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 2015 and
independent auditors' report

CONTENTS

Dear Shareholders, Clients and Partners,

Norvik Banka has seen significant positive changes in 2015 in its revenue drivers and balance sheet structure: for the full-year net financial income increased 48% on the previous year, and total assets increased by 3%. In light of significantly volatile financial markets and, what we view as long-term, geopolitical uncertainty, the management team is satisfied with the operational results of 2015 and is convinced that the long-term strategy is showing just rewards over the short-term.

The key macro-economic messages from 2015 were ‘uncertainty’ and ‘disappointment’. Global financial markets were hit by uncertainty about potential scenarios for monetary policy tightening in the US but also by concerns about China’s slowdown, leading to double-digit declines in commodity prices: oil prices rose 35% over January-May 2015, only to correct 45% lower in the remainder of the year. Meanwhile, the US Dollar appreciated nearly 10% in 2015 against a basket of major currencies; the performance of risk-driven assets was dismal, with losses across many categories. Emerging markets stocks did particularly poorly in 2015: the MSCI Emerging Markets USD index fell nearly 16%. In Europe, the performance of equity market indices was closely correlated with the associated currency: EURO STOXX 50 in USD terms was down 4% while EURO STOXX 600 in EUR was up some 8%. Russia’s MICEX and RTS in USD were also broadly flat. Return on US high-yield debt was negative to -4%. In the emerging markets bond space, hard-currency corporate debt declined 3%, USD sovereign debt was broadly unchanged.

When celebrating its 23rd birthday in April 2015 the Bank announced encouraging news to its customers and employees related to its expansion in Riga, through the opening of two new corporate centres at Raina Boulevard 11 and Elizabetes Street 15. The former is now in operation as the centre for servicing resident clients, and the latter as corporate headquarters and service centre for VIP clients. Further afield, the Bank has maintained its status as the industry leader in terms of geographic coverage by offering a convenient and complete service near clients’ homes or offices, with central office, 6 branches and 61 service centres in 16 cities.

Customer confidence and trust in the running of the Bank is demonstrated by keeping customer deposit base on the same level as in 2014, as well a 22 place increase in the ranking of Top-100 companies for market reputation. The Bank has also been included in the Top-100 list of the most valuable companies compiled by “Nasdaq OMX Riga” and investment consultants “Prudentia” - the Bank was ranked 61st among all Latvian companies and 10th among financial service providers.

The Bank continues to provide market one of the leading online services (payments, foreign currency exchange, and brokerage operations) highly appreciated by our international customers. In October 2015 the Bank took part in the international finance conference “InvestPro Azerbaijan Baku 2015”, wherein the Bank presented its service concept and latest offers for international customers.

In terms of social impact and relevance, in the 3rd quarter of 2015 the Bank’s “Citizen Card” for public transport was presented through which the Bank succeeded in ensuring travel privileges in compliance with Latvian Cabinet Regulations No.153. The “Citizen Card” combines the features of the Bank’s payment MasterCard Debit card and the personal identification features, and will be issued upon Latvian municipality request. Along with the possibility to pay for goods and services, withdraw cash and perform non-cash transactions, the “Citizen Card” will allow the collection of benefits when paying with the card for the services specified by the local municipality.

In September 2015, the Chairman of the Management Board took part in the development of the “FICIL Sentiment Index 2015”, working together with numerous foreign investors as part of the Foreign Investor Council in Latvia (FICIL) on the investment climate in Latvia. This was the first such assessment of the Latvian economy and its competitive advantage by foreign investors. Mr. Bramwell was specifically noted as a key contributor to the Index and the results recorded, also actively taking part in the various panel discussions during the FICIL High Council.

From the Bank’s balance sheet, key highlights are as follows:

- Total assets at year-end 2015 reached 1 006 million euro, an increase of 29.4 million euro comparing to 31.12.2014.
- The loan portfolio at the end of 2015 amounted to 245.9 million euro (a 9 million euro increase year-on-year).
- The liquidity ratio for the reporting period was 64.22% (December 2014 - 58.75%).

The Bank follows a liquidity management strategy that provides a high rate of return balanced for the risk assumed, whilst purposefully maintaining higher than the minimum required level of liquidity reserves.

From the income statement, key highlights are as follows:

- Net interest income for 2015 increased year-on-year to 16.6 million euro compared to 7.4 million euro in 2014. The successful implementation of a conservative lending program through the previous period led to significant improvement in this line item and gives a solid foundation for the coming years.
- Net commission income for 2015 showed a limited decrease of 6.6% due to increased external pressures and decreased transaction volumes, decreasing to 16.9 million euro compared to 18.1 million euro in 2014.
- In 2015, on increased market volatility (driven by geopolitical uncertainty) on financial instruments and foreign currency operations the Bank earned 14.4 million euro in foreign exchange income compared to 8.2 million euro in 2014.
- The run-off of the non-profile credit & investment portfolio continues. As a result, in 2015 an additional impairment charge due to a decrease in recoverable amounts was made in the amount of 28 million euro (compared to 52.1 million euro in 2014).

The net operating income for 2015 was thereby 18.6 million euro (compared to a net operating income of 8.7 million euro in 2014).

A key part of the financial activities through 2015 was the strengthening of the equity of the Bank. With the investment of 38.1 million euro in subordinated deposits attracted, and subordinated bonds issued for 28.4 million euro, the capital adequacy ratio as of December 2015 was 16.65%, - significantly higher than 14.48% as of December 2014. Norvik Group's capital adequacy ratio at year-end was 11.49% compared to 11.24% as of December 2014. On 30th September 2015 the bank attracted a new investor: Mr. Devon Archer became one of Norvik Banka's shareholders with investment in the bank's equity of 8 million euro through the investment firm "Archer Diversified Investments, LLC". As a result of the investment, the new shareholders equity stake in the Bank was 6.10%.

Mr.Archer contributed more than equity to the business through 2015, he also helped the peaceful settlement of the long-fought "Winergy" legal case: there was substantial progress achieved at the end 2015 regarding the legal settlement pertaining to the recovery of loans issued to the alternative energy sector. By entering into multiple transactions in November 2015 Mr.Archer, gained control over the assets that served as collateral for the loans. And on 18 December 2015 the Bank initiated the restructuring of the aforementioned group of loans. Further to this, the Bank sees the planned termination of numerous court proceedings as additional evidence that in 2016 all legal risks in relation to this complex court case will be removed. The management of the Bank has reasonable grounds to evaluate the likelihood of free cash flows to support the repayment of the loans as high based on both the civil arrangement that was completed, and notable progress with the review of the criminal case.

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 strategic goals.

In 2014 Norvik Banka became the owner of 97.75% of shares of "Вятка-банк" ОАО (Russia). Renamed ПАО "Норвик Банк" in 2015 this subsidiary financial institute 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.

Further to the commentary above, and in light of the Russia exposures the Group holds, a few notes on the Russian macro-situation are worth noting:

- The EU sanctions against Russia over Crimea and Eastern Ukraine (introduced in various stages throughout 2014) were extended twice in 2015, for 6-month periods each time. Russia continued to reciprocate, by maintaining or introducing trade restrictions, including against the Baltic states. Escalation of Russia-Turkish relations over the conflict in Syria led to large-scale trade and economic sanctions by Russia against Turkey in late 2015.
- In 2015, the Russian economy continued to adjust to the challenging external environment and persistent volatility in commodity prices and exchange rates globally. The further sharp deterioration in

Russia's terms of trade in 2015 against the backdrop of the dollar's persistent strength has led to sharp fluctuations in the ruble's exchange rate. Having reached a fresh low against the dollar of 69.5 in late January 2015, the ruble then appreciated 29% to 49.2 in mid-May. In the reminder of 2015, the ruble weakened by nearly 50% against the dollar, to 72.9. Against the euro, the ruble fell just over 13% in the course of 2015. Inflation moderated at year-end 2015 to 12.9% from a peak of 16.1% in March 2015.

- The worsening of Russia's terms of trade, as well as the effect of the economic sanctions, have led to a deepening of the crisis in the Russian economy in 2015. Real GDP fell 3.7% in 2015, driven in particular by much weaker household consumption (-10.1%). Fixed investment fell 7.6%. Exports were the only significant source of growth (up 3.1%), imports fell 25.6%. On the production side, the biggest declines were in wholesale and retail trade (-10.1%), construction (-7.5%) and manufacturing (-5.5%), while agriculture and mineral extraction expanded, by 3.5% and 1.1%, respectively.

In late-2015 the management of the Bank made the decision to liquidate operations in the Armenian market (under "Norvik" liquidation UCO CJSC) and this is due to be finalized in 2016 depending on market conditions. The net loss from this business in 2015 was 0.4 million euro (a net profit 0.4 million euro in 2014).

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 2015 the number of participating customers was 79 034 (79 671 as of December 2014) and 86.3 million euro in assets under management (77.8 million euro as of December 2014), which is an 11,01% year-on-year increase.

The management of the Bank consider 2015 to be a successful year and a step towards ensuring the Bank's long-term, effective presence in the Latvian and international financial markets. The management would once again like to highlight the loyalty shown by both employees and customers in ensuring these results. In the coming year, the Bank plans to focus on the digital space, covering new technologies and innovation, offering new products for currency exchange online, an improved mobile solution for all services, and remote access in a user-friendly manner 24/7. Further to this, the management plan to develop a product offering for high-net worth individuals – a customer segment not previously targeted.

At the start of 2015 Norvik Group employed 1 640 members of staff (Norvik Banka 606), and at year-end 2015 Norvik Group employed 1 484 members of staff (Norvik Banka 605).

Norvik Group'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 27 May 2016

Supervisory Council as at 31 December 2015

Name	Position	Date of initial appointment
G.Guselnikov	Chairman of the Supervisory Council	19/12/2013
I.Smolin	Deputy Chairman of the Supervisory Council	15/05/2015
A.Ruselis	Member of the Supervisory Council	15/05/2015
P.M.Odintsov	Member of the Supervisory Council	20/07/2014

During the reporting period the following persons resigned from their position:
- Member of the Supervisory Council A. Danilenko
- Member of the Supervisory Council D.D. Archer

During the reporting period the following persons were appointed:
- Member of the Supervisory Council D.D. Archer

Management Board as at 31 December 2015

Name	Position	Date of initial appointment
O.R.Bramwell	Chairman of the Management Board	19/12/2013
A.Peshkov*	Member of the Management Board	01/09/2015
A.Verbicka	Member of the Management Board	10/11/2015
A.Kutyavin	Member of the Management Board	29/12/2015
S.Gorashchenko	Member of the Management Board	30/09/2014

During the reporting period, the following persons resigned from their position:
- Member of the Management Board R.Ruskulis
- Member of the Management Board D.Novikov
- Member of the Management Board M.Stepina
- Member of the Management Board A.Zykov
- Member of the Management Board I.Rozanov

During the reporting period, the following persons were appointed:
- Member of the Management Board A.Peshkov
- Member of the Management Board A.Verbicka
- Member of the Management Board A.Kutyavin

*At the date of issuing these financial statement Member of the Management Board A.Peshkov has resigned from the position of the Management Board.

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 27 May 2016

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 2015 and the results of its operations and cash flows for the financial year ended 31 December 2015, as well as the financial position of the Bank as of 31 December 2015 and the results of its operations and cash flows for the financial year ended 31 December 2015.

