 329	23 735	11 511	-	**41 853**
Debt securities	-	-	-	-	-	4 331	-	**4 331**
Deferred tax	-	-	-	-	-	-	3 005	**3 005**
Other liabilities	11 489	547	4 642	4 544	54	-	-	**21 276**
Total liabilities	**185 875**	**69 645**	**91 510**	**118 402**	**597 135**	**16 080**	**3 807**	**1 082 454**
Off-balance sheet items	16 587	1 983	309	2 972	4 617	7	-	**26 475**
Net liquidity	**326 258**	**(856)**	**(42 924)**	**(66 805)**	**(465 925)**	**43 535**	**254 888**	

Group As at 31 December 2013	Up to 1 month EUR'000	From 1 to 3 months EUR'000	From 3 to 6 months EUR'000	From 6 months to 1 year EUR'000	From 1 to 5 years EUR'000	5 years and over EUR'000	Other EUR'000	Total EUR'000
Assets								
Cash and balance with the central bank	177 919	6 262	-	-	-	-	-	**184 181**
Loans and receivables to banks	107 784	142	-	-	-	-	21 636	**129 562**
Trading financial assets	15 033	3	14	11	868	373	-	**16 302**
Derivative financial instruments	1 679	1	-	-	-	-	-	**1 680**
Loans and receivables to customers	17 065	7 893	9 879	15 071	50 047	26 093	66 841	**192 889**
Available-for-sale financial assets	45 256	-	-	-	8 974	-	-	**54 230**
Prepaid corporate income tax	-	3	-	-	428	-	-	**431**
Investment property	-	-	-	-	-	-	117 765	**117 765**
Tangible fixed assets	-	-	-	-	-	-	42 281	**42 281**
Biological assets	-	-	-	-	-	-	12 094	**12 094**
Goodwill and other intangible assets	-	-	-	-	-	-	803	**803**
Assets held for sale	-	-	-	1 046	-	-	-	**1 046**
Other assets	18 781	1 541	70	17	24	418	381	**21 232**
Total assets	**383 517**	**15 845**	**9 963**	**16 145**	**60 341**	**26 884**	**261 801**	**774 496**
Liabilities								
Due to the central bank and other banks	1 034	-	-	-	-	-	-	**1 034**
Derivative financial instruments	1 127	2	-	-	-	-	-	**1 129**
Customer deposits	90 112	47 020	32 327	24 843	501 679	213	2 233	**698 427**
Subordinated debt	-	-	-	-	19 798	2 076	-	**21 874**
Deferred tax	-	-	-	-	-	-	1 532	**1 532**
Other liabilities	7 984	1 931	218	834	783	-	528	**12 278**
Total liabilities	**100 257**	**48 953**	**32 545**	**25 677**	**522 260**	**2 289**	**4 293**	**736 274**
Off-balance sheet items	5 566	-	2 500	-	-	-	-	**8 066**
Net liquidity	**277 694**	**(33 108)**	**(25 082)**	**(9 532)**	**(461 919)**	**24 595**	**257 508**	

Bank	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over	Other	Total
As at 31 December 2014	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Assets								
Cash and balance with the central bank	22 943	-	-	-	-	-	-	**22 943**
Loans and receivables to banks	226 981	-	-	-	-	-	1 119	**228 100**
Trading financial assets	9 832	-	-	-	-	349	-	**10 181**
Derivative financial instruments	805	12	-	-	11	-	-	**828**
Loans and receivables to customers	26 043	15 477	2 866	28 827	82 192	44 442	36 953	**236 800**
Available-for-sale financial assets	183 229	-	-	-	7 745	236 935		**427 909**
Held to maturity financial assets	-	-	-	-	4 605	1 489	12 345	**18 439**
Investment property	-	-	-	-	-	-	6 571	**6 571**
Tangible fixed assets	-	-	-	-	-	-	16 200	**16 200**
Goodwill and other intangible assets	-	-	-	-	-	-	290	**290**
Assets held for sale	-	-	-	534	-	-	-	**534**
Other assets	7 315	-	-	-	-	85	101	**7 501**
Total assets	**477 148**	**15 489**	**2 866**	**29 361**	**94 553**	**283 300**	**73 579**	**976 296**
Liabilities								
Due to the central bank and other banks	9 368	-	-	-	3	-	-	**9 371**
Derivative financial instruments	625	199	-	-	2	-	-	**826**
Customer deposits	137 716	39 951	57 468	55 904	548 267	238	802	**840 346**
Subordinated debt	-	-	-	2 329	23 735	7 234	-	**33 298**
Debt securities	-	-	-	-	-	4 331	-	**4 331**
Deferred tax	-	-	-	-	-	-	596	**596**
Other liabilities	5 808	-	-	698	-	-	-	**6 506**
Total liabilities	**153 517**	**40 150**	**57 468**	**58 931**	**572 007**	**11 803**	**1 398**	**895 274**
Off-balance sheet items	5 369	48	-	-	-	-	-	**5 417**
Net liquidity	**318 262**	**(24 709)**	**(54 602)**	**(29 570)**	**(477 454)**	**271 497**	**72 181**	

Bank	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over	Other	Total
As at 31 December 2013	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Assets								
Cash and balance with the central bank	177 901	6 262	-	-	-	-	-	**184 163**
Loans and receivables to banks	101 772	-	-	-	-	-	21 636	**123 408**
Trading financial assets	15 028	-	-	-	14	373	-	**15 415**
Derivative financial instruments	1 679	1	-	-	-	-	-	**1 680**
Loans and receivables to customers	17 065	30 818	8 816	12 639	40 795	25 361	67 009	**202 503**
Available-for-sale financial assets	45 256	-	-	-	7 817	175 499	-	**228 572**
Held-to-maturity financial assets	-	-	-	-	-	-	-	**-**
Prepaid corporate income tax	-	-	-	-	27	-	-	**27**
Investment property	-	-	-	-	-	-	14 003	**14 003**
Tangible fixed assets	-	-	-	-	-	-	16 646	**16 646**
Goodwill and other intangible assets	-	-	-	-	-	-	339	**339**
Assets held for sale	-	-	-	716	-	-	-	**716**
Other assets	5 249	-	-	-	-	86	101	**5 436**
Total assets	**363 950**	**37 081**	**8 816**	**13 355**	**48 653**	**201 319**	**119 734**	**792 908**
Liabilities								
Due to the central bank and other banks	1 034	-	-	-	-	-	-	**1 034**
Derivative financial instruments	1 127	2	-	-	-	-	-	**1 129**
Customer deposits	90 112	47 020	32 327	24 843	517 154	213	2 232	**713 901**
Subordinated debt	-	-	-	-	19 798	2 076	-	**21 874**
Deferred tax	-	-	-	-	-	-	631	**631**
Other liabilities	5 210	-	-	680	-	-	-	**5 890**
Total liabilities	**97 483**	**47 022**	**32 327**	**25 523**	**536 952**	**2 289**	**2 863**	**744 459**
Off-balance sheet items	5 569	532	2 500	-	-	-	-	**8 601**
Net liquidity	**260 898**	**(10 473)**	**(26 011)**	**(12 168)**	**(488 299)**	**199 030**	**116 871**	

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The table below presents an analysis of the Bank's liabilities and off-balance sheet liabilities analysed according to their contractual maturity, with the except of customer' s demand deposits with maturity distribution to the Bank's experience of the actual holding term deposits. The amounts of the liabilities disclosed in the table are contractual undiscounted cash flows.

Financial liabilities	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over	Total
As at 31 December 2014 - Bank	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Due to the central bank and other banks	9 195	-	-	-	-	-	**9 195**
Derivative financial instruments	(109)	143	-	-	-	-	**34**
- Contractual amounts payable	*799 754*	*1 369*	-	-	-	-	***801 123***
- Contractual amounts receivable	*(799 863)*	*(1 226)*	-	-	-	-	***(801 089)***
Customer deposits	140 563	40 230	57 899	56 799	549 547	951	**845 989**
Subordinated debt	-	-	-	419	33 477	11 229	**45 125**
Debt securities	-	20	11	-	-	4 300	**4 331**
Total undiscounted financial liabilities	**149 649**	**40 393**	**57 910**	**57 218**	**583 024**	**16 480**	**904 674**
Contingent liabilities	5 464	-	-	-	-	-	**5 464**
Commitments	5 626	48	-	-	-	-	**5 674**
Total	**11 090**	**48**	**-**	**-**	**-**	**-**	**11 138**
As at 31 December 2013 - Bank							
Due to the central bank and other banks	1 034	-	-	-	-	-	**1 034**
Derivatives financial instruments	(2 238)	(10)	-	-	-	-	**(2 248)**
- Contractual amounts payable	*831 162*	*2 080*	*43*	-	-	-	***833 285***
- Contractual amounts receivable	*(833 400)*	*(2 090)*	*(43)*	-	-	-	***(835 533)***
Customer deposits	94 017	47 404	32 738	25 390	517 827	868	**718 244**
Subordinated debt	-	-	-	-	26 302	2 686	**28 988**
Total undiscounted financial liabilities	**92 813**	**47 394**	**32 738**	**25 390**	**544 129**	**3 554**	**746 018**
Contingent liabilities	13 123	-	-	-	-	-	**13 123**
Commitments	4 652	532	2 500	-	-	-	**7 684**
Total	**17 775**	**532**	**2 500**	**-**	**-**	**-**	**20 807**

The table below presents an analysis of the Group's liabilities and off-balance sheet liabilities analysed according to their contractual maturity, with the except of customer' s demand deposits with maturity distribution to the Group's experience of the actual holding term deposits. The amounts of the liabilities disclosed in the table are contractual undiscounted cash flows.

The maturity profile of the Group's financial liabilities as at 31 December 2013 is not presented as the only items the Bank's subsidiaries had in 2013 were due to the Bank.

Financial liabilities	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over	Total
As at 31 December 2014 - Group	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Due to the central bank and other banks	2 118	1	62	51	-	-	**2 232**
Derivative financial instruments	(62)	155	-	-	-	-	**93**
- Contractual amounts payable	*800 816*	*1 430*	-	-	-	-	**802 246**
- Contractual amounts receivable	*(800 878)*	*(1 275)*	-	-	-	-	**(802 153)**
Customer deposits	176 229	66 744	89 388	107 544	575 478	951	**1 016 334**
Subordinated debt	84	4 446	127	679	35 530	26 224	**67 090**
Promissory notes issued	1	-	-	7 164	-	-	**7 165**
Debt securities	-	20	11	-	-	4 300	**4 331**
Total undiscounted financial liabilities	**178 370**	**71 366**	**89 588**	**115 438**	**611 008**	**31 475**	**1 097 245**
Contingent liabilities	14 980	-	-	-	-	-	**14 980**
Commitments	6 494	1 983	309	2 972	4 617	7	**16 382**
Total	**21 474**	**1 983**	**309**	**2 972**	**4 617**	**7**	**31 362**

The table below presents the maturity profile of the Bank's financial liabilities by the remaining maturities: principal payment and/or interest payments under agreements. The amounts of the liabilities disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over	Total
As at 31 December 2014 - Bank	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Due to the central bank and other banks	9 195	-	-	-	-	-	**9 195**
Derivative financial instruments	(109)	143	-	-	-	-	**34**
- Contractual amounts payable	*799 754*	*1 369*	-	-	-	-	***801 123***
- Contractual amounts receivable	*(799 863)*	*(1 226)*	-	-	-	-	***(801 089)***
Customer deposits	735 120	8 472	40 398	46 790	14 258	951	**845 989**
Subordinated debt	-	-	-	419	33 477	11 229	**45 125**
Debt securities in issue	**-**	20	11	**-**	**-**	4 300	**4 331**
Total undiscounted financial liabilities	**744 206**	**8 635**	**40 409**	**47 209**	**47 735**	**16 480**	**904 674**
Contingent liabilities	5 464	-	-	-	-	-	**5 464**
Commitments	5 626	48	-	-	-	-	**5 674**
Total	**11 090**	**48**	**-**	**-**	**-**	**-**	**11 138**
As at 31 December 2013 - Bank							
Due to the central bank and other banks	1 034	-	-	-	-	-	**1 034**
Derivatives financial instruments	(2 238)	(10)	-	-	-	-	**(2 248)**
- Contractual amounts payable	*831 162*	*2 080*	*43*	-	-	-	***833 285***
- Contractual amounts receivable	*(833 400)*	*(2 090)*	*(43)*	-	-	-	***(835 533)***
Customer deposits	616 643	38 934	28 881	23 005	9 913	868	**718 244**
Subordinated debt	-	-	-	-	26 302	2 686	**28 988**
Total undiscounted financial liabilities	**615 439**	**38 924**	**28 881**	**23 005**	**36 215**	**3 554**	**746 018**
Contingent liabilities	13 123	-	-	-	-	-	**13 123**
Commitments	4 652	532	2 500	-	-	-	**7 684**
Total	**17 775**	**532**	**2 500**	**-**	**-**	**-**	**20 807**

The table below presents the maturity profile of the Group's financial liabilities as at 31 December 2014 by the remaining maturities: principal payment and/or interest payments under agreements. The amounts of the liabilities disclosed in the table are the contractual undiscounted cash flows.

The maturity profile of the Group's financial liabilities as at 31 December 2013 is not presented as the only items the Bank's subsidiaries had in 2013 were due to the Bank.

Financial liabilities	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**5 years and over**	**Total**
As at 31 December 2014 - Group	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Due to the central bank and other banks	2 118	1	62	51	-	-	**2 232**
Derivative financial instruments	(62)	155	-	-	-	-	**93**
- Contractual amounts payable	*800 816*	*1 430*	-	-	-	-	**802 246**
- Contractual amounts receivable	*(800 878)*	*(1 275)*	-	-	-	-	**(802 153)**
Customer deposits	784 967	33 692	69 645	97 038	30 041	951	**1 016 334**
Subordinated debt	84	4 446	127	679	35 530	26 224	**67 090**
Promissory notes issued	1	-	-	7 164	-	-	**7 165**
Debt securities in issue	-	20	11	-	-	4 300	**4 331**
Total undiscounted financial liabilities	**787 108**	**38 314**	**69 845**	**104 932**	**65 571**	**31 475**	**1 097 245**
Contingent liabilities	14 980	-	-	-	-	-	**14 980**
Commitments	6 494	1 983	309	2 972	4 617	7	**16 382**
Total	**21 474**	**1 983**	**309**	**2 972**	**4 617**	**7**	**31 362**

CREDIT RISK

Credit risk is the potential risk which may cause losses for the Bank or the Group if a borrower or counterparty fails or refuses to meet its contractual obligations.

Both the Group and the Bank manage the overall credit risk, including country risk, in accordance with the Financial Risk Management and Control Policy and the Country Risk Management and Credit Policy.

When managing credit risk the Bank ensures adequate risk measurement, assessment and supervision.

The credit risk monitoring system established by the Bank is based on the following key elements:

- 1st element – Availability of risk measurement method. The Bank has developed and consistently applies methods for assessing creditworthiness of the Borrowers.
- 2nd element – Decision making procedure for granting a loan. Decisions on granting a loan are made collectively and the limits of authority are distributed across various levels in accordance with respective competence levels.
- 3rd element – Diversification of the credit portfolio, i.e. establishment of limits and restrictions. Setting limits and restrictions is regarded as a tool for minimization of credit risk and elimination of potential losses.
- 4th element – Monitoring of compliance to established limits and restrictions.
- 5th element – Creation of adequate loan loss provisions to cover losses that might appear in the course of loan transactions. Created provisions are regarded an instrument that would allow the Bank to cover future expected losses resulting from loan transaction risks; thus protecting the Bank financial stability from any negative impact.

The credit risk management practice includes the approved methods of the credit risk measurement of the borrowers' counter-parties or issuers as well as the regular assessment of the off-balance liabilities.

The Group and the Bank identify and control the credit risk by establishing the acceptable exposure limits for:

- individual borrowers and groups of interrelated counterparties;
- economic sectors;
- different types of exposures;
- types of collateral;
- unsecured loans;
- loans issued in the currency other than borrower's income.

The exposure limits are described in the Credit Policy and the Policy of Control over Large Exposures both approved by the Council. Those limits are regularly supervised and are revised annually by the Management Board.

Credit risk is managed by the Management Board and the Credit Committee.

The Management Board approves the internal bank's regulations for implementation of Bank's Credit Policy, considers and accepts new loan exposures, approves the measures for mitigating the risk related to the loan portfolio, performs control over the Credit Committee.

The Credit Committee approves the exposure within its competence, analyses the quality of the loan portfolio or individual loan and in case of deterioration accepts the measures for mitigating the credit risk. The Board approves the Credit Committee's decisions when the exposure exceeds EUR '000 200. The Council approves the Board's decisions when the exposure exceeds EUR '000 400.

The main assessment criterion for possible lending is the creditworthiness of the customer. Prior to making a final decision on any new loan exposure, the Bank and Group must obtain sufficient and reliable information to enable assessment of the risk profile of the borrower or counterparty.

The Credit and Investment Supervision Department manages credit risk on a daily basis. The Credit and Investment Supervision Department is responsible for Credit Policy implementation and supervision over its fulfilment.

The Credit and Investment Supervision Department is also in charge for exposure concentration analysis, for control over set limits, for monitoring the loans portfolio, preparing the reports on the loan portfolio and their submission to the Management Board. All breaches revealed by the Credit and Investment Supervision Department are reported to the Credit Committee and the Management Board.

MAXIMUM EXPOSURE TO CREDIT RISK

The amount of the Group's maximum exposure to credit risk without taking into account of any collateral is represented by the carrying amount of each category of financial assets in the balance sheet and off-balance sheet items.

	31.12.2014		31.12.2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Credit risk exposure relating to on-balance sheet assets	**918 744**	**929 709**	**416 721**	**577 106**
Loans and receivables to banks	246 082	228 100	129 562	123 408
Trading financial assets	63 355	10 181	16 302	15 415
Derivative financial instruments	909	828	1 680	1 680
Loans and receivables to customers	364 690	236 800	192 889	202 503
Available-for-sale financial assets	191 959	427 909	54 230	228 572
Held-to-maturity financial assets	18 439	18 439	-	-
Prepaid corporate income tax	1 157	-	431	27
Assets held for sale	3 070	534	1 046	716
Other assets	29 083	6 918	20 581	4 785

Credit risk exposure relating to off-balance sheet items	**31 362**	**11 138**	**20 273**	**20 807**
Contingent liabilities	14 980	5 464	13 123	13 123
Commitments	16 382	5 674	7 150	7 684
Maximum exposure	**950 106**	**940 847**	**436 994**	**597 913**

Risk concentrations of the maximum exposure to credit risk

According to the Credit Policy, the following limits and restrictions are established for the Group and the Bank:

- the maximum amount of the loan portfolio should not be more than 70% of the total assets and should not exceed the size of Capital Tier1 and Tier 2 more than 8 times;
- the portion of non-resident loans should not exceed 50% of the total loan portfolio;
- the maximum amount of loans into one economic segment is limited up to 45% of the total loan portfolio.

The Group's and Bank's financial assets are held in the following geographical regions:

At 31 December 2014 – Group	**Latvia**	**OECD countries**	**Russia**	**Other countries**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Credit risk exposure relating to on-balance sheet assets	**112 310**	**404 102**	**236 796**	**165 536**	**918 744**
Loans and receivables to banks	975	221 330	21 238	2 539	**246 082**
Trading financial assets	-	19 623	4 828	38 904	**63 355**
Derivative financial instruments	296	213	47	353	**909**
Loans and receivables to customers	99 308	22 275	186 178	56 929	**364 690**
Available-for-sale financial assets	1 199	117 131	10 454	63 175	**191 959**
Held-to-maturity financial assets	-	18 439	-	-	**18 439**
Prepaid corporate income tax	-	-	772	385	**1 157**
Assets held for sale	534	-	-	2 536	**3 070**
Other assets	9 998	5 091	13 279	715	**29 083**
Credit risk exposure relating to off-balance sheet items	8 742	175	21 355	1 090	**31 362**
Total	**121 052**	**404 277**	**258 151**	**166 626**	**950 106**

At 31 December 2013 – Group	Latvia	OECD countries	Russia	Other countries	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Credit risk exposure relating to on-balance sheet assets	**146 625**	**151 829**	**21 112**	**97 155**	**416 721**
Loans and receivables to banks	1 347	119 344	1 945	6 926	129 562
Trading financial assets	406	918	10 643	4 336	16 302
Derivative financial instruments	142	293	416	828	1 680
Loans and receivables to customers	116 220	12 761	6 660	57 248	192 889
Available-for-sale financial assets	15 458	14 998	-	23 774	54 230
Prepaid corporate income tax	30	-	-	401	431
Assets held for sale	716	-	-	330	1 046
Other assets	12 306	3 515	1 448	3 312	20 581
Credit risk exposure relating to off-balance sheet items	**18 409**	**145**	**267**	**1 452**	**20 273**
Total	**165 034**	**151 974**	**21 379**	**98 607**	**436 994**

At 31 December 2014 - Bank	Latvia EUR'000	OECD countries EUR'000	Russia EUR'000	Other countries EUR'000	Total EUR'000
Credit risk exposure relating to on-balance sheet assets	**259 986**	**386 459**	**143 635**	**139 629**	**929 709**
Loans and receivables to banks	965	220 086	4 918	2 131	**228 100**
Trading financial assets	-	3 066	3 349	3 766	**10 181**
Derivative financial instruments	297	213	46	272	**828**
Loans and receivables to customers	100 206	22 213	68 370	46 011	**236 800**
Available-for-sale financial assets	156 433	117 571	66 615	87 290	**427 909**
Held to maturity financial assets	-	18 439	-	-	**18 439**
Assets held for sale	534	-	-	-	**534**
Other assets	1 551	4 871	337	159	**6 918**
Credit risk exposure relating to off-balance sheet items	9 623	175	250	1 090	**11 138**
Total	**269 609**	**386 634**	**143 885**	**140 719**	**940 847**

At 31 December 2013 - Bank	Latvia EUR'000	OECD countries EUR'000	Russia EUR'000	Other countries EUR'000	Total EUR'000
Credit risk exposure relating to on-balance sheet assets	**305 189**	**151 581**	**24 209**	**96 127**	**577 106**
Loans and receivables to banks	1 196	119 327	1 781	1 104	**123 408**
Trading financial assets	406	699	10 643	3 667	**15 415**
Derivative financial instruments	142	293	416	828	**1 680**
Loans and receivables to customers	129 881	12 761	6 660	53 202	**202 503**
Available-for-sale financial assets	171 971	14 998	4 540	37 063	**228 572**
Prepaid corporate income tax	27	-	-	-	**27**
Assets held for sale	716	-	-	-	**716**
Other assets	850	3 503	169	263	**4 785**
Credit risk exposure relating to off-balance sheet items	**18 943**	**145**	**267**	**1 452**	**20 807**
Total	**324 132**	**151 726**	**24 476**	**97 579**	**597 913**

An industry sector analysis of the Group’s and Bank’s financial assets before taking into account any collateral held or other credit enhancements is as following:

	31.12.2014		31.12.2013	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Credit risk exposure relating to on-balance sheet assets	**918 744**	**929 709**	**416 721**	**577 106**
Banks	274 651	288 025	139 208	133 054
Private individuals	66 554	16 098	32 095	18 499
Transport	26 951	28 934	28 534	29 891
Trade	34 719	2 476	2 911	2 612
Financial services	76 852	252 987	34 877	225 589
Processing industry	109 981	69 002	50 201	50 480
Building	6 653	1	18 707	13 052
Governments	181 378	175 569	47 303	45 663
Other	141 005	96 617	62 885	58 266
Credit risk exposure relating to off-balance sheet items	**31 362**	**11 138**	**20 273**	**20 807**
Total	**950 106**	**940 847**	**436 994**	**597 913**

Renegotiated loans

In accordance with the Credit Policy a “***renegotiated loan*** *” is a new loan* used to refinance an *old* one, with the following conditions:

- interest payments are made not more often than once a year;
- the Client participation share in the loan project is not required (in case when based on standard Bank’s requirements the Client share participation is required);
- newly stipulated interest rate for the loan utilization is considerably lower than standard rate;
- new loan maturity is considerably longer than the standard maturity for the similar Bank loans;
- past due, but not paid loan interest is capitalized (for credit card loans at the moment of renegotiation).

Prior to loan renegotiation the Bank should have reasonable assurance that the borrower’s creditworthiness (forecasted cash flow) is sufficient for fulfilment of obligations under to the terms and conditions of the altered loan agreement:

- if the borrower is a legal entity such assurance is mainly based on the borrower’s forecasted cash flow and its feasibility analysis,
- if the borrower is a private individual such assurance is mainly based on the customer’s planned income,
- it is not permitted to make multiple amendments to the loan agreement (loan renegotiation) without performing the borrower cash flow analysis or analysis of feasibility of the financed project.

The decision on the loan restructuring is made by the authorized bodies of the Bank.

The amount of renegotiated loans as at 31 December 2014 is EUR ‘000 32 769 (2013: EUR ‘000 39 112).

Collateral and other loan enhancements

The Bank considers collateral as an element mitigating the credit risk. The acceptable types of collateral and the methods of evaluation are established in the Credit Policy and the Procedure for the Supervision over the Loans.

The main acceptable types of collateral are: real estate mortgage, ship mortgage, commercial pledge of the assets of the companies incl. fixed assets inventory and accounts receivable.

The management controls the market value of the collateral paying special attention to the real estate property and adjusting it accordance to the recent market prices.

The assessment of the real estate property is performed by the independent certified valuators. The Bank adjusts the market value made by the evaluators if considers that any substantial risk factors were omitted. Such adjusted market value is used in calculations of adequacy of collateral.

According to the requirements of the Credit Policy the maximum portion of the loans with the similar type of collateral should be limited up to 45% of the loan portfolio (loans without collateral are not taken into consideration).

The portion of unsecured exposures should be limited up to 15% of the Credit Portfolio. The Bank considers the unsecured exposures (they mainly are the consumer loans, including cards), as a group of loans with the same purpose and similar credit risk, that has been analyzed, assessed and accepted while implementing the respective loan instrument.

Quality of loans and receivables

The Group and the Bank are constantly monitoring the creditworthiness of the borrowers, adequacy of the collateral and measurement of its fair value.

The Bank classifies the loans on the quarterly basis or every time when it receives the information about the substantial deterioration of the quality of any loan. The classification is made with the aim to assess the quality and risk grade of the issued loans and indemnities measurement of potential losses and creation of sufficient provisions as well.

The loan assessment is made by the Credit Committee and the Risk management Committee. Both committees in its assessments and estimations observe the principles of conservatism and discretion, i.e. not to decrease the amount of assets and earnings or not to increase the amount of liabilities and costs so that the financial report remains reliable.

The Credit Committee decides on non-recognition or derecognition of interest income from individually assessed loan; and non-recognition or derecognition of interest income from renegotiated loans.

The Risk Management Committee decides on making the provisions for impairment.

The special provisions in the financial reports are reflected as a result of the deterioration of the loan quality and /or impairment. The amount of losses caused by the impairment is reflected in the Income Statement for the reported period.

The assessment of the loan quality is made by assessing of each loan, i.e. individually, or collectively by pooling the loans with similar credit risk characteristics.

	31.12.2014		31.12.2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Loans and receivables to customers				
Neither past due nor impaired	275 054	155 256	96 173	107 199
Past due but not impaired	19 906	7 468	24 479	20 975
Impaired	120 568	116 568	114 381	116 725
Gross amount	**415 528**	**279 292**	**235 033**	**244 899**
(Provisions)	(50 838)	(42 492)	(42 144)	(42 396)
Total net loans and receivables to customers	**364 690**	**236 800**	**192 889**	**202 503**

As of 31 December 2014 and 31 December 2013 other financial assets: loans and receivables to banks; available-for-sale financial assets; contingent liabilities and commitments have been neither classified as past due nor impaired.

Ageing analysis of past due but not impaired loans and receivables to customers

In order to detect possible impairment of overdue loans the Bank applied its internal methodology. No loans from the category of "past due but not impaired" (including unsecured consumer loans with the age interval till 180 days) demonstrated impairment when were examined in accordance with the internal methodology.