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 2015 set out on pages 8 to 94. 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 27 May 2016

CONSOLIDATED AND SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

		2015		2014	
		Group	**Bank**	**Group**	**Bank**
	Notes	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**
Interest and similar revenue		47 308	23 326	21 070	12 153
Interest and similar expense		(21 999)	(6 737)	(8 675)	(4 801)
Net interest income	4	**25 309**	**16 589**	**12 395**	**7 352**
Fee and commission revenue		29 524	20 538	24 682	21 355
Fee and commission expense		(4 119)	(3 676)	(3 433)	(3 303)
Net fee and commission income	5	**25 405**	**16 862**	**21 249**	**18 052**
Dividend revenue		22	2 382	118	104
Net trading income	6	6 343	10 581	14 440	7 881
Net gain or (loss) from sales of available-for-sale financial assets	7	4 988	3 313	447	180
Net financial income		**62 067**	**49 727**	**48 649**	**33 569**
Other operating income	8	29 153	1 618	30 493	2 051
Other operating expense	8	(20 812)	(2 530)	(19 084)	(1 727)
Administrative expenses	9	(56 722)	(29 260)	(44 550)	(24 146)
Personnel expenses		*(34 530)*	*(16 296)*	*(26 872)*	*(14 039)*
Other expenses		*(22 192)*	*(12 964)*	*(17 678)*	*(10 107)*
Depreciation and amortization		(3 441)	(964)	(3 695)	(1 045)
Net operating income		**10 245**	**18 591**	**11 813**	**8 702**
Changes in fair value of investment property	20	3 789	(346)	(13 654)	317
Impairment of Goodwill		-	-	(23)	-
Impairment of available for sale financial assets	17	-	(14 987)	(214)	(36 935)
Impairment loss on assets held for sale		(219)	12	(11)	(11)
Impairment loss on tangible fixed assets		(1 174)	131	317	-
Impairment loss on held-to-maturity financial assets		(39)	(39)	-	-
Impairment losses on financial assets	16	(25 640)	(12 770)	(15 322)	(15 462)
Impairment charge		**(23 283)**	**(27 999)**	**(28 907)**	**(52 091)**
Net losses before tax		**(13 038)**	**(9 408)**	**(17 094)**	**(43 389)**
Corporate income tax	10	664	(987)	(679)	(431)
Loss for the year		**(12 374)**	**(10 395)**	**(17 773)**	**(43 820)**
Attributable to:					
Equity holders of the parent		(12 323)		(17 779)	
Minority interest		(51)		6	
Basic and Diluted Earnings per share (EUR)	30	(0.06)		(0.15)	

The accompanying notes on pages 15 to 94 form an integral part of these Consolidated and Bank Financial Statements.

The Consolidated and Separate Financial Statements on pages 8 to 94 were approved by the Supervisory Council and the Management Board on 27 May 2016 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 2015

		2015		2014	
		Group	**Bank**	**Group**	**Bank**
	Notes	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Loss for the year		**(12 374)**	**(10 395)**	**(17 773)**	**(43 820)**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of property		2 249	1 196	-	-
		2 249	**1 196**	**-**	**-**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
Exchange differences arising during the year		(3 140)	-	(24 373)	-
		(3 140)	**-**	**(24 373)**	**-**
Available- for-sale financial assets					
Net fair value gain on available-for-sale financial assets during the year	17	9 829	7 288	(1 537)	(4 249)
		9 829	**7 288**	**(1 537)**	**(4 249)**
Total comprehensive income (losses) for the year		**(3 436)**	**(1 911)**	**(43 683)**	**(48 069)**
Attributable to:					
Equity holders of the parent		(3 232)		(43 689)	
Non-controlling interests		(204)		6	

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Chairman of the Supervisory Council
G.Guselnikov

Chairman of the Management Board
O.R.Bramwell

CONSOLIDATED AND SEPARATE BALANCE SHEET AND OFF-BALANCE SHEET ITEMS FOR THE YEAR ENDED 31 DECEMBER 2015

		31.12.2015		31.12.2014	
	Note	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Assets					
Cash and balances with the central bank	11	45 360	30 626	39 191	22 943
Loans to and receivables from banks	12	197 421	192 844	246 082	228 100
Trading financial assets	13	67 370	109	63 355	10 181
Derivatives financial instruments	14	1 809	1 806	909	828
Loans to and receivables from customers	15	314 306	245 888	364 690	236 800
Available-for-sale financial assets	17	253 782	476 089	191 959	427 909
Held-to-maturity financial assets	18	19 802	19 802	18 439	18 439
Prepaid corporate income tax		252	-	1 157	-
Investment property	20	106 642	6 225	121 675	6 571
Tangible fixed assets	21	65 158	19 859	51 616	16 200
Goodwill and other intangible assets	19	10 660	351	25 290	290
Assets held for sale		1 796	541	3 070	534
Other assets	22	45 868	11 520	29 667	7 501
Total assets		**1 130 226**	**1 005 660**	**1 157 100**	**976 296**
Liabilities					
Due to the central bank and other banks	24	1 913	1 831	2 404	9 371
Derivatives financial instruments	14	347	319	886	826
Customer deposits	25	957 972	840 913	1 008 699	840 346
Subordinated debt	26	38 135	38 135	41 853	33 298
Debt securities	27	28 354	28 354	4 331	4 331
Deferred tax liabilities	10	2 743	773	3 005	596
Other liabilities	28	21 517	8 230	21 276	6 506
Total liabilities		**1 050 981**	**918 555**	**1 082 454**	**895 274**
Equity attributable to equity holders of the Bank					
Share capital	29	131 102	131 102	123 101	123 101
Reserves		10	10	10	10
Revaluation reserve of tangible fixed assets, net of tax		5 456	4 379	3 380	3 380
Revaluation reserve of available-for-sale financial assets, net of tax		5 668	2 771	(4 161)	(4 517)
Revaluation reserve of foreign currency translation		(31 222)	-	(28 211)	-
Retained earnings (accumulated losses)		(20 098)	(40 762)	(2 550)	2 868
Loss for the year		(12 323)	(10 395)	(17 779)	(43 820)
Total equity attributable to equity holders of the Bank		**78 593**	**87 105**	**73 790**	**81 022**
Minority interest		652	-	856	-
Total equity		**79 245**	**87 105**	**74 646**	**81 022**
Total liabilities and equity		**1 130 226**	**1 005 660**	**1 157 100**	**976 296**
Commitments and contingencies					
Contingent liabilities		13 000	3 730	14 980	5 464
Commitments		18 428	12 493	16 382	5 674
Total commitments and contingencies	32	**31 428**	**16 223**	**31 362**	**11 138**
Return on assets (ROA), %		(1.08)	(1.05)	(1.84)	(4.95)

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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 2015

Group	Share capital	Reserve	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
	Attributable to shareholders of the Bank								
	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000
As at 31 December 2013	**124 746**	**10**	**3 576**	**(2 624)**	**(3 838)**	**(85 033)**	**36 837**	**1 385**	**38 222**
Revaluation reserve of tangible fixed 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	**-**	**-**	**-**
Shareholders 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 of available-for-sale financial assets, net of tax	-	-	-	9 829	-	-	**9 829**	-	**9 829**
Foreign currency translation of foreign subsidiaries*	-	-	-	-	(3 011)	-	**(3 011)**	(129)	**(3 140)**
Revaluation of tangible fixed assets, net of tax	-	-	2 273	-	-	-	**2 273**	(24)	**2 249**
Loss for the year	-	-	-	-		(12 323)	**(12 323)**	(51)	**(12 374)**
Total comprehensive income for the year	**-**	**-**	**2 273**	**9 829**	**(3 011)**	**(12 323)**	**(3 232)**	**(204)**	**(3 436)**
Amortization of revaluation reserve of tangible fixed assets, net of tax	-	-	(231)	-	-	231	**-**	-	**-**
Other	-	-	34	-	-	-	**34**	-	**34**
Increase of share capital	8 001	-	-	-	-	-	**8 001**	-	**8 001**
As at 31 December 2015	**131 102**	**10**	**5 456**	**5 668**	**(31 222)**	**(32 421)**	**78 593**	**652**	**79 245**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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 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**
Revaluation of available- for-sale financial assets, net of tax	-	-	-	7 288		**7 288**
Revaluation of tangible fixed assets, net of tax	-	-	1 196	-	-	**1 196**
Profit (loss) for the year	-	-	-	-	(10 395)	**(10 395)**
Total comprehensive income for the year	-	-	**1 196**	**7 288**	**(10 395)**	**(1 911)**
Amortization of revaluation reserve of tangible fixed assets, net of tax	-	-	(231)	-	231	-
Other	-	-	34	-	-	**34**
Merger of subsidiary company	-	-	-	-	(41)	**(41)**
Increase of share capital	8 001	-	-	-	-	**8 001**
As at 31 December 2015	**131 102**	**10**	**4 379**	**2 771**	**(51 157)**	**87 105**

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

CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

		2015		2014	
		Group	Bank	Group	Bank
	Note	EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operations					
Loss before corporate income tax		(13 038)	(9 408)	(17 094)	(43 389)
Depreciation of intangible and tangible fixed assets and write off		4 418	1 111	4 234	1 171
Increase in provisions for impairments losses on financial investments		26 143	13 274	25 868	16 686
Impairment of tangible fixed assets		1 174	(131)	(317)	-
Impairment losses of assets held for sale		219	(12)	11	11
Impairment losses of held to maturity financial assets		39	39	-	-
Impairment losses of available-for-sale financial assets		-	14 987	214	36 935
(Profit)/loss from foreign exchange revaluation	6	4 344	1 057	(15 554)	(2 655)
Non-realized (profit)/loss from investment property	20	(3 789)	346	13 654	(317)
Operating cash flow before changes in operating assets and liabilities		**19 510**	**21 263**	**11 016**	**8 442**
Decrease/(increase) in loans and receivables to banks		485	564	6 311	(253)
Decrease/(increase) in trading financial assets		(4 015)	10 072	22 199	5 234
Decrease/(increase) in derivatives financial assets		(900)	(978)	771	852
Decrease/(increase) in loans and receivables to customers		24 241	(22 364)	14 622	(50 983)
Decrease/(increase) in assets held for sale		1 294	5	(1 859)	171
Decrease/(increase) in biological assets		-	-	12 094	-
Decrease/(increase) in other assets		(14 341)	(5 005)	348	(2 469)
Increase/(decrease) in due to banks		(491)	(7 540)	552	8 337
Increase/(decrease) in customer deposits		(55 696)	567	44 722	126 445
Increase/(decrease) in derivatives financial liabilities		(539)	(507)	(413)	(303)
Increase/(decrease) in other liabilities		241	1 726	4 704	616
Cash provided by (used in) operating activities		**(30 211)**	**(2 197)**	**115 067**	**96 089**
Corporate income tax (paid)		(999)	-	(313)	-
Net cash provided by (used in) operating activities		**(31 210)**	**(2 197)**	**114 754**	**96 089**
Cash flow from investing activities					
Acquisition of intangible and tangible fixed assets		(11 058)	(3 294)	(9 921)	(676)
Sale of intangible and tangible fixed assets		19 934	-	12 637	-
Decrease/ (increase) in held-to-maturity financial assets		(1 402)	(1 402)	(18 439)	(18 439)
Acquisition of investment property		(5 749)	-	(28 153)	-
Sale of investment property		8 088	-	8 721	7 749
Acquisition/merger of subsidiary		-	(41)	(47 297)	-
Decrease/(increase) in available-for-sale financial assets		(51 994)	(55 879)	(146 167)	(229 552)
Debt securities issued		24 023	24 023	4 331	4 331
Net cash provided by (used in) investing activities		**(18 158)**	**(36 593)**	**(224 288)**	**(236 587)**
Cash flow from financing activities					
Increase in share capital		8 001	8 001	67 849	69 638
Increase/(decrease) in subordinated debt net		560	4 837	11 320	11 424
Net cash provided by financing activities		**8 561**	**12 838**	**79 169**	**81 062**
Net increase/(decrease) in cash and cash equivalents		**(40 807)**	**(25 952)**	**(30 365)**	**(59 436)**
Cash and cash equivalents at the beginning of the period		283 173	250 104	313 059	306 885
Effect of exchange changes on cash and cash equivalents		(1 200)	(1 057)	479	2 655
Cash and cash equivalents at the end of the period	31	**241 166**	**223 095**	**283 173**	**250 104**

Operating cash flows from interest and dividends

	2015		2014	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest paid	18 448	5 878	8 717	4 843
Interest received	39 379	24 718	21 791	12 875
Dividend received	22	2 382	118	104

The accompanying notes on pages 15 to 94 forms an integral part of these Consolidated and Bank Financial Statements.