The table below represents the Group's and the Bank's analysis of past due but not impaired loans as at 31 December 2014:

Group	Past due but not impaired					
At 31 December 2014	up to 30 days EUR'000	31 to 60 days EUR'000	61 to 90 days EUR'000	91 to 180 days EUR'000	More than 180 days EUR'000	Total EUR'000
Mortgage loans	643	523	121	2,719	1,955	**5 961**
Industrial loans	-	-	-	-	790	**790**
Commercial loans	546	-	-	136	-	**682**
Consumer loans	458	88	21	120	603	**1 290**
Credit card	183	344	326	888	6,748	**8 489**
Finance leases	13	25	13	-	-	**51**
Other	247	2,278	14	6	98	**2 643**
Total	**2 090**	**3 258**	**495**	**3 869**	**10 194**	**19 906**

Bank	Past due but not impaired					
At 31 December 2014	up to 30 days EUR'000	31 to 60 days EUR'000	61 to 90 days EUR'000	91 to 180 days EUR'000	More than 180 days EUR'000	Total EUR'000
Mortgage loans	45	231	21	1 383	1 364	**3 044**
Industrial loans	-	-	-	-	790	**790**
Commercial loans	546	-	-	-	-	**546**
Consumer loans	408	-	-	35	-	**443**
Credit card	177	-	-	-	-	**177**
Finance leases	-	-	-	-	-	**-**
Other	200	2 268	-	-	-	**2 468**
Total	**1 376**	**2 499**	**21**	**1 418**	**2 154**	**7 468**

The table below represents the Group's and the Bank's analysis of past due but not impaired loans as at 31 December 2013:

Group	Past due but not impaired					
At 31 December 2013	up to 30 days EUR'000	31 to 60 days EUR'000	61 to 90 days EUR'000	91 to 180 days EUR'000	More than 180 days EUR'000	Total EUR'000
Mortgage loans	746	368	45	3 110	3 908	8 177
Industrial loans	1 747	199	-	-	3 752	5 698
Commercial loans	-	50	-	4 493	3 395	7 938
Consumer loans	820	8	34	56	26	944
Credit card	268	-	-	-	-	268
Finance leases	325	148	12	-	-	485
Other	-	-	-	969	-	969
Total	**3 906**	**773**	**91**	**8 628**	**11 081**	**24 479**

Bank	**Past due but not impaired**					
At 31 December 2013	**up to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Mortgage loans	158	346	11	3 071	3 508	7 094
Industrial loans	1 747	199	-	-	3 752	5 698
Commercial loans	-	50	-	4 493	477	5 020
Consumer loans	820	8	34	56	1	919
Credit card	269	-	-	-	-	269
Finance leases	127	-	-	-	-	127
Other	-	879	-	969	-	1 848
Total	**3 121**	**1 482**	**45**	**8 589**	**7 738**	**20 975**

The detailed information on the provisions made against bad debts is in Note 16 "Impairment losses on financial assets".

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will adversely fluctuate due to changes in market variables such as interest rates, exchange rates and equity prices.

The Bank classifies exposures to market risk into either trading or non-trading portfolios. The Bank's subsidiaries do not have trading portfolios. The trading portfolio includes those positions arising from market-making transactions where the Bank acts as principal with clients or with the market and are managed by the Bank's Capital Markets Department according to the Investment Policy and the Financial Risk Management and Control Policy within limits and restrictions set by the Management Board.

Market risks mainly arise from open positions (both trading and non-trading) in interest rate and foreign currency exchange rates. Interest rate risk and foreign currency exchange risk are managed and monitored by applying sensitivity analyses. The Group has no significant market risk concentration.

The Management Board and the Assets and Liabilities Committee set the basic interest rate for deposits and loans for each currency group and period analyzing the maturity and interest rates of assets and liabilities, the net interest margin and liquidity in connection with currencies and directions of operations.

Interest rate risk

The following table demonstrates sensitivity of the Group's income statement and equity to possible changes in interest rates on the condition that all other variables are constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income (with equal effect on pre-tax profit) for one year based on financial assets and financial liabilities (variable loan commitments are not included) categorized by the earlier of contractual re-pricing or maturity dates.

The methods employed in interest rate risk sensitivity analysis have remained unchanged compared to the year 2013.

The sensitivity of equity is calculated by revaluating fixed rate available-for-sale financial assets held as of 31 December 2014 and is based on the assumption that there are parallel shifts in the yield curve discounting future cash flows by amended interest rate. There is the same effect on sensitivity of equity of the Group as only the Bank has fixed rate available-for-sale assets revaluing them through the equity.

Possible parallel interest rate shift in basis points has been set to 100 bps for the currencies USD and EUR (100bp in 2013). The reason is that the Bank believes that there will be no dramatic increases in the interest rates for these currencies, given the current situation of stagnation at historical lows. After Вятка-банк ОАО (Russia) including into the Group in 2014 the sensitivity to the RUB is also assessed. Possible parallel interest rate shift in basis points for RUB has been set to 300 bps relying on the history during 2014 and forecast for 2015.

At 31 December 2014		**Bank**	**Group**	**Sensitivity of equity**			
Currency	**Increase/ decrease in basis points**	**Sensitivity of net interest income**	**Sensitivity of net interest income**	**Up to 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
		EUR’000	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**
EUR	100	(1 690)	(1 618)	(19)	(54)	(124)	(197)
USD	100	(1 279)	(1 273)	(107)	(106)	(475)	(687)
RUB	300	(124)	1 148	-	-	-	-
EUR	(100)	1 690	1 618	19	54	124	197
USD	(100)	1 279	1 273	107	106	475	687
RUB	(300)	124	(1 148)	-	-	-	-

At 31 December 2013		**Bank**	**Group**	**Sensitivity of equity**			
Currency	**Increase/ decrease in basis points**	**Sensitivity of net interest income**	**Sensitivity of net interest income**	**Up to 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
		EUR’000	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**
LVL	100	(266)	(154)	-	-	-	-
USD	100	(2 244)	(2 335)	(3)	-	(361)	(364)
EUR	100	(102)	(175)	(46)	(6)	-	(52)
RUB	300	(298)	(293)	-	-	-	-
LVL	(100)	266	154	-	-	-	-
USD	(100)	2 244	2 335	3	-	361	364
EUR	(100)	102	175	46	6	-	52
RUB	(300)	298	293	-	-	-	-

Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Policy of Control over Large Exposures and the Financial Risk Management and Control Policy govern foreign currency exchange risk control and management. These policies are based on meeting the restrictions of the net open position of each foreign currency and the total open position of foreign currencies in compliance with the limits and stop losses set by the Management Board and with the requirements of the Latvian Financial and Capital Market Commission. In order to avoid losses arising from adverse changes in exchange rates, the Treasury continuously manages open positions and supervises compliance with the restrictions on foreign currency positions.

The methods employed in currency risk sensitivity analysis have remained unchanged compared to year 2013.

The sensitivity analysis for the Group’s foreign currency exchange risk is presented in the following tables:

As at 31 December 2014 - Group	EUR	USD	RUB	Other currencies	Total
	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000
Assets					
Cash and due from the central bank	14 866	5 709	14 912	3 704	**39 191**
Loans and receivables to banks	65 526	153 554	18 970	8 032	**246 082**
Trading financial assets	6 317	22 463	34 575	-	**63 355**
Derivative financial instruments	855	13	41	-	**909**
Loans to customers and receivables	118 797	133 561	111 309	1 023	**364 690**
Available-for-sale financial assets	43 212	148 747	-	-	**191 959**
Held to maturity financial assets	1 978	16 461	-	-	**18 439**
Prepaid corporate income tax	-	-	772	385	**1 157**
Investment property	121 675	-	-	-	**121 675**
Tangible fixed assets	50 858	-	547	211	**51 616**
Goodwill and other intangible assets	25 283	-	-	7	**25 290**
Assets held for sale	534	-	-	2 536	**3 070**
Other assets	21 531	3 490	3 682	964	**29 667**
Total assets	**471 432**	**483 998**	**184 808**	**16 862**	**1 157 100**
Liabilities and equity					
Due to the central bank and other banks	230	1 726	437	11	**2 404**
Derivative financial instruments	822	34	30	-	**886**
Customer deposits	366 841	471 412	159 830	10 616	**1 008 699**
Subordinated debt	21 644	20 081	-	128	**41 853**
Debt securities	4 331	-	-	-	**4 331**
Deferred tax liabilities	596	-	2 180	229	**3 005**
Other liabilities	18 146	624	1 180	1 326	**21 276**
Total liabilities	**412 610**	**493 877**	**163 657**	**12 310**	**1 082 454**
Share capital and reserves	73 790	-	-	-	**73 790**
Minority interest	-	-	856	-	**856**
Total liabilities and equity	**486 400**	**493 877**	**164 513**	**12 310**	**1 157 100**
Net balance sheet long/(short) position	**(14 968)**	**(9 879)**	**20 295**	**4 552**	
Spot foreign-exchange contracts long/(short) position	(9 920)	(4 426)	2 112	12 234	
Swap foreign-exchange contracts long/(short) position	(37 975)	48 741	2 571	(13 337)	
Forward foreign-exchange contracts long/(short) position	19 949	(19 729)	(252)	32	
Net open long/(short) currency position	**(42 914)**	**14 707**	**24 726**	**3 481**	
Currency open position in % from capital as of 31/12/2014		**18.90**	**31.77**		
As at 31 December 2013 - Group					
Net open long/(short) currency position	**(29 281)**	**5 745**	**2 582**	**20 954**	
Currency open position in % from capital as of 31/12/2013		**11.78**	**5.29**		

The table below indicates the currencies to which the Group had significant exposure at 31 December 2014 and at 31 December 2013 on its bank and trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate against the EUR with all other variables held constant on the income statement

Possible currency rate fluctuations have been set to 7% (7% in 2013) for USD. The reason for keeping such volatility estimation for the USD – the Bank believes it to be a safe proxy for the future, given the fact that it was the approximate EURUSD volatility for the year 2014. The exposure in RUB does have the effect on the Group income statement since “Вятка-банк” OAO including into the Group in 2014. Possible currency rate fluctuations have been set to 30% for RUB. The reason for such volatility estimation for the RUB is based on the historical data in 2014 and forecast for 2015.

Group	**31.12.2014**		**31.12.2013**	
Currency	**Change in currency rate**	**Effect on income statement**	**Change in currency rate**	**Effect on income statement**
	%	**EUR'000**	**%**	**EUR'000**
USD	+7	1 029	+7	403
	(7)	(1 029)	(7)	(403)
RUB	+30	7 418	+30	775
	(30)	(7 418)	(30)	(775)

The sensitivity analysis of the Bank to the foreign currency exchange risk is presented in the following tables:

As at 31 December 2014 - Bank	**EUR**	**USD**	**RUB**	**Other currencies**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Assets					
Cash and due from the central bank	14 195	4 771	405	3 572	**22 943**
Loans and receivables to banks	65 228	149 888	5 234	7 750	**228 100**
Trading financial assets	349	9 832	-	-	**10 181**
Derivative financial instruments	817	11	-	-	**828**
Loans to customers and receivables	119 392	116 065	345	998	**236 800**
Available-for-sale financial assets	279 162	148 747	-	-	**427 909**
Held to maturity financial assets	1 978	16 461	-	-	**18 439**
Investment property	6 571	-	-	-	**6 571**
Tangible fixed assets	16 200	-	-	-	**16 200**
Goodwill and other intangible assets	290	-	-	-	**290**
Assets held for sale	534	-	-	-	**534**
Other assets	3 396	3 490	68	547	**7 501**
Total assets	**508 112**	**449 265**	**6 052**	**12 867**	**976 296**
Liabilities and equity					
Due to the central bank and other banks	224	9 109	13	25	**9 371**
Derivative financial instruments	822	4	-	-	**826**
Customer deposits	368 836	451 025	9 875	10 610	**840 346**
Subordinated debt	21 644	11 526	-	128	**33 298**
Debt securities	4 331	-	-	-	**4 331**
Deferred tax liabilities	596	-	-	-	**596**
Other liabilities	5 835	515	71	85	**6 506**
Total liabilities	**402 288**	**472 179**	**9 959**	**10 848**	**895 274**
Share capital and reserves	81 022	-	-	-	**81 022**
Total liabilities and equity	**483 310**	**472 179**	**9 959**	**10 848**	**976 296**
Net balance sheet long/(short) position	**24 802**	**(22 914)**	**(3 907)**	**2 019**	
Spot foreign-exchange contracts long/(short) position	(8 911)	(5 007)	1 684	12 234	
Swap foreign-exchange contracts long/(short) position	(36 274)	48 741	870	(13 337)	
Forward foreign-exchange contracts long/(short) position	18 151	(19 729)	1 546	32	
Net open long/(short) currency position	**(2 232)**	**1 091**	**193**	**948**	
Currency open position in % from capital as of 31/12/2014		**1.15**	**0.20**		
As at 31 December 2013 - Bank					
Net open long/(short) currency position	**(4 224)**	**(1 124)**	**333**	**5 015**	
Currency open position in % from capital as of 31/12/2013		**1.97**	**0.58**		

As of 31 December 2014 the Bank's open position was 2.35% of the Tier 1 and Tier 2 of the capital (2013: 11.69 %).

According to the Law on Credit Institutions of the Republic of Latvia the total open position should not exceed 20% of the capital amount set by instructions of Finance and Capital Market Commission, and the open position for every currency should not exceed 10 %; the internal limits set by the Board during the 2014 were stronger (8 % and 4 % accordingly).

The table below indicates the currencies to which the Bank had significant exposure as of 31 December 2014 and as of 31 December 2013 on its bank and trading monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonable possible movement of the currency rate against the EUR, with all other variables held constant, on the income statement.

Bank	**31.12.2014**		**31.12.2013**	
Currency	**Change in currency rate**	**Effect on income statement**	**Change in currency rate**	**Effect on income statement**
	%	**EUR'000**	**%**	**EUR'000**
USD	+7	76	+7	(78)
	(7)	(76)	(7)	78
RUB	+30	58	+30	100
	(30)	(58)	(30)	(100)

Operational risk

Operational risk is the risk of loss arising from the impact of inadequate or unsuccessful internal processes: personnel errors systems failure or external events. The Management Board and appropriate organizational units of the Group exercise supervision and control over the operational risk on the basis of the approved Operational Risk Management Policy. Operational risk is monitored and managed by the following methods: effective segregation of duties and accesses authorization and verification; operational risk is daily monitored by the Back-Office and operational risk cases are registered in on-line database for the further analysis; direct reporting on operational risk cases to the Management Board respective heads of department and product managers; regular internal control process reviews; regular inspections by Internal Audit including regular IT systems inspections by IT system internal auditor.

4. NET INTEREST INCOME

	2014		2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	**21 070**	**12 153**	**13 896**	**13 328**
Loans and receivables to customers	16 146	8 850	10 507	10 067
Loans and receivables to banks	587	520	628	541
Available-for-sale securities	1 767	1 767	1 421	1 421
Trading securities	2 252	729	1 260	1 226
Held-to-maturity financial assets	222	222	14	14
Other	96	65	66	59
Interest expense	**8 675**	**4 801**	**6 084**	**5 999**
Customer deposits	4 613	1 305	2 587	2 589
Deposits from banks	60	2	99	53
Subordinated debt	2 029	1 756	1 790	1 790
Payments in the Deposit Guarantee Fund	1 850	1 677	1 567	1 567
Debt securities	61	61	-	-
Other	62	-	41	-
Net interest income	**12 395**	**7 352**	**7 812**	**7 329**

As at 31 December 2014 Group interest income accrued on impaired loans to customers amounted to EUR'000 2 977 (2013: EUR'000 1 878). As at 31 December 2014 Bank interest income accrued on impaired loans to customers amounted to EUR'000 1 872 (2013: EUR'000 1 710).

5. NET FEE AND COMMISSION INCOME

	2014		2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Fee and commission income	**24 682**	**21 355**	**19 374**	**18 583**
Account services and money transfer fees	14 898	13 907	12 217	12 295
Commission for public utility payments	1 552	1 552	1 558	1 558
Payment cards	4 481	3 527	2 609	2 609
Brokerage services on securities	1 390	1 396	1 088	1 096
Asset management fees	957	52	881	56
Cash withdrawal	1 001	625	740	740
Commission on letters of credit and collection	132	132	79	79
Other	271	164	202	150
Fee and commission expense	**3 433**	**3 303**	**2 920**	**2 902**
Payment cards	1 943	1 880	1 667	1 667
Services of correspondent banks	1 137	1 077	907	907
Securities purchase and brokerage services	345	345	327	327
Other	8	1	19	1
Net fee and commission income	**21 249**	**18 052**	**16 454**	**15 681**

6. NET TRADING INCOME

	2014		2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Profit/(loss) from trading financial assets net	**(2 230)**	**(674)**	**(277)**	**(261)**
Bonds and other fixed income securities	**(1 831)**	**(585)**	**(190)**	**(174)**
Net trading profit/(loss)	(668)	(432)	46	60
Fair value adjustment	(1 163)	(153)	(236)	(234)
Shares and other non- fixed income securities	**(399)**	**(89)**	**(87)**	**(87)**
Net trading profit/(loss)	(377)	(19)	-	-
Fair value adjustment	(22)	(70)	(87)	(87)
Profit/(loss) from derivative instruments and foreign exchanges trading net	**1 116**	**5 900**	**4 840**	**5 014**
Net trading profit/(loss)	2 933	8 255	16 347	16 521
Fair value adjustment	(1 804)	(2 342)	(11 507)	(11 507)
Reserve on options	(13)	(13)	-	-
Profit/(loss) from assets held for sale	-	**-**	**-**	**(380)**
Net trading profit/(loss)	-	-	-	(380)
Profit/(loss) from revaluation of open position net	**15 554**	**2 655**	**9 467**	**6 693**
Net trading income	**14 440**	**7 881**	**14 030**	**11 066**

7. NET GAIN OR LOSS FROM SALES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014		2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Non fixed income securities (investment funds)	-	(70)	549	(7 083)
Investments in subsidiaries	112	(85)	8 257	1 364
Bonds and other fixed income securities	335	335	(460)	(460)
Total	**447**	**180**	**8 346**	**(6 179)**

These are the amounts transferred from equity to the income statement on the derecognition of available-for-sale financial instruments.

8. OTHER OPERATING INCOME AND EXPENSES

Other operating income was as follows:	2014		2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Typography	19 944	-	20 617	-
Income from ships (freight)	-	-	10 841	-
Rent of investment property	3 992	970	4 974	1 206
Hotel business	-	-	844	-
Penalties	618	338	444	425
Forestry	-	-	831	-
Rent of premises	149	137	150	199
Other	5 790	606	3 981	455
Total	**30 493**	**2 051**	**42 682**	**2 285**

Other operating expenses were as follows:	2014		2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Production costs	13 722	-	11 905	-
Expenses from ships (freight)	-	-	11 038	-
Net loss of sale of biological assets	2 317	-	-	-
Expenses from credit operations	1 502	1 505	1 416	1 416
Net loss of sale of ship and real estate	97	-	5 382	-
Membership fees	304	215	267	186
Other	1 142	7	3 348	61
Total	**19 084**	**1 727**	**33 356**	**1 663**

9. ADMINISTRATIVE EXPENSES

	2014		2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Personnel expense	**26 872**	**14 039**	**21 067**	**11 881**
Personnel remuneration	19 605	9 801	16 370	8 595
Supervisory Council and Management Board remuneration	3 086	1 801	1 208	982
Social security contributions	4 181	2 437	3 489	2 304
Other expense	**17 678**	**10 107**	**14 601**	**7 697**
Professional services	3 481	2 387	2 388	2 073
Computer repair and communications	2 446	1 216	1 493	1 328
Rent	1 568	751	1 189	733
Public utilities and maintenance	1 840	311	3 441	816
Advertising	839	741	395	214
Value added tax	811	533	459	363
Business trips	1 093	254	390	281
Security	717	418	423	261
Real estate tax	826	139	277	187
Other administrative expenses	4 057	3 357	4 146	1 441
Total	**44 550**	**24 146**	**35 668**	**19 578**

During the 2014 the average number of employees in the Group and the Bank was 1 539, 5 Supervisory Council and 6 Management Board members and 596 employees, 5 Supervisory Council and 6 Management Board members, respectively.

During the 2013 the average number of employees in the Group and the Bank was 1 157, 3 Supervisory Council and 4 Management Board members and 587 employees, 3 Supervisory Council and 4 Management Board members, respectively.

10. CORPORATE INCOME TAX

a) Components of corporate income tax	2014		2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Corporate income tax expense for the year	888	-	46	-
Corporate income tax paid abroad	431	431	350	350
Recalculation for previous year	-	-	382	368
Change in deferred tax liability	(640)	-	88	-
Total	**679**	**431**	**866**	**718**

b) Reconciliation of accounting profit to tax charge	2014		2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Profit before taxation	**(17 094)**	**(43 389)**	**(18 159)**	**(25 528)**
Expected corporate income tax (15%)	(2 564)	(6 508)	(2 723)	(3 829)
Tax effect of:				
(Untaxed income)/non-deductible expense	3 429	5 466	(839)	30
Effect of different tax rates on income tax paid abroad/ lost allowance for tax paid abroad	431	431	350	350
Effect of different tax rates of subsidiaries operating in other jurisdictions	(173)	-	37	-
Contribution	1 645	1 645	-	-
Corrections of previous periods	-	-	368	368
Carried losses in group	-	-	-	637
Overtaken loses	(2 094)	(603)	(110)	-
Not recognized deferred tax assets	5	-	3 783	3 162
Total	**679**	**431**	**866**	**718**
Effective tax rate	**-4%**	**-1%**	**-5%**	**-3%**

Expected corporate income tax has been calculated in accordance to Latvian income tax rate in 2014 (15%). Effect of different tax rates of subsidiaries operating in other jurisdictions appeared due to 20% income tax rate in Armenia and Russia; 21% in the United Kingdom; 12.5% in Cyprus.

c) Reconciliation of prior year deferred tax balance with that of current period is as follows:

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Deferred tax liability at the beginning of year	901	-	816	-
Deferred tax liability increase (decrease) for the year	(233)	-	109	-
Deferred tax arising on identifiable net assets acquired	1 650	-	-	-
Foreign exchange	91	-	(24)	-
Deferred tax liability at the year end	**2 409**	**-**	**901**	**-**
Deferred tax recognized directly in equity at the beginning of year	631	631	592	592
Deferred tax increase for the year net	(35)	(35)	39	39
Deferred tax recognized directly in equity at the year end	**596**	**596**	**631**	**631**
Total	**3 005**	**596**	**1 532**	**631**

d) The deferred tax included in the balance sheet and changes recorded in the income statement are as follows:

	2014		2013	
Group	**Deferred tax asset**	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Loans to customers	-	(1 409)	-	(869)
Depreciation and amortization	9	(579)	7	(421)
Change in fair value of investment property	166	-	-	(1 447)
Tax loss carry-forwards	6 077	(5)	6 733	-
Accruals for vacations	165	-	152	-
Not recognized deferred tax assets	-	(6 046)	-	(4 996)
Other	363	(1 150)	3	(64)
Total mutual off setting of asset/(liability)	**6 780**	**(9 189)**	**6 895**	**(7 797)**
Net deferred tax asset/(liability)		**(2 409)**	**-**	**(901)**
Deferred tax recognized directly in equity	**-**	**(596)**	**-**	**(631)**
Total	**-**	**(3 005)**	**-**	**(1 532)**

	2014		2013	
Bank	**Deferred tax assets**	**Deferred tax liability**	**Deferred tax assets**	**Deferred tax liability**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Depreciation and amortization	-	(133)	-	(421)
Change in fair value of investment property	-	-	-	(594)
Tax loss carry-forwards	6 077	-	5 075	-
Accruals for vacations	102	-	102	-
Not recognized deferred tax assets	-	(6 046)	-	(4 162)
Total mutual off setting of asset/(liability)	**6 179**	**(6 179)**	**5 177**	**(5 177)**
Net deferred tax asset/(liability)	**-**	**-**	**-**	**-**
Deferred tax recognized directly in equity	**-**	**(596)**	**-**	**(631)**
Total	**-**	**(596)**	**-**	**(631)**

11. CASH AND BALANCES WITH THE CENTRAL BANK

	31.12.2014		31.12.2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash	21 632	13 042	12 116	12 098
Due from the central bank	17 559	9 901	172 065	172 065*
Total	**39 191**	**22 943**	**184 181**	**184 163**

* - According to regulations set by the Bank of Latvia on euro implementation the EUR '000 9 394 were pledged in the Bank of Latvia account. The pledge was released in February 2014.

Balances with the Bank of Latvia represent funds held in the Bank's clearing account. In accordance with the regulations set by the Bank of Latvia the Bank's average monthly correspondent account balance should not be less than the amount of the statutory reserve which is calculated on the basis of the balance of liabilities included in the reserve base as at the end of each month. As at 31 December 2014 the amount of the statutory reserve of the Bank was EUR'000 7 594 (31.12.2013: EUR'000 27 072). Bank is compliant with this regulation.

12. LOANS TO AND RECEIVABLES FROM BANKS

	31.12.2014		31.12.2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Demand placements with:	**186 147**	**169 326**	**108 504**	**102 350**
Banks of the Republic of Latvia	160	150	924	773
Banks of the OECD countries	162 372	162 127	98 709	98 692
Banks of other countries	23 615	7 049	8 871	2 885
Loans to and receivables from:	**59 935**	**58 774**	**21 058**	**21 058**
Banks of the Republic of Latvia	815	815	423	423
Banks of the OECD countries	58 958	57 959	20 635	20 635
Banks of other countries	162	-	-	-
Total	**246 082**	**228 100**	**129 562**	**123 408**

As at 31 December 2014 the Bank did not have pledged sum for Forex deals (31.12.2013: EUR'000 20 373); EUR'000 303 pledged for guaranties (31.12.2013: EUR'000 686); EUR'000 816 pledged for POS-terminal payments (31.12.2013: EUR'000 578).
In 2014 the Bank's average nominal interest rates are: USD 0.06%, EUR 0.07%, RUB 8.23%, GBP 0.11%; in 2013: USD 0.05%, EUR 0.05%.

13. TRADING FINANCIAL ASSETS

	31.12.2014		31.12.2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Trading bonds and other fixed income securities	**59 780**	**7 115**	**16 288**	**15 401**
Republic of Latvia bonds	-	-	406	406
OECD country bonds	16 132	-	918	699
Other country bonds	43 648	7 115	14 964	14 296
Trading shares and other non- fixed income securities	**3 575**	**3 066**	**14**	**14**
OECD country shares	3 491	3 066	-	-
Other country shares	84	-	14	14
Total	**63 355**	**10 181**	**16 302**	**15 415**

14. DERIVATIVE FINANCIAL INSTRUMENTS

The table below presents the fair value of the Group’s and Bank’s derivatives held for trading. Derivatives financial instruments are accounted as assets or liabilities together with their notional amounts. The notional amounts are the gross amount of a derivative’s underlying assets. For FX derivative notional amounts are calculated based on Regulation No 575/2013 of the European Parliament and of the Council regulation on calculation of capital adequacy. The notional amounts indicate the volume of transactions outstanding at the year end.

	31.12.2014			31.12.2013		
Group	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**	**Notional amount**
	EUR’000	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**
Foreign exchange contracts						
Swaps	859	394	274 881	1 620	902	205 493
Forwards	38	428	26 857	60	227	81 708
Other derivatives						
Options	12	64	1 497	-	-	-
Total	**909**	**886**	**303 235**	**1 680**	**1 129**	**287 201**

	31.12.2014			31.12.2013		
Bank	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**	**Notional amount**
	EUR’000	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**
Foreign exchange contracts						
Swaps	779	394	272 761	1 620	902	205 493
Forwards	38	428	26 857	60	227	81 708
Other derivatives						
Options	11	4	444	-	-	-
Total	**828**	**826**	**300 062**	**1 680**	**1 129**	**287 201**

15. LOANS TO AND RECEIVABLES FROM CUSTOMERS

	31.12.2014		31.12.2013	
	Group	**Bank**	**Group**	**Bank**
	EUR’000	**EUR’000**	**EUR’000**	**EUR’000**
Net loans to:	**337 841**	**209 951**	**178 275**	**187 889**
Private companies	299 967	221 419	168 229	191 908
Individuals	88 712	31 024	52 190	38 377
Allowance for impairment losses (Note 16)	(50 838)	(42 492)	(42 144)	(42 396)
Receivables from:	**26 849**	**26 849**	**14 614**	**14 614**
Finance companies	26 849	26 849	13 258	13 258
Private companies	-	-	1 356	1 356
Total loans to and receivables from customers net	**364 690**	**236 800**	**192 889**	**202 503**

	31.12.2014		31.12.2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Geographical segmentation of loans and receivables				
Net loans to:	**337 841**	**209 951**	**178 275**	**187 889**
Residents of Latvia	134 189	137 621	151 860	166 017
Residents of OECD countries	2 000	1 937	3 376	3 376
Residents of the other countries	252 490	112 885	65 183	60 892
Allowance for impairment losses (Note 16)	(50 838)	(42 492)	(42 144)	(42 396)
Receivables from:	**26 849**	**26 849**	**14 614**	**14 614**
Residents of Latvia	5	5	5	5
Residents of OECD countries	20 479	20 479	9 657	9 657
Residents of the other countries	6 365	6 365	4 952	4 952
Total loans to and receivables from customers	**364 690**	**236 800**	**192 889**	**202 503**

	31.12.2014		31.12.2013	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Analysis of loans by type				
Mortgage loans	89 562	85 324	26 598	24 966
Industrial loans	99 139	74 766	76 301	76 461
Commercial loans	83 466	35 373	44 943	58 862
Consumer loans	20 951	3 890	8 359	5 677
Credit card balances	32 689	4 255	5 101	5 101
Reverse Repo transactions	1 299	1 299	5 570	5 570
Finance leases	689	-	1 313	127
Other	10 046	5 044	10 090	11 125
Net loans to customers	**337 841**	**209 951**	**178 275**	**187 889**

The Group has received securities at fair value EUR'000 2 910 (at 31 December 2013: EUR'000 10 262) as collateral for reverse repo deals and the Group is permitted to sell or repledge them. As at 31 December 2014 they have not been sold or repledged (at 31 December 2013: EUR'000 nil).