The Consolidated and Separate Financial Statements on pages 8 to 94 were approved by the Supervisory Council and the Management Board on 27 May 2016 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 15-2 Elizabetes Street, Riga, LV-1010 Latvia (as at 31.12.2015. - 21 E.Birznieka-Upīša Street, Riga, LV-1011, Latvia).

The Bank has a central office, 6 branches, 61 customers servicing centers 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 publishes 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.

These financial statements were prepared based on the going concern assumption.

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 2015 are consistent with those followed in the preparation of the Group`s and Bank`s annual financial statements for the year ended 31 December 2014.

Standards and Interpretations effective in the current period.
The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (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),

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

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

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

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

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- **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),

- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

- **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 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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, except for IFRS 9, where the impact was not yet estimated.

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9, which will supersede IAS 39. The mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after January 1, 2018. During 2016 the Bank/Group intend to perform the first analysis to approximate numerical impact to the financial statements.

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") and are consolidated in Group financial statements:

Norvik Group 31.12.2015						
Name	**Holding company name**	**Accumulated equity interest (%)**	**Country**	**Address**	**Economic sector**	**Registration number**
Norvik liquidation Universal Credit Organisation CJSC	AS Norvik Banka	100	AM	Yerevan, 12 Saryan str.	Financial service activities	NR. 14
Norvik Apdrošināšanas Brokeris SIA	AS Norvik Banka	100	LV	Rīga, E.Birznieka-Upīša 21	Insurance brokerage services	40003950355
Norvik Ieguldījumu Pārvaldes Sabiedrība AS	AS Norvik Banka	100	LV	Rīga, E.Birznieka-Upīša 21	Financial service activities	40003411599
Accounting LAB SIA	Norvik Ieguldījumu Pārvaldes Sabiedrība AS	100	LV	Rīga, E.Birznieka-Upīša 21	Professional, scientific and tehchnical activities	40103259956
Norvik Banka UK Limited	AS Norvik Banka	100	GB	London, 46/48 Grosvenor Gardens, 1st floor	Financial service activities	8940522
ПАО Норвик Банк	AS Norvik Banka	97.75	RU	610000, г. Киров (обл.), Преображенская, дом 4.	Financial service activities	1024300004739
Norvik Eurasia AIF AS	AS Norvik Banka	100	LV	Rīga, Elizabetes 15-1, LV-1010	Financial service activities	40103934446
Балтикс ООО *	AS Norvik Banka	0	RU	125363, г.Москва, Сходненская, д.10	Transport and storage	7733831827
Olerinia Limited	AS Norvik Banka	100	CY	Kyvelis 11, Rania court, Agioi Omologites, 1087, Nicosia	Financial service activities	HE329149
E15 SIA	Olerinia Limited	100	LV	Rīga, Elizabetes 15-2, LV-1010	Real estate activities	40103813496
Allurine Limited	AS Norvik Banka	100	CY	2 Romanou Street,TLAIS TOWER,6th Floor,Flat/office 601,1070 Nicosia	Financial service activities	HE329342
Norvik IPS AS SIF Nākotnes Īpašumu Fonds	AS Norvik Banka	100	LV	Rīga, E.Birznieka-Upīša 21	Financial service activities	40003411599
Magnum Estate SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103295514
Пресес Намс Балтия ООО	Magnum Estate SIA	99.9	RU	Псковская обл, г.Великие Луки, наб.Лейтенанта Шмидта, д.1, к.1, 182113	Printing and reproduction of recorded media	1107746214245
Пресес Намс Балтия ООО	Magnum Estate SIA	99	BY	Минск, Логойский тракт, дом 22A, помещение 171, офис 3	Printing and reproduction of recorded media	192241788
Serenity SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103296045
Paletes SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40003370229
Ostas 1 SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40003934350
Top Estate SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103220007
Lat Estate SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103214388
Lanora SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103214316
Gauja CS SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103658723
Pilnskalna 911 SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103667035
Krasta SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103669801
Seastone SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Manufacture of chemicals and chemical products	40103679763

Name	Holding company name	Accumulated equity interest (%)	Country	Address	Economic sector	Registration number
PNB Print SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Silakrogs Ropažu nov. LV2133, Jāņsili	Printing and reproduction of recorded media	40103219845
Baltijas Naftas Grupa SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Wholesale trade, except of motor vehicles and motorcycles	50103484321
Visalia SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Administrative and support service activities	40103220115
Madora SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103214354
Lanata SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103214284
Days SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	50103219851
Homelink SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103220172
Acton SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103220030
City Estates SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103219898
Relocation SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103220079
Solum Estate SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103295641
Merkurs Rigante Pluss SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, Zemaišu 3	Real estate activities	40103283110
Eko Forums Pluss SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga , Mārupes 19 LV-1004	Real estate activities	40003884083
Alfa Timber SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, Daugavgrīvas šoseja 8	Manufacture of wood and of products of wood and cork, except furniture	50103384551
NBT Agro SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Agriculture, foresty and fishing	40103692121
Ganību Dambis 27 SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103712269
NBT Agro2 SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103217168
NBT Energy SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103680940
NBT1 Energy SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103688179
NBT3 Energy SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103696477
NBT5 Energy SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103713349
A5 & M3 SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Real estate activities	40103713508

Name	Holding company name	Accumulated equity interest (%)	Country	Address	Economic sector	Registration number
IKSOV CJSC	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	AM	Yerevan, 375010, Tpagricneri 9-55	Financial service activities	286.120.05894
Lan ltd	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	AM	Yerevan, Zaqiyan 10/25	Real estate activities	286.110.06690
Artecco SIA	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	LV	Rīga, E.Birznieka-Upīša 21	Wholesale trade, except of motor vehicles and motorcycles	40103783952
Cecily Holdings Limited	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	100	CY	2, Sophouli Str., 8th floor, 1096 Nicosia	Financial service activities	HE 275512
Landowner OOO	Cecily Holdings Limited	100	RU	Московская область, Можайский район, Борисовский с.о., дер. Заречье	Real estate activities	1057747139306
Монолит ООО *	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	0	RU	610004, г.Киров, Ленина 15	Real estate activities	1124345020337
Капитель ООО *	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	0	RU	610004, г.Киров, Ленина 15	Real estate activities	1124345020250
Лесстрой ООО *	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	0	RU	610004, г.Киров, Ленина 15	Real estate activities	1124345021998
Орион ООО *	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	0	RU	119049, г.Москва, Шаболовка 10	Real estate activities	5077746753497
Профпроект ООО *	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	0	RU	125481, г.Москва, Фомичевой, дом5, корп.2, эт.1, пом.5, ком.7	Real estate activities	1147746540545
Каланчевская 13 ООО *	Norvik IPS AS SIF Nākotnes Īpašumu Fonds	0	RU	г. Москва, Каланчевская, д.13, пом. 2, ком.1	Real estate activities	1147746857983

* The company is included in the Bank’s consolidation group as the Bank controls the entity in accordance with IFRS 10 paragraph 6.

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 and classified them in Available for sale balance sheet line. 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 if 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 2015 (2014: 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 probable 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.

The Banks/Group’s management believes that the fair value of the assets and liabilities presented in these financial statements is measured reliably.

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. Based on best knowledge about current situation, management makes a particular judgment about financial position of counterparty, realization value of underlined collateral and estimation of net present value of expected future cash flows, when determining the amount of allowance required.

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 independent 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 based on independent certified valuator valuations 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.

(3) Operating environment of the Group and Going concern

(3.1.) Going concern considerations

The management have carefully analyzed the conditions impacting the Group’s and the Bank’s ability to continue as a going concern. The Management considers that the key risks which can substantially impact the Group’s and the Bank’s operations and financial position are:

- exposure to Russia;
- legal proceedings connected to alternative energy sector;
- valuation of various investment properties and loans (see Note 2, part (2) Significant judgements and estimates);
- Compliance with the minimum capital adequacy requirements and other regulatory compliance requirements.

The Group’s and the Bank’s ability to continue as a going concern is substantially dependent on the successful management of the aforementioned risks, ability to improve the capital adequacy position and ensuring the compliance with all regulatory requirements. The Group’s and the Bank’s financial statements are prepared on the going concern basis and do not include any adjustments, including valuation of assets and liabilities, that may be required if the going concern assumption would not be applicable.

In further sections the key risks relating to going concern assumption are described in more detail.

(3.2.) Exposure to Russian Federation

As of 31 December 2015 the Group has material assets that are not related to the primary banking operations (non-core assets), held primarily in closed investment fund “Nākotnes Īpašumu Fonds” in the amount of 139 966 thousand euro. These assets are held as available for sale investments and include also assets of Russian origin (See below).

The following section discloses the Group’s operations in the Russian Federation and full related exposure, both core and non-core. In 2015 the Bank retained a major part of assets of Russian origin, in particular:

1) a subsidiary enterprise – in 2014 “Вятка-банк” OAO (Russia) was acquired which provides a full range of services of a commercial bank; balance sheet value of investments in Bank’s available for sale financial assets ПАО "Норвик Банк" (renamed in 2015) as of 31 December 2015 was 43.1 million euro and as of 31 December 2014 was 51.5 million euro;
2) closed investment fund “Nākotnes Īpašumu Fonds” including assets located in Russia with book value of 17 633 thousand euro.
3) loans and accounts receivable granted to Russian developers of commercial real estate with the total exposure of 85.2 million as of 31 December 2015 and 79.3 million euro as of 31 December 2014, including hotels, operating in several major Russian cities:

	31.12.2015 Exposure EUR’000	31.12.2014 Exposure EUR’000
Moscow	31 650	28 370
Perm	7 684	7 189
Kirov	16 099	15 686
Yekaterinburg	18 408	16 670
Tomsk	11 381	11 413
Total	**85 222**	**79 328**

The amount of the Group's and Bank's deposits of which the end holders are residents of Russia are 218.5 and 80.7 million euro or approximately 22.8% and 9.3% of the entire deposit base as of 31 December 2015. As of 31 December 2014 Group's and Bank's deposits of which the end holders are residents of Russia were 230.7 and 61.5 million euro or approximately 22.9% and 7.3% of the entire deposit base.

Included in the total exposure to Russian Federation is the following asset. As disclosed in the Group's annual report for 2014, the Bank/Group gained support from the Bank's major shareholder in the form of unfinished construction of the hotel Hilton Mozhaisk Borodino Hotel & Spa – a five-star resort SPA hotel designed for 160 rooms located 100 km away from the Moscow Automobile Ring Road in an environmentally pristine district of the localities near Moscow on the territory of 9 hectares. There are 6 swimming pools in the hotel, 3 of which are lidos, and one of them – a year-round pool, as well as a SPA and wellness centre, recreation area which includes bowling and billiard, fitness centre and several restaurants. There are also sports facilities and playgrounds on the territory of the complex, as well as 3 conference halls of various formats and a multifunctional hall for 300 persons which can hold both sporting events and conferences and banquets with a large number of invited guests. In Bank level respective balance is reflected in "Loans to and receivables from customers" in amount of 7.2 million euro and in "Available for sale financial assets" in amount of 10.4 million euro. In Group level reflected in "Investment property" in value of 20.1 million euro (see Note 15).