In 2014 Bank has EUR'000 5 803 pledged for card transactions (at 31.12.2013: EUR '000 5 608); EUR'000 3 669 pledged for Forex deals (at 31 December 2013: EUR '000 3 241).

During 2014 the Bank's average nominal interest rates were: USD 8.58%, EUR 5.80%, RUB 9.22%, GBP 4.02%; in 2013: USD 4.21%, EUR 1.86%.

	31.12.2014		31.12.2013	
	Group	Bank	Group	Bank
Finance leases	EUR'000	EUR'000	EUR'000	EUR'000
Gross investments	**691**	**-**	**1 407**	**130**
Within 1 year	684	-	1 010	113
From 1 year to 5 years	7	-	397	17
More than 5 years	-	-	-	-
Unearned income	**2**	**-**	**94**	**3**
Within 1 year	2	-	57	3
From 1 year to 5 years	-	-	37	-
More than 5 years	-	-	-	-
Present value of minimum lease payments	**689**	**-**	**1 313**	**127**
Within 1 year	682	-	953	110
From 1 year to 5 years	7	-	360	17
More than 5 years	-	-	-	-

16. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The following table presents an analysis of the change in allowance account for impairment. The Group attributes the allowance for impairment losses completely to the financial assets.

Group	**At 31 December 2013**	**Increase in allowance**	**Written off**	**Released from allowance**	**Foreign exchange**	**At 31 December 2014**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Industrial loans	**16 796**	11 581	(8 547)	(308)	162	**19 684**
Commercial loans	**3 676**	6 349	(1 409)	(434)	(224)	**7 958**
Consumer loans	**15 425**	2 530	(4 325)	(1 245)	43	**12 428**
Credit cards	**4 111**	6 816	(861)	(837)	(65)	**9 164**
Finance leasing	**360**	164	(80)	(2)	-	**442**
Mortgage loans	**1 648**	258	(1 199)	(27)	5	**685**
Other loans	**128**	982	(588)	(14)	(31)	**477**
Other provisions	**596**	55	(186)	-	55	**520**
Total	**42 740**	**28 735**	**(17 195)**	**(2 867)**	**(55)**	**51 358**

Group At 31 December 2014	**Individual impairment**	**Collective impairment**	**Total**	**Gross amount of financial assets individually determined to be impaired before deducting any individually assessed impairment allowance**
	EUR'000	EUR'000	EUR'000	EUR'000
Industrial loans	7 585	12 099	**19 684**	**41 411**
Commercial loans	6 331	1 627	**7 958**	**45 584**
Consumer loans	11 687	741	**12 428**	**20 989**
Credit cards	3 272	5 892	**9 164**	**3 659**
Finance leasing	442	-	**442**	**1 040**
Mortgage loans	608	77	**685**	**928**
Other loans	346	131	**477**	**5 090**
Other provisions	515	5	**520**	**669**
Total	**30 786**	**20 572**	**51 358**	**119 370**

Group	At 31 December 2012	Increase in allowance	Written off	Released from allowance	Foreign exchange	At 31 December 2013
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Industrial loans	13 902	17 665	(10 766)	(3 944)	(61)	**16 796**
Commercial loans	9 223	4 653	(10 938)	922	(184)	**3 676**
Consumer loans	20 102	713	(2 617)	(2 770)	(3)	**15 425**
Credit cards	5 174	220	(687)	(595)	(1)	**4 111**
Finance leasing	360	9	(9)	-	-	**360**
Mortgage loans	5 733	6 905	(9 422)	(1 564)	(4)	**1 648**
Other loans	905	674	(1 450)	(1)	-	**128**
Other provisions	455	605	(450)	-	(14)	**596**
Total	**55 854**	**31 444**	**(36 339)**	**(7 952)**	**(267)**	**42 740**

Group At 31 December 2013	Individual impairment	Collective impairment	Total	Gross amount of financial assets individually determined to be impaired before deducting any individually assessed impairment allowance
	EUR'000	EUR'000	EUR'000	EUR'000
Industrial loans	5 140	11 656	**16 796**	**23 490**
Commercial loans	2 341	1 335	**3 676**	**7 949**
Consumer loans	15 238	187	**15 425**	**17 840**
Credit cards	4 068	43	**4 111**	**4 508**
Finance leasing	360	-	**360**	**1 037**
Mortgage loans	1 538	110	**1 648**	**2 873**
Other loans	128	-	**128**	**262**
Other provisions	592	4	**596**	**740**
Total	**29 405**	**13 335**	**42 740**	**58 699**

Group	2014	2013
	EUR'000	EUR'000
Result from impairment losses	**(15 322)**	**(22 641)**
Increase in allowance (loans)	(19 395)	(31 444)
Released from allowance (loans)	2 867	7 952
Recovery of previously written-off assets	1 224	851
Foreign exchange	(18)	-

The following table presents an analysis of the change in allowance account for impairment. The Bank's attributes the allowance for impairment losses completely to the financial investments.

Bank	At 31 December 2013 EUR'000	Increase in allowance EUR'000	Written off EUR'000	Released from allowance EUR'000	Foreign exchange EUR'000	At 31 December 2014 EUR'000
Industrial loans	**16 796**	9 635	(8 547)	-	344	**18 228**
Commercial loans	**3 787**	6 561	(1 240)	(51)	(196)	**8 861**
Consumer loans	**15 365**	823	(4 244)	(590)	-	**11 354**
Credit cards	**4 111**	209	(861)	(182)	4	**3 281**
Finance leasing	**-**	81	(81)	-	-	**-**
Mortgage loans	**2 209**	274	(1 199)	(680)	4	**608**
Other loans	**128**	608	(588)	(2)	14	**160**
Other provisions	**429**	-	-	-	53	**482**
Total	**42 825**	**18 191**	**(16 760)**	**(1 505)**	**223**	**42 974**

Bank At 31 December 2014	Individual impairment EUR'000	Collective impairment EUR'000	Total EUR'000	Gross amount of financial assets individually determined to be impaired before deducting any individually assessed impairment allowance EUR'000
Industrial loans	6 514	11 714	18 228	**19 464**
Commercial loans	7 658	1 203	8 861	**25 618**
Consumer loans	11 307	47	11 354	**13 197**
Credit cards	3 272	9	3 281	**3 659**
Mortgage loans	608	-	608	**928**
Other loans	160	-	160	**445**
Other provisions	482	-	482	**636**
Total	**30 001**	**12 973**	**42 974**	**63 947**

Bank	At 31 December 2012 EUR'000	Increase in allowance EUR'000	Written off EUR'000	Released from allowance EUR'000	Foreign exchang e EUR'000	At 31 Decemb er 2013 EUR'000
Industrial loans	15 626	17 665	(10 766)	(5 667)	(62)	**16 796**
Commercial loans	10 607	4 679	(10 938)	(381)	(180)	**3 787**
Consumer loans	20 050	711	(2 625)	(2 771)	-	**15 365**
Credit cards	5 174	221	(688)	(595)	(1)	**4 111**
Finance leasing	-	9	(9)	-	-	**-**
Mortgage loans	10 086	6 876	(9 363)	(5 389)	(1)	**2 209**
Other loans	905	674	(1 450)	(1)	-	**128**
Other provisions	442	16	(16)	-	(13)	**429**
Total	**62 890**	**30 851**	**(35 855)**	**(14 804)**	**(257)**	**42 825**

Bank At 31 December 2013	Individual impairment EUR'000	Collective impairment EUR'000	Total EUR'000	Gross amount of financial assets individually determined to be impaired before deducting any individually assessed impairment allowance EUR'000
Industrial loans	5 140	11 656	**16 796**	**23 490**
Commercial loans	2 527	1 260	**3 787**	**11 715**
Consumer loans	15 238	127	**15 365**	**17 840**
Credit cards	4 068	43	**4 111**	**4 507**
Mortgage loans	2 209	-	**2 209**	**5 105**
Other loans	128	-	**128**	**261**
Other provisions	429	**-**	**429**	**578**
Total	**29 739**	**13 086**	**42 825**	**63 496**

Bank	2014 EUR'000	2013 EUR'000
Result from impairment losses	**(15 462)**	**(15 196)**
Increase from impairment (loans)	(18 191)	(30 851)
Released from impairment (loans)	1 505	14 804
Recovery of previously written-off assets	1 224	851

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Bonds and other fixed income securities	**183 229**	**183 229**	**45 256**	**45 256**
Latvian bonds	-	-	14 302	14 302
OECD country bonds	117 131	117 131	14 998	14 998
Other country bonds	66 098	66 098	15 956	15 956
Shares and other non-fixed income securities	**7 531**	**155 401**	**7 818**	**148 130**
Funds registered in Latvia	-	147 870	-	140 312
Funds registered in EU countries	7 531	7 531	7 818	7 818
Other non-fixed income securities	-	-	-	-
Investments in subsidiaries	**1 199**	**89 279**	**1 156**	**35 186**
Bank (Other country residents)	-	51 541	**-**	-
Financial institutions (LR residents)	-	8 563	**-**	8 156
Financial institutions (OECD country residents)	-	440	**-**	-
Financial institutions (other country residents)	-	13 146	**-**	13 289
Private companies (LR residents)	1 199	-	1 156	9 201
Private companies (other country residents)	-	15 589	**-**	4 540
Total	**191 959**	**427 909**	**54 230**	**228 572**

During 2014 the Bank recognized impairment losses regarding its investments in closed investments funds in the amount of EUR'000 25 899 (2013: EUR'000 17 511). During 2014 the Bank recognized impairment losses regarding its investments in subsidiary "Вятка-банк" OAO in the amount of EUR'000 11 035, mainly it was due to RUB exchange rate changes (2013: nil).

The following table presents an analysis of the change in revaluation reserve of Available-for-sale financial assets:

	Group EUR'000	Bank EUR'000
At 31 December 2012	**(3 883)**	**2 641**
Revaluation	3 605	(26 598)
Net gain or (loss) from sales of available-for-sale financial assets	(8 347)	6 179
Impairment losses	6 001	17 510
At 31 December 2013	**(2 624)**	**(268)**
Revaluation	(2 175)	(41 364)
Net gain or (loss) from sales of available-for-sale financial assets	424	180
Impairment losses	214	36 935
At 31 December 2014	**(4 161)**	**(4 517)**

As at 31 December 2014 and 2013 the Bank had the following investments in subsidiaries:

Company	Country	Business profile	Balance value as at 31 December 2014	Balance value as at 31 December 2013	Bank's share capital (%) as at 31 December 2014
OAO Вятка-банк	RU	Financial services	51 541	-	97.75
AS "NORVIK Ieguldījumu pārvaldes sabiedrība"	LV	Financial services	8 563	8 156	100
CJSC "NORVIK" Universal Credit Organization"	AM	Financial services	13 146	13 290	100
"NORVIK Līzings" SIA	LV	Financial services	-	-	100
"Norvik Banka UK" Limited	GB	Financial services	440	-	100
"NBT4 Energy" SIA (ex. "Legal Consulting" SIA)	LV	Agriculture	-	12	-
"NORVIK APDROŠINĀŠANAS BROKERIS" SIA	LV	Insurance brokerage services	-	-	100
"MEŽA FONDS" SIA	LV	Forestry	-	-	100
"NBT Energy" SIA	LV	Electric power generation transmission and distribution	-	4 214	-
"NBT1 Energy" SIA	LV	Electric power generation transmission and distribution	-	3	-
"NBT3 Energy" SIA	LV	Electric power generation transmission and distribution	-	3	-
"NBT5 Energy" SIA	LV	Real estate activities	-	3	-
"NBT6 Energy" SIA	LV	Real estate activities	-	3	-
"Marine Hotel" SIA	LV	Administrative and support service activities	-	4 962	-
"BALTIKS" OOO	RU	Transportation and storage	4 620	4 540	99.917
"Cecily Holdings" LLC	CY	Financial services	10 969	-	100
Total			**89 279**	**35 186**	

The Bank and the Group has received support from its shareholders, arising in the Bank’s balance sheet as an investment in a subsidiary. Mentioned subsidiary’s net asset value is EUR ‘000 10 969, the most significant asset is a real estate object at amount of EUR 11 612 thousand, that in Group balance sheet is shown in a position „Investment property”.

18. HELD-TO-MATURITY FINANCIAL ASSETS

	31.12.2014		31.12.2013	
	Group EUR’000	**Bank EUR’000**	**Group EUR’000**	**Bank EUR’000**
Bonds and other fixed income securities				
OECD country bonds	18 439	18 439	-	-
Total	**18 439**	**18 439**	**-**	**-**

As at 31 December 2014 the Bank has EUR 12 346 thousand pledged for Forex deals.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	31.12.2014		31.12.2013	
	Group EUR’000	**Bank EUR’000**	**Group EUR’000**	**Bank EUR’000**
Goodwill	24 935	-	407	-
Other intangible assets	355	290	396	339
Prepayment for other intangible assets	-	-	-	-
Net book value of other intangible assets	**25 290**	**290**	**803**	**339**

The following table shows the changes in the Group’s and Bank’s intangible assets for the year ended 31 December 2014 and 31 December 2013:

Group **EUR `000**	**Goodwill**	**Other intangible assets**	**Prepayments for other intangible assets**	**Total**
Historical cost				
At 31 December 2013	**407**	**2 390**	**-**	**2 797**
Additions	24 551	137	1	**24 689**
Disposals	(23)	(56)	(1)	**(80)**
Foreign exchange	-	(2)	-	**(2)**
At 31 December 2014	**24 935**	**2 469**	**-**	**27 404**
Amortization				
At 31 December 2013	**-**	**1 994**	**-**	**1 994**
Charge/correction	-	157	-	**157**
Disposals	-	(37)	-	**(37)**
At 31 December 2014	**-**	**2 114**	**-**	**2 114**
Net book value				
At 31 December 2013	**407**	**396**	**-**	**803**
At 31 December 2014	**24 935**	**355**	**-**	**25 290**

Subsidiaries acquired:

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred, EUR’000
ОАО Вятка-банк (RU)	Financial activities	02/10/2014	97.75%	69 659
SOLEANNA LIMITED (VG) with its subsidiary company:	Financial activities	30/07/2014	100%	14 257
Общая Карта ООО (RU)	Processing center		95%	-
SIA "CĒSU MIESNIEKS"	Meat products’ processing plant	01/07/2014	100%	-
Пресес Намс Балтия ООО (RU)	Typographic production wholesale	01/10/2014	99.90%	-
Пресес Намс Балтия ООО (BY)	Typographic production wholesale	27/10/2014	99%	-

Assets acquired and liabilities recognized at the date of acquisition:

	ОАО Вятка-банк EUR'000	**Soleanna Limited EUR'000**	**Other subsidiaries EUR'000**	**Total EUR'000**
Assets	**338 511**	**1 161**	**7 212**	**346 884**
Current assets	**311 003**	**467**	**107**	**311 577**
Cash and cash equivalent	21 788	467	107	**22 362**
Loans to and receivables from banks	7 727	-	-	**7 727**
Trading financial assets	69 252	-	-	**69 252**
Loans to and receivables from customers	212 236	-	-	**212 236**
Non-current assets	**27 508**	**694**	**7 105**	**35 307**
Plant and equipment	19 776	248	2 782	**22 806**
Investments property	2 882	-	-	**2 882**
Other assets	4 850	446	4 323	**9 619**
Liabilities	**(277 485)**	**(1 545)**	**(7 235)**	**(286 265)**
Current liabilities	**(275 197)**	**-**	**(2 602)**	**(277 779)**
Due to the central bank and other banks	(818)	-	(2 602)	**(3 420)**
Derivatives financial instruments	(170)	-	-	**(170)**
Customers deposits	(265 550)	-	-	**(265 550)**
Subordinated debt	(8 659)	-	-	**(8 659)**
Non-current liabilities	**(2 288)**	**(1 545)**	**(4 633)**	**(8 466)**
Deferred tax liabilities	(1 197)	-	-	**(1 197)**
Other liabilities	(1 091)	(1 545)	(4 633)	**(7 269)**
Total	**61 026**	**(384)**	**(23)**	**60 619**

Goodwill arising on acquisition:

	ОАО Вятка-банк	**Soleanna Limited**	**Other subsidiaries**
	EUR'000	**EUR'000**	**EUR'000**
Consideration transferred	69 659	14 257	-
Non-controlling interests	1 225	29	-
Fair value of identifiable net assets acquired	(61 026)	384	23
Goodwill arising on acquisition	**9 858**	**14 670**	**23**

Consideration paid in cash	69 659
Cash and cash equivalent balances acquired	(22 362)
Total	**47 297**

Goodwill in amount EUR 000’ 24 528 arises in Group balance sheet as a result of acquisition in 2014 OAO „ Вятка-банк” 97,75% shares and „Soleanna Limited” (that has a subsidiary OOO „Общая Карта” 95% shares) 100% shares.