The hotel's operation will be managed by the Russian independent hotel management company BS Hospitality Management.

In 2015, owing to the Bank's 100% financing of finishing the construction (as of the date of the report, the amount of the granted loan was EUR 7.2 million) the value of the facility increased: according to the appraisal by an independent appraiser STIWA Real Estate Advisory Gmbh, as of the end of 2015 the value of the facility was EUR 20.6 million. According to the schedule, the main construction works are to be completed by 01.07.2016, the site is to be commissioned during July 2016, the first guests are to be hosted in mid-August 2016.

The Russian economy, its development, rouble exchange fluctuations which started in the second half of 2014 and continued in 2015 exercised a significant influence over the changes in the balance sheet items of both the Bank and the Group.

Even though in early 2015 a strengthening trend could be observed in relation to the Russian rouble, the third quarter of 2015 was marked by a slump.

The key influence factor was fall in oil prices in the third quarter of 2015, which, consequently, influenced a decline in the rouble. External economic conditions in the third quarter of 2015 worsened; moreover, risks of further negative dynamics aggravated. Thus, in October the IMF revised the forecast of growth of the global economy in 2015 from 3.3% to 3.1%, moreover in 2016 the pace of economic growth is expected to slow down from 3.8% to 3.6%. The Central Bank of the Russian Federation in the third quarter continued lowering of the key interest rate to 11% against a backdrop of stabilisation of inflation expectations. However, during the third quarter and at the beginning of the fourth quarter depreciation processes intensified due to fall in oil prices, and inflation stopped slowing down.

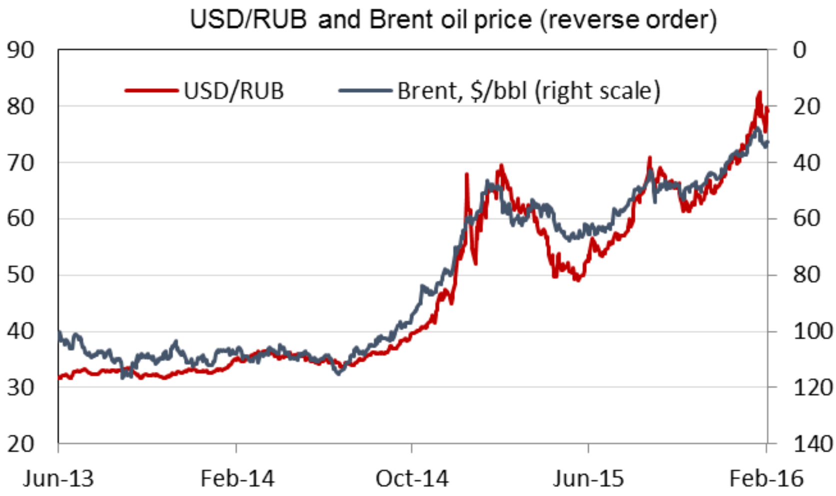
Additionally, the exchange-value of rouble was influenced by economic sanctions which were imposed in the second half of 2014 and are still valid at the moment.

Under the conditions of persistence of negative external pressure the Bank of Russia did not counteract the emerging external trend of weakening of the national currency. In January-September 2015 the real effective exchange rate of Russian rouble dropped by 19.3% year over year.

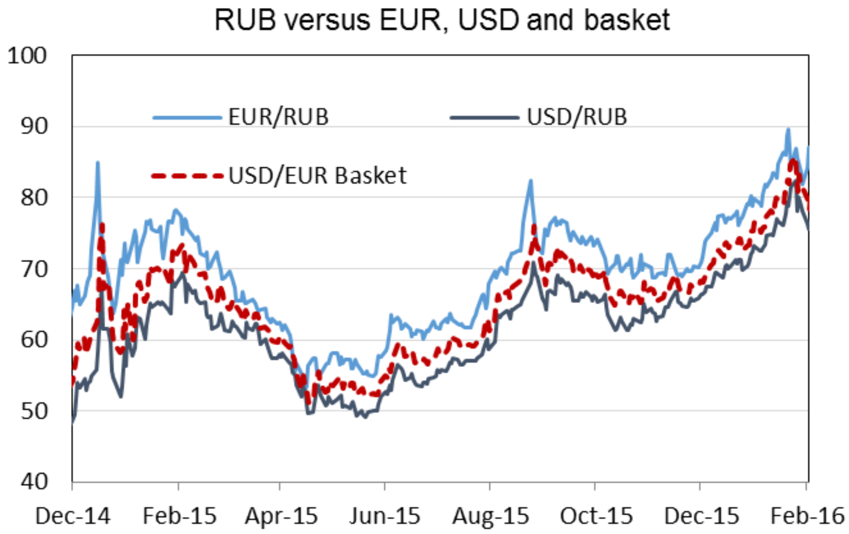
In 2015 and early 2016 the Russian economy continued to adjust to the challenging external environment and persistent volatile in commodity prices and exchange rates globally. Following the 53% drop in 2014, oil prices (Brent) rose 35% over January-May 2015, only to correct 45% lower in the remainder of the year. Oil prices fell a further 23% in the first 3 weeks of January 2016, to below $28/bbl, the lowest level since 2002. In the meantime, the US Dollar appreciated nearly 10% in 2015 against a basket of major currencies.

The further sharp deterioration in Russia's terms of trade in 2015 against the backdrop of the dollar's persistent strength has led to renewed weakness in the ruble's exchange rate and its sharp fluctuations. Having reached a fresh low against the dollar of 69.5 in late January 2015, the ruble then appreciated 29% to 49.2 in mid-May. However, in the reminder of 2015, the ruble weakened by nearly 50% against the dollar, to 72.9 and reached a new all-time low against the dollar, of 82.5, on 21 January 2016 (against the euro, ruble's all-time low set that day was 89.7). The ruble depreciated against the euro by over 13% in 2015 and a further 9% since the start of 2016.

The recovery in oil prices since late January 2016 has brought average prices since the beginning of the year to \$33 per barrel of Brent (or \$31/bbl of Urals), a large shortfall compared to the \$50/bbl level (for Urals) assumed in the original version of the 2016 budget (also envisaging real GDP growth of 0.7% and average USD/RUB exchange rate of 63.3). In early 2016, the Russian government initiated a revision of the 2016 budget (due to be completed by end-Q1 2016) on the basis of more realistic assumptions for oil prices, real GDP and exchange rate developments.



Source: Bloomberg.



Source: Bloomberg.

Russia's economic performance in 2016, including exchange rate developments, will depend to a large extent on the evolution of external demand, particularly for its core exports such as hydrocarbons. Historically, most of RUB fluctuations can be explained by changes in oil prices as the energy sector represents over two thirds of Russia's export values, approximately a fifth of nominal GDP (including transportation of hydrocarbons) and a lion share of sources of all private sector investment flows.

On the World Bank's projection that oil prices (Brent) will average \$37/bbl in 2016 (corresponding to \$35/bbl on average for Urals), the Group's Chief Economist expects a drop in real GDP to be close to 1.5% this year

and the ruble's exchange rate against the dollar to average 73.7 in 2016. Besides the still significant current account surplus under this assumption (of nearly $50bn, generated thanks to further downward pressure on imports), the ruble is set to be supported this year by the sharply lower FX debt repayments by corporate borrowers (of $76bn on the gross basis, on central bank's estimates, or by $34bn less than in 2015). Further support for RUB in 2016 would come in the event Western economic and financial sanctions against some of Russia's largest companies and banks are lifted or at least eased in H2 2016, as this would allow these entities to regain access to international capital markets in order to refinance maturing debt and fund capex expansion.
The rouble's exchange rates against currencies of other trading partners will depend largely on these currencies' cross-rates against the dollar. Specifically, **the rouble's exchange rate against the euro** is not a key currency pair as regards actions by either the central bank or market participants. It is determined by the rouble's moves against the basket (that are followed by the central bank closely) and the dollar (which is the focus for most investors in Russia).
While we expect the euro to ultimately weaken against the dollar this year, reflecting the divergence in monetary policy between the eurozone and the US and the strong likelihood of further policy easing by the ECB, the euro's near-term developments are likely to be determined by the euro's status as a funding currency and its propensity to strengthen during periods of diminished risk appetite by investors. Accordingly, we currently expect EUR to be around 1.07 against the dollar in mid-2016, to weaken to 1.03 by end-2016 and reach parity in 2017.
Based on projections for RUB exchange rate of 74.2 versus USD at end-2016 and 75.0 at end-2017, and the parity between USD and EUR at end-2017, we project that the rouble would strengthen marginally against the euro both in 2016 and 2017.

Under a pessimistic scenario with oil prices (Urals) averaging $25/bbl in 2016, Norvik Banka research expects Russia's real GDP to drop by 2.5%, and the ruble to weaken on average to 78.8 against USD (consistent with average RUB/EUR rate of about 85).

Russia's near-term economic outlook remains challenging, with the likely outcome for 2016 real GDP contraction in the 1.0% to 1.8% range (we expect a 1.5% year over year drop in 2016 and only marginal growth in 2017). Notably, the flexibility of the rouble's 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 other crisis trends will be in the private consumption area, as falling real wages (down 9.5% year-on-year in 2015) will continue to put strong downward pressures on consumption (real retail sales fell 10% year-on-year in 2015). Accordingly, demand for retail outlets is set to be sluggish this year, with a modest recovery likely only in 2017.

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 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 local hotel operators should be among the first to benefit from the stabilization in real incomes and the level of business activity. We expect the decline in commercial real estate prices (in USD) in 2016 to be limited to 10% under the base-case scenario ($35/bbl on average for Urals) and up to 20% under the pessimistic scenario (with $25/bbl oil price).

(3.3.) Legal proceedings

(a)

As of 31 December 2015 the Bank and the Group has a total gross exposure of 62 943 thousand euro related to alternative energy sector, comprising gross loan exposure in the amount of 58 474 thousand euro and other exposure in the amount of 4 469 thousand euro. The balance in 2015 increased by 6 024 thousand euro due to the new loan provided to IHOR Holdings Ltd, the entity controlled by the Bank's minority shareholder D.Archer.

Group exposure to alternative energy sector as of 31.12.2015:

	Gross amount of loans	Impairment	Capital correction	Other assets
	EUR'000	EUR'000	EUR'000	EUR'000
D.Archer controlled	39 602	8 982	7 186	95
Third parties controlled	18 872	5 451	3 899	4 374
Total	**58 474**	**14 433**	**11 085**	**4 469**

Group exposure to alternative energy sector as of 31.12.2014:

	Gross amount of loans	Impairment	Capital correction	Other assets
	EUR'000	EUR'000	EUR'000	EUR'000
D.Archer controlled	-	-	-	-
Third parties controlled	52 711	12 917	-	4 332
Total	**52 711**	**12 917**	**-**	**4 332**

There was a substantial progress achieved at the end of year 2015 regards to the legal settlement pertaining to recovery of loans, which were issued to the alternative energy sector. By entering into multiple transactions on 13 November 2015, the minority shareholder of the Bank, being a loyal borrower, gained control over the assets (hereinafter also referred to as the "Assets") that served as collateral for the loans, which were issued to the alternative energy sector, whereas, as a result of the above, the initial loan restructuring arrangements were entered into already on 18 December 2015. Another indicator of progress with legal settlement is proven by gradual and planned termination of numerous initiated court proceedings, *inter alia*:

- court decision of 17 December 2015, acknowledging the settlement and terminating the appeal proceedings, whereas SIA "Winergy" recognized the debt in the amount of 18.2 million euro, arising out of the Guarantee for related company liabilities;
- court decision of 9 February 2016, terminating the appeal proceedings, whereas the court judgment on the recognition of the fictitious purchase agreement as void as per Bank's claim was maintained in force, when it was possible to delete the public records on attachment of liens on 9 wind power plants;
- court decision of 26 January 2016, ordering the issue of the writ of execution regards the collection of the debt from SIA "Winergy", in accordance with which the mortgages over 9 wind power plants were registered in favor of the Bank; and other.