Acquisition cost is equal to market value that has been confirmed by independent valuers - OAO „ Вятка-банк” value was determined by OOO Консалтинговая группа „НЭО центр”; OOO „Общая Карта” value was determined by „Институт оценки собственности и финансовой деятельности”.

OAO „ Вятка-банк” goodwill consists of the acquisition of controlling shares of the bank, the bank’s customers base, successful accommodation of the bank’s central office and branches, professional staff, good reputation and future expected income. OAO „ Вятка-банк” is a regional, universal commercial bank represented in four regions of Russia, and specializes in offering financial services to individuals and small-medium size regional corporations. Owing to the diversified regional economy, OAO „ Вятка-банк” has not been significantly impacted in 2014 by the global macro-economic situation. OAO „ Вятка-банк” recorded a net profit in 2014 of 199 million RUB under IFRS and 269 million RUB under Russian Accounting Standards.

OOO „Общая Карта” that 95% shares owner is „Soleanna Limited” is independent processing center. OOO „Общая Карта” is an International payment system certified company, that has MasterCard International Member Service Provider status and Visa International Third Party Processor status as well as both payment system’s Third Party Personalizer status, that allows to make cards personalization in accordance with payment system’s requirements. OOO „Общая Карта” customers are in Russian Federation located commercial banks. Company’s OOO „Общая Карта” and as a result company’s „Soleanna Limited” goodwill consists of relevant licenses and certificates, good reputation, professional staff as well as future expected income.

In 2014 three more companies joined the Group - SIA „Cēsu Miesnieks” (Latvia), OOO „ Пресес Намс Балтия” (Belorussia), OOO „ Пресес Намс Балтия” (Russia). SIA „Cēsu Miesnieks”, a large meet processing company, is AS Norvik Bank debtor. This company's inclusion in the Group was concerned with a takeover of a problematic asset. The Group’s investment in OOO „Пресес Намс Балтия” (Belorussia) and OOO „Пресес Намс Балтия” (Russia) is not significant; the aim of these companies acquisition is business structuring.

Group EUR `000	Goodwill	Other intangible assets	Prepayments for other intangible assets	Total
Historical cost				
At 31 December 2012	**407**	**2 221**	**25**	**2 653**
Additions	-	176	46	**222**
Disposals	-	(6)	(71)	**(77)**
Foreign exchange	**-**	(1)	**-**	**(1)**
At 31 December 2013	**407**	**2 390**	**-**	**2 797**
Amortization				
At 31 December 2012	**-**	**1 805**	**-**	**1 805**
Charge/correction	-	195	-	**195**
Disposals	-	(4)	-	**(4)**
Foreign exchange	**-**	(2)	**-**	**(2)**
At 31 December 2013	**-**	**1 994**	**-**	**1 994**
Net book value				
At 31 December 2012	**407**	**415**	**26**	**848**
At 31 December 2013	**407**	**396**	**-**	**803**

Bank EUR`000	Other intangible assets	Prepayments for other intangible assets	Total
Historical cost			
At 31 December 2013	**3 059**	**-**	**3 059**
Additions	124	1	125
Disposals	(30)	(1)	(31)
At 31 December 2014	**3 153**	**-**	**3 153**
Amortization			
At 31 December 2013	**2 720**	**-**	**2 720**
Charge	173	-	173
Disposals	(30)	-	(30)
At 31 December 2014	**2 863**	**-**	**2 863**
Net book value			
At 31 December 2013	**339**	**-**	**339**
At 31 December 2014	**290**	**-**	**290**

Bank **EUR`000**	**Other intangible assets**	**Prepayments for other intangible assets**	**Total**
Historical cost			
At 31 December 2012	**2 921**	**26**	**2 947**
Additions	138	45	183
Disposals	-	(71)	(71)
At 31 December 2013	**3 059**	**-**	**3 059**
Amortization			
At 31 December 2012	**2 400**	**-**	**2 400**
Charge	320	-	320
Disposals	-	-	-
At 31 December 2013	**2 720**	**-**	**2 720**
Net book value			
At 31 December 2012	**521**	**26**	**547**
At 31 December 2013	**339**	**-**	**339**

20. INVESTMENT PROPERTY

The following table shows the movement in the Group’s and Bank’s investment property for the year ended 31 December 2014:

	Group **EUR’000**	**Bank** **EUR’000**
As at 31 December 2012	**87 546**	**14 803**
Additions	38 408	-
Renovation	90	-
Sale	(2 575)	-
Derecognition	(55)	(55)
Reclassification	(5 798)	-
Net change in fair value	478	(745)
Foreign exchange	(329)	-
As at 31 December 2013	**117 765**	**14 003**
Additions	42 600	-
Renovation	67	-
Disposal	(22 978)	(7 749)
Derecognition	(20)	-
Reclassification	1 457	-
Net change in fair value	(13 654)	317
Foreign exchange	(3 562)	-
As at 31 December 2014	**121 675**	**6 571**

Group's and Bank's investment properties types are following:

	31.12.2014		31.12.2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Land	28 443	-	31 929	-
Office buildings	38 511	-	25 501	7 749
Manufacturing facilities warehouses	18 230	6 571	34 655	6 254
Hotels and restaurants	2 518	-	3 408	-
Recreation buildings	50	-	50	-
Fuel station and oil depot	7 876	-	9 219	-
Apartments	6 834	-	6 127	-
Unfinished constructions	12 503	-	4 033	-
Other	6 710	-	2 843	-
Total	**121 675**	**6 571**	**117 765**	**14 003**

The Bank and the Group has received support from its shareholders, arising in the Bank's balance sheet as an investment in a subsidiary. Mentioned subsidiary's net asset value is EUR '000 10 969, the most significant asset is a real estate object at amount of EUR '000 11 612, that in Group balance sheet is shown in a position „Investment property".

Group's investment property is stated at fair value. The valuation of Group's investment properties was performed by certified independent appraisers of the licensed companies. Based on the investment property object (type of asset, location, number of market transactions) various valuation methods were used – market evidence of transaction prices for similar properties, income method or discounted cash flow method, or a mix of the methods with respective weights assigned to each of them.

Rental income from investment property earned by the Group / Bank amounted to EUR'000 3 992 (31.12.2013: EUR'000 4 974) / EUR'000 970 (31.12.2013: EUR'000 1 207). Direct operating expenses (including real estate tax) arising from investment property that generated rental income during the period by the Group / Bank amounted to EUR'000 1 303 (31.12.2013: EUR'000 2 951) / EUR'000 198 (31.12.2013: EUR'000 310). Direct operating expenses (including real estate tax) arising from investment property that did not generate rental income during the period by the Group amounted to EUR'000 169 (31.12.2013: EUR'000 203). Part of Group's investment property is acquired by overtaking collateral from loans issued by the bank.

As of 31 December 2014 the amount of overtaken collateral accounted as Group investment property was EUR '000 74 413 (31.12.2013: EUR'000 65 466).

21. TANGIBLE FIXED ASSETS

	31.12.2014		31.12.2013	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Lands and buildings	37 689	15 456	29 204	16 045
Vehicles	780	307	271	74
Office equipment and other fixed assets	11 322	403	12 346	523
Prepayments for tangible fixed assets	1 674	34	174	4
Leasehold improvements	151	-	286	-
Net book value of tangible fixed assets	**51 616**	**16 200**	**42 281**	**16 646**

Group's tangible fixed assets (Lands and buildings) are stated at fair value.

The valuation of Group's tangibles fixed assets were performed by certified independent appraisers of the licensed companies. Based on the object (type of asset, location, number of market transactions) various valuation methods were used – market evidence of transaction prices for similar properties, income method or discounted cash flow method, or a mix of the methods with respective weights assigned to each of them.

Part of Group's tangible fixed assets is acquired by overtaking collateral from loans issued by the Bank.

As of 31 December 2014 the amount of overtaken collateral accounted as Group tangible fixed assets was EUR '000 8 111 (2013: EUR '000 14 864).

The following table shows the changes in the Bank's tangible fixed assets for the year ended 31 December 2014:

Bank	**Land and Buildings**	**Vehicles**	**Office equipment and other fixed assets**	**Prepayments for tangible fixed assets**	**Total**
EUR'000					
Historical cost					
At 31 December 2013	**21 739**	**497**	**5 599**	**4**	**27 839**
Additions	-	316	121	114	**551**
Disposals	-	(345)	(202)	(84)	**(631)**
At 31 December 2014	**21 739**	**468**	**5 518**	**34**	**27 759**
Accumulated depreciation and impairment					
At 31 December 2013	**5 694**	**423**	**5 076**	**-**	**11 193**
Charge	589	47	236	-	**872**
Disposals	-	(309)	(197)	**-**	**(506)**
At 31 December 2014	**6 283**	**161**	**5 115**	**-**	**11 559**
Net book value					
At 31 December 2013	**16 045**	**74**	**523**	**4**	**16 646**
At 31 December 2014	**15 456**	**307**	**403**	**34**	**16 200**

Bank EUR’000	Land and Buildings	Vehicles	Office equipment and other fixed assets	Prepayments for tangible fixed assets	Total
Historical cost					
At 31 December 2012	**21 279**	**527**	**5 694**	**4**	**27 504**
Additions	-	-	250	54	304
Revaluation	460	-	-	-	460
Disposals	-	(30)	(345)	(54)	(429)
At 31 December 2013	**21 739**	**497**	**5 599**	**4**	**27 839**
Accumulated depreciation and impairment					
At 31 December 2012	**5 164**	**398**	**5 154**	**-**	**10 716**
Charge	559	48	268	-	875
Impairment loss	(29)	-	-	-	(29)
Disposals	-	(23)	(346)	-	(369)
At 31 December 2013	**5 694**	**423**	**5 076**	**-**	**11 193**
Net book value					
At 31 December 2012	**16 115**	**129**	**540**	**4**	**16 788**
At 31 December 2013	**16 045**	**74**	**523**	**4**	**16 646**

Revaluation reserve of tangible fixed assets included in equity and is not distributable to shareholders.

22. BIOLOGICAL ASSETS

	31.12.2014		31.12.2013	
	Group EUR’000	**Bank EUR’000**	**Group EUR’000**	**Bank EUR’000**
Biological assets (forest)	-	-	12 094	-
Net book value of biological assets	**-**	**-**	**12 094**	**-**

The following table shows the movement in the Group’s biological assets for the period ended 31 December 2014:

	Group EUR’000
As at 31 December 2012	**10 990**
Additions	6
Reclassification	721
Disposal	(231)
Net change in fair value	608
As at 31 December 2013	**12 094**
Disposal	(12 094)
As at 31 December 2014	**-**

Fair value of biological assets is estimated by Latvian experts applying Latvian University scientific data base regarding Latvian forests' wood stock and its growth rate. Forest is recognized at the lowest of immediate fell and realization at current market price less cost of sale and discounted cash flows assumed forest maintenance and gradual fell considering forest maturity and inflation adjustments.

23. OTHER ASSETS

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Inventories	1 855	-	6 237	-
Deferred expenses	1 655	991	1 004	938
Spot deals	930	916	2 682	2 682
VAT	748	11	2 035	71
Accrued income	642	236	434	300
Cards transactions	343	343	4	4
Other receivables	23 494	5 004	8 836	1 441
Total	**29 667**	**7 501**	**21 232**	**5 436**

As at 31 December 2014 the Bank has EUR'000 101 pledged for communal and communication services (in 2013: EUR'000 101), accounts receivable (DEUTSCHE BANK TRUST COMPANY AMERICAS) EUR'000 3 262.

24. MANAGED TRUST ASSETS AND LIABILITIES

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Managed trust assets	**2 603**	**2 603**	**7 644**	**7 644**
Loans	2 603	2 603	7 644	7 644
Managed trust liabilities	**2 603**	**2 603**	**7 644**	**7 644**
Private companies	2 493	2 493	7 644	7 644
Individuals	110	110	-	-

The financial statements disclose assets and liabilities held by the Bank on behalf of clients and registered in the name of the Bank. The Group does not carry credit interest rate or any other risk associated with these managed assets. The Bank receives commission fee for rendering of trust services to clients.

25. DUE TO THE CENTRAL BANK AND OTHER BANKS

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Demand deposits	**1 672**	**8 750**	**1 034**	**1 034**
Banks registered in Latvia	1 021	1 021	471	471
Banks registered in OECD countries	23	23	-	-
Banks registered in other countries	628	7 706	563	563
Term deposits	**732**	**621**	**-**	**-**
Banks registered in OECD countries	3	3	-	-
Banks registered in other countries	729	618	-	-
Total	**2 404**	**9 371**	**1 034**	**1 034**

During 2014 the Bank's average nominal interest rate for EUR 0.01%, USD 0.01%, RUB 0.62%, CHF 1.17%; in 2013: EUR 2.59%.

26. CUSTOMER DEPOSITS

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Current accounts	**739 203**	**705 812**	**563 938**	**574 398**
Private companies	571 294	557 743	441 107	451 567
Individuals	160 270	146 297	121 297	121 297
Public organizations	2 260	1 028	954	954
Government companies	598	580	486	486
Local government	4 781	164	94	94
Fixed-term deposits	**262 332**	**134 534**	**134 489**	**139 503**
Private companies	27 878	24 649	45 789	50 803
Individuals	233 047	109 852	88 663	88 663
Public organizations	921	33	37	37
Local government	486	-	-	-
Promissory notes issued	**7 164**	**-**	**-**	**-**
Demand	1	-	-	-
Fixed-term	7 163	-	-	-
Total	**1 008 699**	**840 346**	**698 427**	**713 901**
Geographical segmentation of customer deposits				
Current accounts	**739 203**	**705 812**	**563 938**	**574 398**
Residents of Latvia	95 739	98 178	90 803	101 257
Residents of OECD countries	120 932	121 122	73 889	73 889
Residents of the other countries	522 532	486 512	399 246	399 252
Fixed-term deposits	**262 332**	**134 534**	**134 489**	**139 503**
Residents of Latvia	88 829	91 993	74 786	79 800
Residents of OECD countries	1 582	1 582	3 421	3 421
Residents of the other countries	171 921	40 959	56 282	56 282
Promissory notes issued	**7 164**	**-**	**-**	**-**
Residents of the other countries	7 164	-	-	-
Total	**1 008 699**	**840 346**	**698 427**	**713 901**

During 2014 the Bank's average nominal interest rates for term deposits are: EUR 0.23%, USD 0.08%, RUB 1.05%, GBP 0.08%, CHF 0.04%; in 2013: USD 0.21%, EUR 0.45%.

27. SUBORDINATED DEBT

As at 31 December 2014 and 2013 subordinated debt lenders were as follows:

2014:

		Group			Bank		
Lenders:	**Currency**	**EUR'000**	**Rate %**	**Maturity**	**EUR'000**	**Rate %**	**Maturity**
Residents	EUR	2 529	3.85 - 7	2015-2022	2 530	3.85 - 7	2015-2022
Residents	USD	2 136	4.05 - 7	2015-2020	2 136	4.05 - 7	2015-2020
Residents	GBP	129	4	2016	128	4	2016
Non-residents	EUR	19 114	4 - 7	2015-2020	19 114	4 - 7	2015-2020
Non-residents	USD	17 945	4 - 12	2015-2040	9 390	4 - 6	2016-2024
Total		**41 853**			**33 298**		

2013:

		Group			Bank		
Lenders:	**Currency**	**EUR'000**	**Rate %**	**Maturity**	**EUR'000**	**Rate %**	**Maturity**
Residents	EUR	3 440	4.45-7	2015-2018	3 440	4.45-7	2015-2018
Residents	USD	293	5	2015	293	5	2015
Residents	GBP	120	4	2016	120	4	2016
Non-residents	EUR	14 443	4.65-7	2015-2019	14 443	4.65-7	2015-2019
Non-residents	USD	3 578	4-6	2016-2019	3 578	4-6	2016-2019
Total		**21 874**			**21 874**		

28. DEBT SECURITIES

In 2014 Bank has made an emission of subordinated debt securities. As at 31 December 2014 subordinated debt securities were as follows:

ISIN	Currency	Date of issue	Date of maturity	Coupon rate %	Principal amount	Coupon amount	EUR'000
LV0000801389	EUR	08.08.2014	08.08.2022	6	2 000	18	2 018
LV0000801397	EUR	24.10.2014	24.10.2021	6	1 000	11	1 011
LV0000801637	EUR	19.12.2014	19.12.2022	6	1 300	2	1 302
						Total:	**4 331**

29. OTHER LIABILITIES

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Accrued expenses	1 497	1 252	1 433	1 423
Spot deals	1 006	1 006	983	983
Accruals for vacations	1 478	685	1 017	681
Payments collected on behalf of public utilities services providers	127	127	-	-
Suspense amounts	1 395	1 395	989	989
Cards transactions	286	286	599	599
Deferred income	1 409	82	218	42
Other	14 078	1 673	7 039	1 173
Total	**21 276**	**6 506**	**12 278**	**5 890**

Suspense amounts represent payments received by the Bank where the beneficiary is not clearly identified and are cleared after year-end. According to cooperation agreements, payments received for public services providers are transferred after year end.

30. SHARE CAPITAL

	31.12.2014		31.12.2013	
	Quantity`000	EUR `000	Quantity`000	EUR `000
Registered and paid – in share capital	**205 169**	**123 101**	**87 672**	**124 746**

Due to the requirements of the applicable regulations the share capital of the Bank was denominated into euro currency and respective changes registered in the Commercial Register on 4 April 2014. No changes occurred in the structure of the shareholders within the process of denomination. As of the above date, the share capital of the Bank was equal to EUR'000 124 746, consisting of 89 104 308 shares with par value of EUR 1,40 each.

The share capital was decreased on 12 May 2014 by decreasing the value of the Bank's shares, and thus neither pay outs were made to the shareholders nor the assets of the Bank had decreased. As of 12 May 2014 the share capital of the Bank was equal to EUR'000 53 463, consisting of 89 104 308 shares with par value of EUR 0,60 each.

The new XXVII shares issue was announced on 9 June 2014 at the shareholders' meeting. Upon closing the above issue on 7 October 2014, the share capital of the Bank was equal to EUR'000 123 101, consisting of 205 168 948 shares with par value of EUR 0,60 each.

Voting rights correspond to number of registered shares.

As at 31 December 2014 and 2013 accordingly the Bank's shareholders were as follows:

	31.12.2014			**31.12.2013**		
Shareholder (residence)	**Number of shares**	**% of total shares**	**Paid up share capital EUR'000**	**Number of shares**	**% of total shares**	**Paid up share capital EUR'000**
G. Guselnikov (LV)	91 845 959	44.77	55 107	43 836 007	50.00	62 373
G. Guselnikov* (LV)	98 737 367	48.13	59 243			
J. Šapurov (LV)	-	-	-	16 482 886	18.80	23 453
Other (each individually less than 10%)	14 585 622	7.10	8 751	27 353 118	31.20	38 920
Total	**205 168 948**	**100.00**	**123 101**	**87 672 011**	**100.00**	**124 746**

** indirectly (in accordance with Article 33.[1] (1) 8) of the Credit Institution Law)*

31. LOSES PER SHARE

Earnings per share are based on net profit attributable to ordinary equity holders of the parent divided by the weighted average number of issued shares. As of 31 December 2014 and 2013 there is no difference between basic and diluted earnings per share calculation.

	Group 31.12.2014	**Group 31.12.2013**
Net loss (EUR'000)	(17 779)	(19 029)
Weighted average number of ordinary shares ('000)	115 040	67 540
Losses per share (EUR)	**(0.15)**	**(0.28)**

32. CASH AND CASH EQUIVALENTS

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due on demand from the Bank of Latvia	39 191	22 943	184 181	184 163
Balances due from other banks with original maturity of 3 months or less	243 982	227 161	128 878	122 722
Total	**283 173**	**250 104**	**313 059**	**306 885**

33. COMMITMENTS AND CONTINGENCIES

	31.12.2014		31.12.2013	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Contingent liabilities	**14 980**	**5 464**	**13 123**	**13 123**
Guarantees	14 898	5 381	3 656	3 656
Other	82	83	9 467	9 467*
Commitments	**16 382**	**5 674**	**7 150**	**7 684**
Unused credit lines	16 331	5 623	6 959	7 493
Letters of credit	51	51	191	191
Total off-balance sheet items gross	**31 362**	**11 138**	**20 273**	**20 807**

*including contingent liabilities against Bank of Latvia according to the introduction of the euro EUR'000 9 394.

In the ordinary course of business the Group provides loan commitments, guarantees and letters of credit. The main purpose of these instruments is to ensure the availability of necessary funds for the clients. Guarantees and letters of credit that include irrevocable liabilities - the ones that the Bank will have to pay in the event of failure by the clients to meet their obligations to third parties - are assigned the same risk as for loans. Letters of credit in accordance with which the Bank has the right on behalf of the client to accept invoices from third parties are secured with goods being transported.

Unused part of credit lines is viewed as an obligation arising from credit lines. As regards the credit risk the Bank is potentially exposed to losses arising also from obligations under unused credit lines.

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows a comparison by class of the Group's and Bank's carrying values and fair values of the financial instruments that are carried in the financial statements.

Group	31.12.2014		31.12.2013	
	Carrying value	Fair value	Carrying value	Fair value
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Cash and balances with the central bank	39 191	39 191	184 181	184 181
Loans and receivables to banks	246 082	246 082	129 562	129 562
Trading financial assets	63 355	63 355	16 302	16 302
Derivative financial instruments	909	909	1 680	1 680
Loans to customer and receivables	364 690	377 640	192 889	194 841
Available-for-sale financial assets	191 959	191 959	54 230	54 230
Held-to-maturity financial assets	18 439	18 439	-	-
Financial liabilities				
Due to the central bank and other banks	2 404	2 404	1 034	1 034
Derivative financial instruments	886	886	1 129	1 129
Customer deposits	1 008 699	1 008 719	698 427	698 627
Subordinated debt	41 853	41 853	21 874	21 874
Debt securities	4 331	4 331	-	-

Bank	31.12.2014		31.12.2013	
	Carrying value	Fair value	Carrying value	Fair value
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Cash and balances with the central bank	22 943	22 943	184 163	184 163
Loans and receivables to banks	228 100	228 100	123 408	123 408
Trading financial assets	10 181	10 181	15 415	15 415
Derivative financial instruments	828	828	1 680	1 680
Loans to customer and receivables	236 800	249 662	202 503	206 237
Available-for-sale financial assets	427 909	427 909	228 572	228 572
Financial liabilities				
Due to the central bank and other banks	9 371	9 371	1 034	1 034
Derivative financial instruments	826	826	1 129	1 129
Customer deposits	840 346	840 330	713 901	714 115
Subordinated debt	33 298	33 298	21 874	21 874
Debt securities	4 331	4 331	-	-

The following describes the methodologies and assumptions used to determine fair value for those financial instruments which are not recorded at fair value in the financial statements:

- For financial assets and liabilities that have a short term maturity (such as overdrafts money market deals with maturity less than 3 months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits current accounts without a specific maturity and subordinated debts with special conditions which permit for such debts to be eligible as tier 2 capital.
- The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated as the present value of future cash flows by discounting contractual cash flows using current rates at which similar loans (or attracted deposits) would be transacted by the Group with borrowers with similar credit ratings and/or collateral and for the same remaining maturities.

- No future loan losses adjustments related to future probable loan renegotiating or early repayment considered.

The fair values included in the tables above were calculated for disclosure purposes only. The valuation techniques and assumptions described above provide a measurement of fair value of the Bank's and Group's financial instruments accounted for at amortized cost. However, because other institutions may use different methods and assumptions for their fair value estimation such fair value disclosures cannot necessarily be compared from one financial institution to another.

35. FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

The following table shows an analysis of the Group's and Bank's financial instruments recorded at fair value between those whose fair value is based on quoted market prices those involving valuation techniques where all the model inputs are observable in the market and those where the valuation techniques involves the use of non-market observable inputs.

As at 31 December 2014 - Group	Quoted market EUR'000	Valuation techniques – market observable inputs EUR'000	Valuation techniques – non-market observable inputs EUR'000	Total EUR'000
Financial assets	**232 350**	**15 143**	**8 730**	**256 223**
Trading financial assets	49 110	14 245	-	63 355
Derivative financial instruments	11	898	-	909
Available-for-sale financial assets	183 229	-	8 730	191 959
Financial liabilities	**4**	**882**	**-**	**886**
Derivative financial instruments	4	882	-	886

As at 31 December 2013 - Group	Quoted market EUR'000	Valuation techniques – market observable inputs EUR'000	Valuation techniques – non-market observable inputs EUR'000	Total EUR'000
Financial assets	**61 558**	**1 680**	**8 974**	**72 212**
Trading financial assets	16 302	-	-	**16 302**
Derivative financial instruments	-	1 680	-	**1 680**
Available-for-sale financial assets	45 256	-	8 974	**54 230**
Financial liabilities	**-**	**1 129**	**-**	**1 129**
Derivative financial instruments	-	1 129	-	**1 129**

As at 31 December 2014 - Bank	Quoted market EUR'000	Valuation techniques – market observable inputs EUR'000	Valuation techniques – non-market observable inputs EUR'000	Total EUR'000
Financial assets	**211 860**	**817**	**244 680**	**457 357**
Trading financial assets	10 181	-	-	**10 181**
Derivative financial instruments	11	817	-	**828**
Available-for-sale financial assets	183 229	-	244 680	**427 909**
Held to maturity financial assets	18 439	**-**	**-**	**18 439**
Financial liabilities	**4**	**822**	**-**	**826**
Derivative financial instruments	4	822	-	**826**

As at 31 December 2013 - Bank	Quoted market EUR'000	Valuation techniques – market observable inputs EUR'000	Valuation techniques – non-market observable inputs EUR'000	Total EUR'000
Financial assets	**60 671**	**1 680**	**183 316**	**245 667**
Trading financial assets	15 415	-	-	**15 415**
Derivative financial instruments	-	1 680	-	**1 680**
Available-for-sale financial assets	45 256	-	183 316	**228 572**
Financial liabilities	**-**	**1 129**	**-**	**1 129**
Derivatives financial instruments	-	1 129	-	**1 129**

The following table shows changes of non-market observable inputs during 2013 and 2014:

	Group Non-market observable inputs	Bank Non-market observable inputs
EUR'000		
At 31 December 2012	**18 069**	**129 022**
Acquisition	1 157	150 496
Sell	-	(70 298)
Net loss from sales	-	(5 948)
Fair value adjustment	(10 252)	(19 956)
At 31 December 2013	**8 974**	**183 316**
Acquisition	-	150 503
Sell	-	(49 226)
Net loss from sales	-	(155)
Fair value adjustment	(244)	(39 758)
At 31 December 2014	**8 730**	**244 680**

Changes in fair value are recognized in comprehensive income and equity in position "Revaluation reserve of available-for-sale financial assets net of tax". Net gain or loss from sales is recognized in Income Statement position "Net gain or loss from sales of available-for-sale financial assets".

36. CAPITAL ADEQUACY CALCULATION

The Groups and the Banks capital adequacy calculations has been made in accordance with the Regulation (EU) Nr. 575/2013 of the European Parliament and of the Council since 01 January 2014.
For credit risk and market risk requirements calculations the Bank and the Group use a Standard approach and term method for general risk capital requirement for bonds.
For the operational risk capital requirement calculation the Bank uses the Basic indicator approach.