As of 31 December 2015 the "third parties controlled" exposure is effectively against companies in the process of liquidation where, as a result of the aforementioned legal settlement, the Group expects smooth takeover of the pledged assets. The Group considers various options of restructuring the mentioned assets, with the primary goal to sell them with or without funding from the Group.

It needs to be noted that the Bank uses all potential benefits from terminating the cases by not only making the other party to recognize the facts of importance to the Bank, but also by partially collecting back the paid state fees in the amount of over 70 thousand euro.

As regards the criminal proceedings, within which all the assets that serve as the collateral for the performance of the loans issued to the alternative energy sector were arrested, a major milestone needs to be noted. Indeed, on 10 July 2015 there was a decision on the initiation of process regards criminal proceeds and transfer of the materials for review by the Riga city Latgales suburb court taken by the investigator of the Criminal Bureau of Economic Crime Bureau; the Bank was acknowledged as the sole injured party (*victim in crime*) within the proceedings. The considerations on the merits were begun in February 2016 and continued in March 2016. The positive impact of the transfer of the Assets to the loyal and good faith acquirer (as specified above) needs to be noted, which in its turn gives the Bank as the injured party to rely on timely restoration of justice, by restoring the property status as per requirements of the Resolution of the Council 2011/C187/01 of 10 June 2011 on a Roadmap for strengthening the rights and protection of victims, in particular in criminal proceedings and as per

Directive 2012/29/EU of the European Parliament and of the Council of 25 October 2012 establishing minimum standards on the rights, support and protection of victims of crime, and replacing Council Framework Decision 2001/220/JHA. Moreover, in accordance with the opinion of the advocates mandated by the Bank for representation within the criminal proceedings, the takeover of the Assets itself is the basis for release of the Assets from the arrest and consequently for termination of the proceedings in accordance with the requirements of sub-point 6 of part one of Section 366 of the Criminal Procedures Law, whereas as the result all the cash from the alternative energy production and sale shall be released.

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 2016 as high based on both the civil arrangement that already took place, as well as the notable progress with the review of the criminal case regards the proceeds.

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 31 December 2015 the Bank has assessed impairment allowances in the amount of 14 433 thousand euro and expected loss from loans (adjustment made directly through Tier 1 and Tier 2, not recorded on the financial statements of the Bank/Group) in the amount of 11 085 thousand euro, required by the regulator as of the date of the issuance of these financial statements.

(b)

3 961 thousand USD (equivalent to 3 638 thousand EUR) was frozen on the account of the Bank opened in the Deutsche Bank Trust Company Americas (as specified previously in the Management report to the annual report for year 2014).
As of 31 December 2015 there was expected loss in the amount of 663 thousand USD (equivalent to 609 thousand EUR) assessed, but the application on immediate release of 2.6 million USD (equivalent to 2.4 million EUR) was filed for review by the USA court before the reporting date, which, based on the above application made, is deemed by the external advisors mandated by the Bank in the USA to be completely recoverable, whereas additional amount of 0.48 million USD (equivalent to 0.44 million EUR) is considered to be recoverable with highest probability. No reserve was created for this issue, but direct charge to equity recorded for capital adequacy ratio calculation purposes (see Note 35).

(c)
The process of winding up Norvik (Malta) Sicav Plc and its sub-funds was initiated in 2014 and is still on-going as of reporting date. The current interim report on the liquidation progress is to be filed with the court by the courts' appointed liquidator within the first half of 2016. The Bank as the sole investor into the sub-funds qualifies to be distributed with all the assets of the sub-funds *in specie*, the distribution whereof, according to the liquidator, is planned within year 2016; the investment in total value of 7 745 thousand euro is stated at fair value based on the latest available valuation reports by independent evaluators.

(3.4.) Capital adequacy and Further Plans:

From 2016, the Group envisages improving the situation in accordance with the prepared plan to strengthen the capital as described below.

Despite the existence of significant (material) uncertainties associated with the implementation of the plans described below, the non-fulfilment of which may cast significant doubt about the Bank's ability to continue as a going concern and thus meet its commitments, the financial statements have been prepared under the going concern assumption. According to the Bank's management this assumption is fulfilled on the basis of the facts described below.

In April 2016 the Bank has presented to the Financial and Capital Market Commission a capital strengthening plan in which the Bank listed a number of scenarios. The Bank has established a degree of possibility of implementation of each of the scenarios. The Bank has also emphasised one of the scenarios which it considers to be the most probable. The key positions of this scenario are:
- reverse of provisions and capital correction for energy sector loans (assessment: high probability);

- earning of more than EUR 10 million worth income from selling a Visa Europe share (assessment: high probability, but might be delayed due to requirement of regulatory approval. As at reporting date the amount is included in Available For Sale revaluation reserve with a limited positive effect on capital in the future periods);
- income in 2016 (the result of the first three months – high interest income from securities, significant increase in the commission income).

Considering that the Bank has currently been informed that court sessions related to wind sector loans were postponed, it is necessary to revise Bank's capital strengthening plan. This plan must be submitted to the FCMC until 31.05.2016. The plan will cover additional activities, in particular: contribution by the Bank's majority shareholder, as well as attraction of a new investor and, consequently, new investments to the equity capital. These activities will be specified in the plan and this will allow the Bank to reach the required Group's capital adequacy ratio.

According to the presented plan, the Bank plans to conduct a six-month audit, as a result of which the audited profit will be included in the calculation of the Bank's/Group's capital adequacy. Thus, the Bank will be able to invest in profitable financial instruments more freely.
It should be noted that one of the Bank's main tasks for the year 2016 is to refinance the loans issued against security of immovable property located in Russia, as well as to sell the assets located in Russia. It will have a positive impact and help to protect ourselves from sharp falls in the value of the currency which influence the Bank's operation.

In the third quarter of 2015 the Bank attracted a new investor Devon Dodson Archer. The investment company Archer Diversified Investments, LLC invested 8 million euro in the Bank's equity capital. As a result of the investment, the new investor capital share in the Bank amounted to 6.10%.

The Bank is continually searching for investors to increase its equity capital which is the key element of the Tier I capital and functions as a basis for business expansion. Additional Tier I capital will offer an opportunity of gaining additional profit.

The Bank's capital adequacy ratio at the end of 2015 was 16.65% (the Group's capital adequacy ratio was 11.49%).

The Bank keeps making active use of the subordinated capital – during 2015 the balance sheet value of the subordinated deposits and subordinated bonds increased from 37.6 million euro to 66.5 million euro, while during the period from 1 January 2016 to the date of publication of the report additional EUR 10 million were attracted to the subordinated capital.

According to the Basel III standards, the use of the Tier II capital to determine capital adequacy is limited to 75% of the amount of Tier I capital in 2015 and to 50% of Tier I capital in 2016. However, such form of capital is important and maintains further development of the business. The ratio between Tier II capital and Tier I capital as of the end of 2015 was 69% at the Group's level and 61% at the Bank's level.

In 2015 the Bank carried out successful transactions related to investment and trading in securities. As a result, overall income from these transactions in 2015 amounted to 12.9 million euro.

In 2015 the Bank pursued systematically its policy related to the disposal of taken-over assets, and it will be one of the main tasks in future, as well. Free resources, in their turn, will be channelized into getting additional profit by the Bank. The book value of sold assets in 2015 was 9 770 thousand euro, the income from sales was 10 071 thousand euro.

According to the approved strategy, the Bank plans to keep its niche on the financial market, as well as to attract a new audience of customers by offering innovative products and expanding the variety of its offers in other geographical regions. The Bank keeps operating in accordance with the strategy with respect to the commission income related, in particular, to the transaction business which covers foreign exchange transactions, payment services and asset management.

In 2016 the Bank plans to conclude contracts with financial institutions of Germany which will allow attraction of additional resources from this geographic region to conduct financial operations and, respectively, obtain additional profit for the Bank.

In 2016 the Bank plans to follow the pre-approved strategy in relation to the corporate and retail lending, i.e. to take a conservative stance towards credit risk management.

In late-2015 the management of the Bank made the decision to liquidate operations in the Armenian market, throw Norvik liquidation Universal Credit Organization CJSC. In 2015 dividends were received in the amount of 2.4 million euro, and the investment amount as of 31 December 2015 reached a total of 4.4 million euro. Decrease in the investment by 67% (from AMD 5 614 029 000 to AMD 1 584 841 500) during 2015 resulted from the decrease in the capital of the subsidiary company. The impact on Group financials not considered significant.

In 2015 the process of reorganisation of the subsidiary company AS *Norvik Līzings* ended by incorporating it into the parent company. The impact on Group financials not considered significant.

In 2016 the Group plans to actively offer its customers to invest in investment funds, in particular, in real estate funds, financial instrument funds, including debt instruments, equity instruments and derivatives. When developing fund management strategies, the Group draws on experience of its employees, among whom there are analysts of the subsidiary company Norvik Banka UK Limited (Great Britain)

One of the major events of the end of 2015 and of the year 2016 is a planned payment of compensation to the members of Visa Europe, which is planned to take place in the second quarter 2016 under the transaction, as a result of which the company *Visa Inc* will acquire the company Visa Europe, although exact timing depends on regulatory approval. As a result of the transaction the Bank will receive funds in the amount of 7.273 million euro and preferred shares of the company *Visa Inc* valued by the Bank at 2.972 million euro. Furthermore, the Bank/Group are entitled to additional earn out based on VISA revenue from cards commission payed by the Bank in the next four years based on rules prescribed by *VISA Inc.* These amounts have been considered when assessing a fair value of the Bank/Group's investment and included in the other comprehensive income of the Bank/Group.

Moreover, as regards the legal proceedings related to the recovery of loans granted to SIA *Winergy*, there was a visible progress at the end of 2015 (for more details refer to the section **Legal Proceedings**). The Bank expects that anytime soon encumbrances will be removed from SIA *Winergy* accounts and the company will be able to meet its loan obligations towards the Bank in compliance with the restructured loan agreements. After this event the Bank plans to conduct an analysis related to the reduction of the amount of the provisions made for the alternative energy loans and present it to the Financial and Capital Market Commission for coordination. Reduction of the provisions is a Bank's possibility to invest in financial instruments which, in their turn, will bring an additional profit.

A market share in the pension asset management business (under the management of AS *Norvik Ieguldījumu Pārvaldes Sabiedrība*, *Norvik IPS*) keeps demonstrating growth owing to a wide customer servicing network and good management results. In December 2015 the amount of the 2nd tier funds managed by *Norvik IPS* was 86.3 million euro (in December 2014: 77.8 million euro). Such a size of the managed portfolio in 2015 allowed earning a commission income in the amount of 1.2 million euro for *Norvik IPS*.

(4) Foreign currency translation

Transactions and balances

The Euro is the functional currency of the Bank and the entities based in the Latvia. Rouble is the functional currency of the entities based in Russia. The presentation currency of these financial statements is the Euro.

Transactions in foreign currencies (ie other than functional currency) are translated to the functional currency using the foreign exchange rate promulgated by the official European Central Bank and ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss as "Profit/loss from revaluation of open position net".

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.

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.