The Group's and Bank's capital adequacy ratio as of 31 December 2014 has been calculated as follows:

ASSETS	Notional risk level %	Group Exposure EUR'000	Group Risk weighted assets EUR'000	Bank Exposure EUR'000	Bank Risk weighted assets EUR'000
Central governments or central banks	0%	157 759	-	157 759	-
	20%	3 643	729	3 643	729
	50%	27 741	13 871	20 083	10 042
	100%	3 177	3 177	3 177	3 177
Public sector entities	100%	3 191	3 191	3 191	3 191
Financial institutions	0%	-	-	-	-
	20%	228 083	45 617	223 949	44 790
	50%	13 980	6 990	1 647	824
	100%	1 796	1 796	635	635
Private companies and individuals	0%	-	-	-	-
	20%	59	12	59	12
	50%	1 848	924	1 848	924
	100%	282 789	282 789	172 114	172 114
	150%	2 820	4 230	2 820	4 230
Pool of retail exposure claims (MRD)	0%	-	-	-	-
	75%	5 307	3 980	5 307	3 980
Past due exposures	0%	-	-	-	-
	100%	44 222	44 222	44 682	44 682
	150%	18 582	27 873	9 056	13 584
Collective investment undertakings (CIU)	0%	-	-	-	-
	100%	7 531	7 531	151 479	151 479
Equity Exposures	0%	-	-	-	-
	100%	1 284	1 284	79 506	79 506
Other items	0%	22 179	-	13 588	-
	20%	-	-	-	-
	100%	218 316	218 316	41 938	41 938
	150%	-	-	-	-
Total assets and risk weighted assets		**1 044 307**	**666 532**	**936 481**	**575 837**

OFF-BALANCE SHEET ITEMS	Notional risk level %	Exposure EUR'000	Risk weighted assets EUR'000	Exposure EUR'000	Risk weighted assets EUR'000
Items with 100% adjustment	20%	82	16	82	16
Items with 50% adjustment	50%	-	-	-	-
Items with 50% adjustment	75%	2 105	789	2 105	789
Items with 0% adjustment	100%	152	-	200	-
Items with 20% adjustment	100%	13 446	2 689	3 097	619
Items with 50% adjustment	100%	13 663	6 832	2 908	1 454
Items with 100% adjustment	100%	-	-	-	-
Items with 0% adjustment	150%	-	-	-	-
Items with 20% adjustment	150%	-	-	-	-
Items with 50% adjustment	150%	124	93	123	92
Secured items	0%	1 790	-	2 623	-
Total off-balance sheet items		**31 362**	**10 419**	**11 138**	**2 970**
Total assets and off-balance sheet items		**1 075 669**	**676 951**	**947 619**	**578 807**

	Group EUR’000	Bank EUR’000
Tier 1		
Paid in share capital	123 101	123 101
Reserve capital	10	10
Accumulated losses	(2 550)	2 868
Minority interest	703	-
Revaluation reserve of available-for-sale financial assets	(4 161)	(4 517)
Revaluation reserve of foreign currency	(28 211)	-
Expected loss from loans	(41)	(41)
Loss of the year	(17 779)	(43 820)
Goodwill	(24 935)	(9 858)
Other intangible assets	(355)	(290)
Total tier 1	**45 782**	**67 453**
Tier 2		
Expected loss from loans	(41)	(41)
Subordinated capital	30 829	26 340
70% from tangible fixed assets revaluation earnings	1 259	1 259
Total tier 2	**32 047**	**27 558**
Total capital	**77 829**	**95 011**
Summary		
Credit risk capital	54 156	46 305
Market risks capital requirement	8 131	760
Operational risk	11 275	5 441
Capital requirement covered by capital (total capital)	**4 267**	**42 505**
Capital adequacy rate as of 31.12.2014	**8.46%**	**14.48%**
Tier 1 capital ratio	**4.98%**	**10.28%**
Capital adequacy rate as of 31.12.2013	**8.02%**	**10.76%**
Minimal capital adequacy ratio (%) 2014 and 2013	**8.00%**	**8.00%**

Since FCMC applies increased capital requirements to the banks involved in non-resident deposit servicing, the capital adequacy ratio for the Bank is set at the level of 12.6% and for the Group is set at a level 8%, provided that 2.5% additional reserve should be ensured in case if dividend’s payment is expected, so targeted CAD for the Group is 10,5%. Thus, Bank fulfils required minimum on total CAD at individual and Group level. At the beginning of 2015 Bank has undertaken specific measures to ensure Group of CAD at a level 10.5% and Group T1 capital at a level of minimum 6%.

37. RELATED PARTIES

Related parties are shareholders which have control or significant influence over the management policy of the Group members of the Supervisory Council and the Management Board senior level executives their immediate family members and undertakings over which they have a controlling interest as well as associated companies of the Group. Assets and liabilities in relation to related parties are as follows:

Group	Average interest rate %	Amount EUR'000	Off-balance sheet items EUR'000	31.12.2014 Total EUR'000	31.12.2013 Total EUR'000
Assets		**1 363**	**300**	**1 663**	**8 604**
Loans and receivables net		**1 363**	**300**	**1 663**	**8 604**
Related undertakings and individuals	13.80	17	125	**142**	**7 638**
Supervisory Council and Management Board	5.63	1 061	104	**1 165**	**793**
Other senior executives	7.43	285	71	**356**	**173**
Liabilities		**13 726**	**-**	**13 726**	**17 411**
Deposits		**2 437**	**-**	**2 437**	**15 301**
Related undertakings and Individuals	1.80	329	-	**329**	**10 631**
Supervisory Council and Management Board	0.36	1 209	-	**1 209**	**121**
Other senior executives	0.31	899	-	**899**	**4 549**
Subordinated debt		**9 589**	**-**	**9 589**	**2 110**
Related undertakings and Individuals	11.40	9 539	-	**9 539**	**1 043**
Supervisory Council and Management Board	6.00	50	-	**50**	**-**
Other senior executives		-	-	**-**	**1 067**
Debt securities		**1 700**	**-**	**1 700**	**-**
Related undertakings and Individuals	6.00	1 000	-	**1 000**	**-**
Council and Board	6.00	700	-	**700**	**-**

Bank	Average interest rate %	Amount EUR'000	Off-balance sheet items EUR'000	31.12.2014 Total EUR'000	31.12.2013 Total EUR'000
Assets		**10 804**	**900**	**11 704**	**49 004**
Loans and receivables net		**10 804**	**900**	**11 704**	**49 004**
Related undertakings and Individuals	-	2	18	**20**	**7 638**
Subsidiaries	9.61	10 090	880	**10 970**	**41 272**
Supervisory Council and Management Board	3.99	709	-	**709**	**84**
Other senior executives	16.00	3	2	**5**	**10**
Liabilities		**17 172**	**-**	**17 172**	**40 767**
Deposits		**14 438**	**-**	**14 438**	**39 284**
Related undertakings and Individuals	0.09	240	-	**240**	**7 472**
Subsidiaries	0.09	13 688	-	**13 688**	**28 530**
Supervisory Council and Management Board	-	476	-	**476**	**85**
Other senior executives	-	34	-	**34**	**3 197**

Subordinated debt		**1 034**	**-**	**1 034**	**1 483**
Related undertakings and Individuals	6.16	984	-	**984**	**733**
Supervisory Council and Management Board	6.00	50	-	**50**	**-**
Other senior executives	-	-	-	**-**	**750**
Debt securities		**1 700**	**-**	**1 700**	**-**
Related undertakings and Individuals	6.00	1 000	-	**1 000**	**-**
Council and Board	6.00	700	-	**700**	**-**

As at 31 December 2014 the amount of the Bank's exposure transactions with related parties is EUR`000 868 or 0.82 % of the sum of tier 1 and tier 2 capital. According to the Law on Credit Institutions of the Republic of Latvia the total amount of exposure transactions with persons that are associated with the bank may not exceed 15 % of the sum tier 1 and tier 2 capital of the Bank.

In the second half of 2014 the Bank, continuing its rebranding, acquired two buildings for use as headquarters offices in Riga - Elizabetes street 15 and Raiņa Boulevard 11. The total amount paid for the two buildings was EUR '000 18 345. The deals were made with related parties and structured as the acquisition of 100% of the shares in two Cyprus registered companies - Olerinia Limited and Allurine Limited.

Driven by the tensions in the geopolitical situation across Europe, and changes in Latvian immigration law possibly limiting residence permits for foreigners investing in real estate, there was significant price pressure on the aforementioned properties values at year-end 2014. Therefore, the Bank, taking a conservative approach, has recognized an impairment loss of EUR '000 6 095 for the investment. The Bank plans to move its headquarters into the new premises in the middle of 2015 simultaneously reclassifying the assets from investment property to fixed assets.

The Bank believes that the impairment losses recognized are based on temporary price changes and considering the long-term intention of these investments there will be price recovery within the coming years, when the external environment and investment climate will stabilize.

In the middle of 2014 the Bank's subsidiary acquired 100% of the shares of a company owning 95% of a card processing center located in Russia (detailed info see in Note 19). This deal was concluded with related parties at a fair value on the date of acquisition.
In the middle of 2014 the Bank's subsidiary sold 100% shares in companies Tehno Ru SIA, Norvik Management OU and Ultimate Capital SIA owning commercial Real estate in Russia. This deal was concluded with related parties at a fair value on the date of acquisition.

In October 2014 the Bank acquired 97.75% of the shares of Вятка-банк OAO. For detailed information see the Management letter and Note 2. This deal was concluded with related parties at the fair value on the date of acquisition.
During the fourth quarter 2014 corporate loans to the total amount of EUR 67.8 million were refinanced from Вятка-банк OAO to the Bank in order to enhance corporate clients servicing and administration as part of the Group development plan.

Transactions between related parties are based on standard interest rates offered by the Bank. The following table present income and expense resulting from above-mentioned related parties transactions:

	2014		2013	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Interest income	33	2 279	181	3 280
Interest expense	(351)	(84)	(75)	(77)
Net interest income	**(318)**	**2 195**	**106**	**3 203**

38. SUBSEQUENT EVENTS

As of the date of issue of the annual report, additional subordinated capital of 25 million EUR has been invested in the Bank thus strengthening the Bank's and the Group's capital.

*****

Deloitte.

Deloitte Audits Latvia SIA
Grēdu iela 4a
Rīga, LV -1019
Latvija

Tālr.: (+371) 6707 4100
Fakss: (+371) 6707 4103
www.deloitte.com/lv

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC "Norvik Banka"

Report on the Financial Statements

We have audited the accompanying financial statements of JSC "Norvik Banka" (further "the Bank") and the consolidated financial statements of JSC "Norvik Banka" and its subsidiaries (further "the Group") set out on pages 7 to 84, which comprise the Bank's and the Group's balance sheets as of 31 December 2014, income statements and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

(a) As disclosed in Note 17, the Bank's and the Group's available for sale financial assets include investments in a number of investment funds and other financial assets. These financial assets are accounted at fair value and gain or loss due to fair value changes is recognised in other comprehensive income, except for impairment losses. When there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from revaluation reserve to income statement. In 2014, the Bank has reclassified from revaluation reserve to income statement impairment losses in the amount of 36 935 thousand euro. We were unable to obtain sufficient and appropriate audit evidence to determine whether all mentioned impairment losses relate to financial year 2014. The possible adjustment would have impact on the Bank's net loss for the year and prior year accumulated losses, as well as comparative financial data for 2013, however, it would not affect the net equity amount as of 31 December 2014.

(b) As disclosed in Note 2 "Operating environment of the Group" section "Legal proceedings", as of 31 December 2014 the Bank and the Group has a total gross exposure of 56 473 thousand euro related to alternative energy sector (56 468 thousand euro as of 31 December 2013), comprising gross loan exposure in the amount of 52 145 thousand euro (52 243 thousand euro as of 31 December 2013) and other exposure in the amount of 4 328 thousand euro (4 225 thousand euro as of 31 December 2013). As of 31 December 2014 the management has assessed the recoverability of these balances based on a number of assumptions related to the future cash flows and has recognised impairment allowances in the amount of 12 351 thousand euro (12 351 thousand euro as of 31 December 2013). As the Bank is involved in several legal proceedings related to the aforementioned exposures there is significant uncertainty related to the timing and amounts of the expected future cash flows. Consequently, we were unable to determine whether any adjustments to impairment allowances in respect of the mentioned exposures were necessary as of 31 December 2014.

(c) As disclosed in Note 2 "Operating environment of the Group" section "Capital and future plans" the Bank and the Group has received support from its shareholders. The support transaction was made by transferring to the Group control over investment property at consideration significantly below the fair value of the mentioned asset. The asset is recognised in the Bank's and the Group's balance sheet as of 31 December 2014 and the excess of value obtained over consideration paid in this transaction, amounting to 10 969 thousand euro, has been recognised directly in the Bank's and the Group's equity. As execution of the transaction was completed and registration of the ownership rights in public registers was performed in 2015, the risks and rewards incident to ownership of the mentioned investment property were transferred to the Group in 2015. Consequently, the mentioned support transaction should not have been recognized in the Bank's and the Group's balance sheet as of 31 December 2014. As such, the Available-for-sale financial assets in the Bank's balance sheet and the Investment property balance in the Group's balance sheet, as well as Equity increased by 10 969 thousand euro as of 31 December 2014. The Group's reported compliance with capital adequacy requirements as of 31 December 2014 was achieved by accounting of the transaction described above. According to the Note 2 "Operating environment of the Group" section "Capital and future plans", at the date of issuance of the financial statements the transaction is officially finalised and registered.

Qualified Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraphs (a), (b) and (c) the financial statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as of 31 December 2014, and of its 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

We draw attention to Note 2 "Operating environment of the Group" in the financial statements which discloses the Group's exposure to the Russian Federation. Russian economy development and Russian Rouble exchange rate fluctuations have significant impact on the Bank's and the Group's financial performance and financial position. Accordingly, the Group is dependent on further successful management of its exposure to Russian Federation, as well as continuing support from shareholders and ability to improve its capital adequacy position. Management action plan and the Group's outlook is described in the Note 2 "Operating environment of the Group". Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

We have read the Report of the Chairman of the Supervisory Council and the Chairman of the Management Board for 2014 set out on pages 3-4 of the accompanying annual report for the year ended 31 December 2014 and have not identified any material inconsistencies between the historical financial information contained in the Report of the Chairman of the Supervisory Council and the Chairman of the Management Board and the financial statements for 2014.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stugis
Member of the Board

Riga, Latvia
31 March 2015

Kitija Kepite
Certified auditor of Latvia
Certificate No. 182