The foreign currency exchange rates for the principal currencies that were used as of the end of the period were as follows:

	Exchange rates as of 31 December 2015	**Exchange rates as of 31 December 2014**
USD/ EUR	1.0887	1.2141
RUB/EUR	80.6736	72.337

Due to high volatility of the RUB/EUR currency the Bank/Group (when establishing the values of certain Investment Properties and evaluating certain loan collaterals, including shares of ООО Общая Карта, which are located in the Russian Federation and the value of which is set in the Russian roubles) applied a mean rate of RUB/EUR in 2015 – 67.78 RUB for one euro. A mean rate of RUB/EUR was applied when presenting information in the Notes 16, 17, 20.

Mean exchange rate has been applied because the Group’s management believes that the RUB / EUR exchange rate fluctuations do not affect the long-term economic value of the respective assets. Had the year-end RUB/EUR exchange rate been applied, the total negative effect on value of the mentioned assets would be approx. EUR 8.4 million as follows:

<u>Negative effect on value at 31 December 2015</u>

	Group	**Bank**
Balance sheet position	**EUR'000 000**	**EUR'000 000**
Loans to and receivables from customers	(4)	(4)
Available for sale financial assets	-	(4.4)
Investment property	(4.4)	-
Total	**(8.4)**	**(8.4)**

(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.

Day 1 Profit/Loss

In the event that the transaction price differs from the fair value of a financial asset or financial liability measured at fair value, the difference between these values (profit or loss) is reported in profit or loss. The Bank/ Group typically does not conduct this type of transaction.

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 (Note 15).

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 measured at amortized cost

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 recognized 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. The Committee sets funding and deposits pricing, manages liquidity, foreign currencies risk and interest rate risk.

Credit Committees

The Credit Committees (Retail Credit Committee, Credit Committee and Big Credit Committee) are 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).

Resource management Department

The Resources Management Department is responsible for managing of liquidity 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 2015). 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:

	2015 %	2014 %
31 December	64.22	58.75
Average during the period	62.98	59.12
Highest	66.43	64.77
Lowest	57.35	52.60

Liquidity ratio is calculated as liquid assets divided by all liabilities with remaining contractual maturity of 30 days or less. Liquid assets for the purpose of the calculation are cash, balances due from Bank of Latvia and solvent credit institutions placed on demand and up to 30 days and investments in securities that can be sold in short time or pledged to obtain a loan.

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	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 2015	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets								
Cash and balances with the central bank	45 360	-	-	-	-	-	-	**45 360**
Loans to and receivables from banks	194 056	2 000	28	-	-	-	1 337	**197 421**
Trading financial assets	7 590	37 404	14 514	5 876	1 985	1	-	**67 370**
Derivatives financial instruments	1 809	-	-	-	-	-	-	**1 809**
Loans to and receivables from customers	20 935	14 154	72 745	27 661	108 745	33 607	36 459	**314 306**
Available-for-sale financial assets	229 580	-	-	-	7 531	16 671	-	**253 782**
Held-to-maturity financial assets	-	-	-	-	6 023	-	13 779	**19 802**
Prepaid corporate income tax	-	-	123	-	129	-	-	**252**
Investment property	-	-	-	-	-	-	106 642	**106 642**
Tangible fixed assets	-	-	-	-	-	-	65 158	**65 158**
Goodwill and other intangible assets	-	-	-	-	-	-	10 660	**10 660**
Assets held for sale	-	-	-	1 796	-	-	-	**1 796**
Other assets	20 141	15 389	468	4 502	132	1 482	3 754	**45 868**
Total assets	**519 471**	**68 947**	**87 878**	**39 835**	**124 545**	**51 761**	**237 789**	**1 130 226**
Liabilities								
Due to the central bank and other banks	1 909	-	-	-	4	-	-	**1 913**
Derivatives financial instruments	296	51	-	-	-	-	-	**347**
Customer deposits	194 465	71 520	74 533	85 868	524 476	5 163	1 947	**957 972**
Subordinated debt	-	1 700	326	1 547	29 208	5 354	-	**38 135**
Debt securities	-	-	-	-	24 023	4 331	-	**28 354**
Deferred tax liabilities	-	-	-	-	-	-	2 743	**2 743**
Other liabilities	13 372	1 680	154	1 314	4 769	-	228	**21 517**
Total liabilities	**210 042**	**74 951**	**75 013**	**88 729**	**582 480**	**14 848**	**4 918**	**1 050 981**
Off-balance sheet items	27 551	-	-	-	-	-	-	**27 551**
Net liquidity	**281 878**	**(6 004)**	**12 865**	**(48 894)**	**(457 935)**	**36 913**	**232 871**	
Cumulative liquidity	**281 878**	**275 874**	**288 739**	**239 845**	**(218 090)**	**(181 177)**	**51 694**	

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**
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**	
Cumulative liquidity	**326 258**	**325 402**	**282 478**	**215 673**	**(250 252)**	**(206 717)**	**48 171**	

Bank As at 31 December 2015	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	30 626	-	-	-	-	-	-	**30 626**
Loans and receivables to banks	189 540	2 000	-	-	-	-	1 304	**192 844**
Trading financial assets	-	-	109	-	-	-	-	**109**
Derivative financial instruments	1 806	-	-	-	-	-	-	**1 806**
Loans and receivables to customers	16 624	2 863	51 931	18 254	89 794	32 833	33 589	**245 888**
Available-for-sale financial assets	229 580	-	-	-	7 531	238 978	-	**476 089**
Held to maturity financial assets	-	-	-	-	6 023	-	13 779	**19 802**
Investment property	-	-	-	-	-	-	6 225	**6 225**
Tangible fixed assets	-	-	-	-	-	-	19 859	**19 859**
Goodwill and other intangible assets	-	-	-	-	-	-	351	**351**
Assets held for sale	-	-	-	541	-	-	-	**541**
Other assets	7 766	-	-	-	-	-	3 754	**11 520**
Total assets	**475 942**	**4 863**	**52 040**	**18 795**	**103 348**	**271 811**	**78 861**	**1 005 660**
Liabilities								
Due to the central bank and other banks	1 827	-	-	-	4	-	-	**1 831**
Derivative financial instruments	268	51	-	-	-	-	-	**319**
Customer deposits	176 032	52 253	38 798	48 105	507 254	194	18 277	**840 913**
Subordinated debt	-	1 700	326	1 547	29 208	5 354	-	**38 135**
Debt securities	-	-	-	-	24 023	4 331	-	**28 354**
Deferred tax	-	-	-	-	-	-	773	**773**
Other liabilities	7 322	-	-	680	-	-	228	**8 230**
Total liabilities	**185 449**	**54 004**	**39 124**	**50 332**	**560 489**	**9 879**	**19 278**	**918 555**
Off-balance sheet items	12 340	-	-	-	-	-	-	**12 340**
Net liquidity	**278 153**	**(49 141)**	**12 916**	**(31 537)**	**(457 141)**	**261 932**	**59 583**	
Cumulative liquidity	**278 153**	**229 012**	**241 928**	**210 391**	**(246 750)**	**15 182**	**74 765**	

Bank 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	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**	
Cumulative liquidity	**318 262**	**293 553**	**238 951**	**209 381**	**(268 073)**	**3 424**	**75 605**	

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The table below presents an analysis of the Bank's and Group's 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 and 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 As at 31 December 2015 - Group	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	From 5 years and over EUR'000	Total EUR'000
Due to the central bank and other banks	1 913	-	-	-	-	-	**1 913**
Derivative financial instruments	(1 738)	40	-	-	-	-	**(1 698)**
- Contractual amounts payable	*366 724*	*661*	-	-	-	-	**367 385**
- Contractual amounts receivable	*(368 462)*	*(621)*	-	-	-	-	**(369 083)**
Customer deposits	160 167	115 710	77 200	87 353	528 051	17 801	**986 282**
Subordinated debt	-	2 091	396	1 622	38 152	8 778	**51 039**
Debt securities	7	718	11	-	23 319	4 300	**28 355**
Total undiscounted financial liabilities	**160 349**	**118 559**	**77 607**	**88 975**	**589 522**	**30 879**	**1065 891**
Contingent liabilities	13 000	-	-	-	-	-	**13 000**
Commitments	18 428	-	-	-	-	-	**18 428**
Total	**31 428**	**-**	**-**	**-**	**-**	**-**	**31 428**

Financial liabilities As at 31 December 2014 - Group	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	From 5 years and over EUR'000	Total 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	**1016 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**	**1097 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**

Financial liabilities **As at 31 December 2015 - Bank**	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	From 5 years and over EUR'000	Total EUR'000
Due to the central bank and other banks	1 830	-	-	-	-	-	**1 830**
Derivative financial instruments	(1 767)	40	-	-	-	-	**(1 727)**
- Contractual amounts payable	*362 568*	*661*	-	-	-	-	***363 229***
- Contractual amounts receivable	*(364 335)*	*(621)*	-	-	-	-	***(364 956)***
Customer deposits	142 217	94 312	54 273	48 677	508 723	992	**849 194**
Subordinated debt	-	2 091	396	1 622	38 152	8 778	**51 039**
Debt securities in issue	7	718	11	-	23 319	4 300	**28 355**
Total undiscounted financial liabilities	**142 287**	**97 161**	**54 680**	**50 299**	**570 194**	**14 070**	**928 691**
Contingent liabilities	3 730	-	-	-	-	-	**3 730**
Commitments	12 493	-	-	-	-	-	**12 493**
Total	**16 223**	-	-	-	-	-	**16 223**

As at 31 December 2014 - Bank	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	From 5 years and over EUR'000	Total EUR'000
Due to the central bank and other banks	9 195	-	-	-	-	-	**9 195**
Derivatives 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**

The table below presents the maturity profile of the Bank's and Group'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 As at 31 December 2015 - Group	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	From 5 years and over EUR'000	Total EUR'000
Due to the central bank and other banks	1 913	-	-	-	-	-	**1 913**
Derivative financial instruments	(1 738)	40	-	-	-	-	**(1 698)**
- Contractual amounts payable	*366 724*	*661*	-	-	-	-	**367 385**
- Contractual amounts receivable	*(368 462)*	*(621)*	-	-	-	-	**(369 083)**
Customer deposits	681 553	103 063	67 007	78 590	38 268	17 801	**986 282**
Subordinated debt	-	2 091	396	1 622	38 152	8 778	**51 039**
Debt securities	7	718	11	-	23 319	4 300	**28 355**
Total undiscounted financial liabilities	**681 735**	**105 912**	**67 414**	**80 212**	**99 739**	**30 879**	**1 065 891**
Contingent liabilities	13 000	-	-	-	-	-	**13 000**
Commitments	18 428	-	-	-	-	-	**18 428**
Total	**31 428**	-	-	-	-	-	**31 428**

Financial liabilities As at 31 December 2014 - Group	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	From 5 years and over EUR'000	Total 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	**1016 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	**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**

Financial liabilities As at 31 December 2015 - Bank	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	From 5 years and over EUR'000	Total EUR'000
Due to the central bank and other banks	1 830	-	-	-	-	-	**1 830**
Derivative financial instruments	(1 767)	40	-	-	-	-	**(1 727)**
- Contractual amounts payable	*362 568*	*661*	-	-	-	-	***363 229***
- Contractual amounts receivable	*(364 335)*	*(621)*	-	-	-	-	***(364 956)***
Customer deposits	644 391	83 902	44 568	40 009	35 332	992	**849 194**
Subordinated debt	-	2 091	396	1 622	38 152	8 778	**51 039**
Debt securities in issue	7	718	11	-	23 319	4 300	**28 355**
Total undiscounted financial liabilities	**644 461**	**86 751**	**44 975**	**41 631**	**96 803**	**14 070**	**928 691**
Contingent liabilities	3 730	-	-	-	-	-	**3 730**
Commitments	12 493	-	-	-	-	-	**12 493**
Total	**16 223**	-	-	-	-	-	**16 223**

As at 31 December 2014 - Bank	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	From 5 years and over EUR'000	Total EUR'000
Due to the central bank and other banks	9 195	-	-	-	-	-	**9 195**
Derivatives 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	-	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**

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 Committees: Retail Credit Committee, Credit Committee and Big Credit Committee

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

The Credit Committees approve the exposure within its competence: Retail Credit Committee till 10 thousand euro, Credit Committee – till 200 thousand euro, but amount exceeding 200 thousand euro is approved by the Big Credit Committee. The Big Credit Committee analyses the quality of the loan portfolio or individual loan and in case of deterioration accepts the measures for mitigating the credit risk. The Council approves the Big Credit Committee’s decisions, when the exposure exceeds 1 million euro. The Board approves new loan exposures to the related parties exceeding 50 thousand euro.

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 Corporates Customers Lending Department, the Credit Supervision and Collection Department (retail) as well as the Risk management Department manage credit risk on a daily basis.

The Corporates Customers Lending Department prepares application for the grant of loan to the Credit Committee or the Big Credit Committee. The Risk management Department submits their conclusion on the new loan granting.

The Risk management Department is also in charge for exposure concentration analysis, for control over set limits.

The Corporates Customers Lending Department, the Credit Supervision and Collection Department (retail) is also in charge for monitoring the loans portfolio, preparing the reports on the loan portfolio and their submission to the Management Board and to the Council.

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.

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Credit risk exposure relating to on-balance sheet assets	**899 526**	**945 719**	**918 744**	**929 709**
Loans and receivables to banks	197 421	192 844	246 082	228 100
Trading financial assets	67 370	109	63 355	10 181
Derivative financial instruments	1 809	1 806	909	828
Loans and receivables to customers	314 306	245 888	364 690	236 800
Available-for-sale financial assets	253 782	476 089	191 959	427 909
Held-to-maturity financial assets	19 802	19 802	18 439	18 439
Prepaid corporate income tax	252	-	1 157	-
Assets held for sale	1 796	541	3 070	534
Other assets	42 988	8 640	29 083	6 918
Credit risk exposure relating to off-balance sheet items	**31 428**	**16 223**	**31 362**	**11 138**
Contingent liabilities	13 000	3 730	14 980	5 464
Commitments	18 428	12 493	16 382	5 674
Maximum exposure	**930 954**	**961 942**	**950 106**	**940 847**

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 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 2015 – Group	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	**107 042**	**441 251**	**220 770**	**130 463**	**899 526**
Loans and receivables to banks	1 284	186 817	6 784	2 536	**197 421**
Trading financial assets	-	1 130	66 131	109	**67 370**
Derivative financial instruments	391	401	108	909	**1 809**
Loans and receivables to customers	87 646	20 393	118 129	88 138	**314 306**
Available-for-sale financial assets	5 344	207 587	4 073	36 778	**253 782**
Held-to-maturity financial assets	-	19 802	-	-	**19 802**
Prepaid corporate income tax	-	-	129	123	**252**
Assets held for sale	541	-	-	1 255	**1 796**
Other assets	11 836	5 121	25 416	615	**42 988**
Credit risk exposure relating to off-balance sheet items	**7 008**	**390**	**23 009**	**1 021**	**31 428**
Total	**114 050**	**441 641**	**243 779**	**131 484**	**930 954**

At 31 December 2014 – Group	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	**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 2015 - 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	**255 643**	**438 778**	**105 787**	**145 511**	**945 719**
Loans and receivables to banks	1 284	186 327	3 448	1 785	**192 844**
Trading financial assets	-	-	-	109	**109**
Derivative financial instruments	391	401	105	909	**1 806**
Loans and receivables to customers	87 764	19 086	53 386	85 652	**245 888**
Available-for-sale financial assets	163 818	208 199	47 173	56 899	**476 089**
Held to maturity financial assets	-	19 802	-	-	**19 802**
Assets held for sale	541	-	-	-	**541**
Other assets	1 845	4 963	1 675	157	**8 640**
Credit risk exposure relating to off-balance sheet items	7 013	390	7 800	1 020	**16 223**
Total	**262 656**	**439 168**	**113 587**	**146 531**	**961 942**

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**

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:

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Credit risk exposure relating to on-balance sheet assets	**899 526**	**945 719**	**918 744**	**929 709**
Banks	229 692	252 549	274 651	288 025
Private individuals	37 094	13 478	66 554	16 098
Transport	26 758	28 688	26 951	28 934
Trade	26 377	3 410	34 719	2 476
Financial services	151 917	309 826	76 852	252 987
Processing industry	69 467	54 640	109 981	69 002
Building	9 856	1	6 653	1
Governments	233 375	212 496	181 378	175 569
Other	114 990	70 631	141 005	96 617
Credit risk exposure relating to off-balance sheet items	**31 428**	**16 223**	**31 362**	**11 138**
Total	**930 954**	**961 942**	**950 106**	**940 847**

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 2015 is 34 533 thousand euro (2014: 32 769 thousand euro).

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 in 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 Committees and the Assets and Liabilities Committee. The committees in their 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 Committees decide on non-recognition or derecognition of interest income from individually assessed loan; and non-recognition or derecognition of interest income from renegotiated loans.

The Assets and Liabilities 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.

	31.12.2015		31.12.2014	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Loans and receivables to customers				
Neither past due nor impaired	186 740	121 852	275 054	155 256
Past due but not impaired	22 889	17 528	19 906	7 468
Impaired	165 743	148 207	120 568	116 568
Gross amount	**375 372**	**287 587**	**415 528**	**279 292**
(Provisions)	(61 066)	(41 699)	(50 838)	(42 492)
Total net loans and receivables to customers	**314 306**	**245 888**	**364 690**	**236 800**

As of 31 December 2015 and 31 December 2014 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 2015:

Group

At 31 December 2015	Past due but not impaired					
	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	11 851	3 801	20	86	2 358	**18 116**
Commercial loans	-	43	184	-	503	**730**
Consumer loans	329	26	13	128	306	**802**
Credit card	160	205	210	502	1 749	**2 826**
Other	11	9	99	15	281	**415**
Total	**12 351**	**4 084**	**526**	**731**	**5 197**	**22 889**

Bank

At 31 December 2015	Past due but not impaired					
	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	11 609	3 645	-	-	997	**16 251**
Commercial loans	-	43	-	-	500	**543**
Consumer loans	283	-	-	11	-	**294**
Credit card	150	-	-	-	-	**150**
Other	-	-	90	-	200	**290**
Total	**12 042**	**3 688**	**90**	**11**	**1 697**	**17 528**

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

At 31 December 2014	Past due but not impaired					
	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	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

At 31 December 2014	Past due but not impaired					
	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	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**
Other	200	2 268	-	-	-	**2 468**
Total	**1 376**	**2 499**	**21**	**1 418**	**2 154**	**7 468**

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, except the subsidiary Bank in Russia, 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 and Assets and Liabilities Committee.

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 2014.

The sensitivity of equity is calculated by revaluating fixed rate of available-for-sale financial assets held as of 31 December 2015 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 2014). 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 ПАО "Норвик Банк" (formerly 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 - 2015 and forecast for 2016.

At 31 December 2015		**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	(1 710)	(1 554)	(10)	-	(125)	(135)
USD	100	(1 496)	(1 380)	(307)	(436)	(621)	(1 364)
RUB	300	(212)	280	-	-	-	-
EUR	(100)	1 710	1 554	10	-	125	135
USD	(100)	1 496	1 380	307	436	621	1 364
RUB	(300)	212	(280)	-	-	-	-

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)	-	-	-	-

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 set by the Management Board (within the requirements of the Latvian Financial and Capital Market Commission) and stop losses set by the Assets and Liabilities Committee. In order to avoid losses arising from adverse changes in exchange rates, the Capital market Division continuously manages open positions and supervises compliance with the limits set.

The methods employed in currency risk sensitivity analysis have remained unchanged compared to year 2014.

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

As at 31 December 2015 - 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	23 156	4 666	13 299	4 239	**45 360**
Loans and receivables to banks	75 816	113 698	3 826	4 081	**197 421**
Trading financial assets	2 265	8 616	56 489	-	**67 370**
Derivative financial instruments	1 795	11	3	-	**1 809**
Loans to customers and receivables	164 863	82 295	65 462	1 686	**314 306**
Available-for-sale financial assets	35 383	218 399	-	-	**253 782**
Held to maturity financial assets	1 430	18 372	-	-	**19 802**
Prepaid corporate income tax	-	-	129	123	**252**
Investment property	106 642	-	-	-	**106 642**
Tangible fixed assets	64 712	-	386	60	**65 158**
Goodwill and other intangible assets	10 654	-	-	6	**10 660**
Assets held for sale	541	-	-	1 255	**1 796**
Other assets	29 272	4 080	11 406	1 110	**45 868**
Total assets	**516 529**	**450 137**	**151 000**	**12 560**	**1 130 226**
Liabilities and equity					
Due to the central bank and other banks	112	1 698	102	1	**1 913**
Derivative financial instruments	315	4	28	-	**347**
Customer deposits	381 592	427 133	138 000	11 247	**957 972**
Subordinated debt	21 347	16 652	-	136	**38 135**
Debt securities	14 338	14 016	-	-	**28 354**
Deferred tax liabilities	773	-	1 724	246	**2 743**
Other liabilities	14 000	2 356	3 991	1 170	**21 517**
Total liabilities	**432 477**	**461 859**	**143 845**	**12 800**	**1 050 981**
Share capital and reserves	78 593	-	-	-	**78 593**
Minority interest	-	-	652	-	**652**
Total liabilities and equity	**511 070**	**461 859**	**144 497**	**12 800**	**1 130 226**
Net balance sheet long/(short) position	**5 459**	**(11 722)**	**6 503**	**(240)**	
Spot foreign-exchange contracts long/(short) position	2 838	(2 435)	93	(496)	
Swap foreign-exchange contracts long/(short) position	(27 909)	22 290	2 045	3 574	
Forward foreign-exchange contracts long/(short) position	(778)	46	732	-	
Net open long/(short) currency position	**(20 390)**	**8 179**	**9 373**	**2 838**	
Currency open position in % from capital as of 31/12/2015		**8.27**	**9.48**		
As at 31 December 2014 - Group					
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**		

The table below indicates the currencies to which the Group had significant exposure at 31 December 2015 and at 31 December 2014 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 10% (7% in 2014) for USD. The reason for increasing volatility estimation for the USD is EUR/USD volatility during the year 2015. The exposure in RUB does have the effect on the Group income statement since ПАО “Норвик Банк” (formerly Вятка-банк ОАО, Russia) inclusion into the Group in 2014. Possible currency rate fluctuations have been set to 20% for RUB (30% in 2014). The reason for such volatility estimation for the RUB is based on the historical data in 2015, the RUB/EUR rate at the end 2015 and forecast for 2016.

Group	**31.12.2015**		**31.12.2014**	
Currency	**Change in currency rate**	**Effect on income statement**	**Change in currency rate**	**Effect on income statement**
	%	**EUR’000**	**%**	**EUR’000**
USD	+10	818	+10	1 471
	(10)	(818)	(10)	(1 471)
RUB	+20	1 874	+20	4 945
	(20)	(1 874)	(20)	(4 945)

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

As at 31 December 2015 - 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	22 380	3 744	366	4 136	**30 626**
Loans and receivables to banks	75 426	112 611	1 340	3 467	**192 844**
Trading financial assets	109	-	-	-	**109**
Derivative financial instruments	1 795	11	-	-	**1 806**
Loans to customers and receivables	172 090	71 680	439	1 679	**245 888**
Available-for-sale financial assets	257 689	218 400	-	-	**476 089**
Held to maturity financial assets	1 430	18 372	-	-	**19 802**
Investment property	6 225	-	-	-	**6 225**
Tangible fixed assets	19 859	-	-	-	**19 859**
Goodwill and other intangible assets	351	-	-	-	**351**
Assets held for sale	541	-	-	-	**541**
Other assets	5 587	5 291	28	614	**11 520**
Total assets	**563 482**	**430 109**	**2 173**	**9 896**	**1 005 660**
Liabilities and equity					
Due to the central bank and other banks	114	1 702	7	8	**1 831**
Derivative financial instruments	315	4	-	-	**319**
Customer deposits	403 070	417 842	8 709	11 292	**840 913**
Subordinated debt	21 347	16 652	-	136	**38 135**
Debt securities	14 338	14 016	-	-	**28 354**
Deferred tax liabilities	773	-	-	-	**773**
Other liabilities	4 908	2 350	37	935	**8 230**
Total liabilities	**444 865**	**452 566**	**8 753**	**12 371**	**918 555**
Share capital and reserves	87 105	-	-	-	**87 105**
Total liabilities and equity	**531 970**	**452 566**	**8 753**	**12 371**	**1 005 660**
Net balance sheet long/(short) position	**31 512**	**(22 457)**	**(6 580)**	**(2 475)**	
Spot foreign-exchange contracts long/(short) position	2 838	(2 435)	93	(496)	
Swap foreign-exchange contracts long/(short) position	(27 489)	26 726	(2 811)	3 574	
Forward foreign-exchange contracts long/(short) position	(778)	46	732	-	
Net open long/(short) currency position	**6 083**	**1 880**	**(8 566)**	**603**	
Currency open position in % from capital as of 31/12/2015		**1.76**	**8.00**		
As at 31 December 2014 - Bank					
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 of 31 December 2015 the Bank’s open position was 8.1% of the Tier 1 and Tier 2 of the capital (2014: 2.35%).

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 table below indicates the currencies to which the Bank had significant exposure as of 31 December 2015 and as of 31 December 2014 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	**31.12.2015**		**31.12.2014**	
Currency	**Change in currency rate**	**Effect on income statement**	**Change in currency rate**	**Effect on income statement**
	%	**EUR'000**	**%**	**EUR'000**
USD	+10	188	+10	109
	(10)	(188)	(10)	(109)
RUB	+20	(1 713)	+20	39
	(20)	1 713	(20)	(39)

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. Standard approach is applied to calculate operational risk requirement for capital adequacy calculation purposes.

4. NET INTEREST INCOME

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	**47 308**	**23 326**	**21 070**	**12 153**
Loans and receivables to customers	28 589	14 174	16 146	8 850
Loans and receivables to banks	1 101	580	587	520
Available-for-sale securities	7 874	7 874	1 767	1 767
Trading securities	8 666	226	2 252	729
Held-to-maturity financial assets	405	405	222	222
Other	673	67	96	65
Interest expense	**21 999**	**6 737**	**8 675**	**4 801**
Customer deposits	16 303	1 718	4 613	1 305
Deposits from banks	12	2	60	2
Subordinated debt	2 199	2 199	2 029	1 756
Payments in the Deposit Guarantee Fund	1 911	1 364	1 850	1 677
Debt securities	1 454	1 454	61	61
Other	120	-	62	-
Net interest income	**25 309**	**16 589**	**12 395**	**7 352**

As at 31 December 2015 Group interest income accrued on impaired loans to customers amounted to 2 331 thousand euro (2014: 2 977 thousand euro). As at 31 December 2015 Bank interest income accrued on impaired loans to customers amounted to 1 223 thousand euro (2014: 1 872 thousand euro).

5. NET FEE AND COMMISSION INCOME

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Fee and commission income	**29 524**	**20 538**	**24 682**	**21 355**
Account services and money transfer fees	16 787	13 766	14 898	13 907
Commission for public utility payments	1 300	1 299	1 552	1 552
Payment cards	7 523	3 799	4 481	3 527
Brokerage services on securities	728	738	1 390	1 396
Asset management fees	876	23	957	52
Cash withdrawal	1 475	537	1 001	625
Commission on letters of credit and collection	171	171	132	132
Other	664	205	271	164
Fee and commission expense	**4 119**	**3 676**	**3 433**	**3 303**
Payment cards	2 246	1 988	1 943	1 880
Services of correspondent banks	1 377	1 209	1 137	1 077
Securities purchase and brokerage services	473	473	345	345
Other	23	6	8	1
Net fee and commission income	**25 405**	**16 862**	**21 249**	**18 052**

6. NET TRADING INCOME

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Profit/(loss) from trading financial assets net	**2 165**	**449**	**(2 230)**	**(674)**
Bonds and other fixed income securities	**2 272**	**547**	**(1 831)**	**(585)**
Net trading profit/(loss)	1 213	14	(668)	(432)
Fair value adjustment	1 059	533	(1 163)	(153)
Shares and other non- fixed income securities	**(107)**	**(98)**	**(399)**	**(89)**
Net trading profit/(loss)	(332)	(237)	(377)	(19)
Fair value adjustment	224	139	(22)	(70)
Profit/(loss) from derivative instruments and foreign exchanges trading net	**8 522**	**11 189**	**1 116**	**5 900**
Net trading profit/(loss)	6 785	9 395	2 933	8 255
Fair value adjustment	1 724	1 781	(1 804)	(2 342)
Reserve on options	13	13	(13)	(13)
Profit/(loss) from revaluation of open position net	**(4 344)**	**(1 057)**	**15 554**	**2 655**
Net trading income	**6 343**	**10 581**	**14 440**	**7 881**

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

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Bonds and other fixed income securities	3 785	3 785	335	335
Investments in subsidiaries	1 203	(472)	112	(85)
Non fixed income securities (investment funds)	-	-	-	(70)
Total	**4 988**	**3 313**	**447**	**180**

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:	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Typography	17 885	-	19 944	-
Rent of investment property	2 418	512	3 992	970
Penalties	734	247	618	338
Rent of premises	123	165	149	137
Other	7 993	694	5 790	606
Total	**29 153**	**1 618**	**30 493**	**2 051**

Other operating expenses were as follows:	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Production costs	14 691	-	13 722	-
Expenses from credit operations	2 060	2 060	1 502	1 505
Net loss of sale of real estate	802	3	97	-
Membership fees	464	458	304	215
Net loss of sale of biological assets	-	-	2 317	-
Other	2 795	9	1 142	7
Total	**20 812**	**2 530**	**19 084**	**1 727**

9. ADMINISTRATIVE EXPENSES

	2015		2014	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Personnel expense	**34 530**	**16 296**	**26 872**	**14 039**
Personnel remuneration	23 439	11 196	19 605	9 801
Supervisory Council and Management Board remuneration	5 266	2 452	3 086	1 801
Social security contributions	5 825	2 648	4 181	2 437
Other expense	**22 192**	**12 964**	**17 678**	**10 107**
Professional services	5 748	2 815	3 481	2 387
Computer repair and communications	2 074	1 272	2 446	1 216
Rent	1 692	707	1 568	751
Public utilities and maintenance	1 863	321	1 840	311
Advertising	774	432	839	741
Value added tax	1 948	1 571	811	533
Business trips	1 330	177	1 093	254
Security	804	412	717	418
Real estate tax	695	87	826	139
Other administrative expenses	5 264	5 170	4 057	3 357
Total	**56 722**	**29 260**	**44 550**	**24 146**

During the 2015 the average number of employees in the Group and the Bank was 1 564, 5 Supervisory Council and 6 Management Board members and 630 employees, 5 Supervisory Council and 6 Management Board members, respectively.

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.

The variable part of Group's employees, Supervisory Council and Management Board members gross remuneration in 2015 was 5 751 thousand euro, in 2014: 2 280 thousand euro. This includes a bonus and resignation compensation to ex CEO in Norvik Bank PAO in the beginning 2015.

10. CORPORATE INCOME TAX

a) Components of corporate income tax	2015		2014	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Corporate income tax expense for the year	417	-	888	-
Corporate income tax paid abroad	987	987	431	431
Recalculation for previous year	-	-	-	-
Change in deferred tax liability	(2 068)	-	(640)	-
Total	**(664)**	**987**	**679**	**431**

b) Reconciliation of accounting profit to tax charge

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Profit before taxation	**(13 038)**	**(9 408)**	**(17 094)**	**(43 389)**
Expected corporate income tax (15%)	(1 956)	(1 411)	(2 564)	(6 508)
Tax effect of:				
(Untaxed income)/non-deductible expense	2 946	2 867	3 429	5 466
Effect of different tax rates on income tax paid abroad/ lost allowance for tax paid abroad	987	987	431	431
Effect of different tax rates of subsidiaries operating in other jurisdictions	(223)	-	(173)	-
Contribution	-	-	1 645	1 645
Overtaken loses	(2 418)	(1 456)	(2 094)	(603)
Not recognized deferred tax assets	-	-	5	-
Total	**(664)**	**987**	**679**	**431**
Effective tax rate	**5%**	**-10%**	**-4%**	**-1%**

Expected corporate income tax has been calculated in accordance to Latvian income tax rate in 2015 (15%). Effect of different tax rates of subsidiaries operating in other jurisdictions appeared due to 20% income tax rate in Armenia and Russia; 21% (January-March) and 20% (April-December) in the United Kingdom; 12.5% in Cyprus.

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

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Deferred tax liability at the beginning of year	2 409	-	901	-
Deferred tax liability increase (decrease) for the year	(461)	-	(233)	-
Deferred tax arising on identifiable net assets acquired	-	-	1 650	-
Foreign exchange	22	-	91	-
Deferred tax liability at the year end	**1 970**	**-**	**2 409**	**-**
Deferred tax recognized directly in equity at the beginning of year	596	596	631	631
Deferred tax increase (decrease) for the year net	177	177	(35)	(35)
Deferred tax recognized directly in equity at the year end	**773**	**773**	**596**	**596**
Total	**2 743**	**773**	**3 005**	**596**

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

Group	2015		2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	EUR'000	EUR'000	EUR'000	EUR'000
Loans to customers	-	(986)	-	(1 409)
Depreciation and amortization	-	(1 770)	9	(579)
Change in fair value of investment property	108	-	166	-
Tax loss carry-forwards	5 294	-	6 077	(5)
Accruals for vacations	166	-	165	-
Not recognized deferred tax assets	-	(4 864)	-	(6 046)
Other	183	(101)	363	(1 150)
Total mutual off setting of asset/(liability)	**5 751**	**(7 721)**	**6 780**	**(9 189)**
Net deferred tax asset/(liability)	**-**	**(1 970)**	**-**	**(2 409)**
Deferred tax recognized directly in equity	**-**	**(773)**	**-**	**(596)**
Total	**-**	**(2 743)**	**-**	**(3 005)**

Bank	2015		2014	
	Deferred tax assets	Deferred tax liability	Deferred tax assets	Deferred tax liability
	EUR'000	EUR'000	EUR'000	EUR'000
Depreciation and amortization	-	(497)	-	(133)
Change in fair value of investment property	5 259	-	-	-
Tax loss carry-forwards	102	-	6 077	-
Accruals for vacations	-		102	-
Not recognized deferred tax assets	-	(4 864)	-	(6 046)
Other	-	-	-	-
Total mutual off setting of asset/(liability)	**5 361**	**(5 361)**	**6 179**	**(6 179)**
Net deferred tax asset/(liability)	**-**	**-**	**-**	**-**
Deferred tax recognized directly in equity	**-**	**(773)**	**-**	**(596)**
Total	**-**	**(773)**	**-**	**(596)**

11. CASH AND BALANCES WITH THE CENTRAL BANK

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash	19 402	12 942	21 632	13 042
Due from the central bank	25 958	17 684	17 559	9 901
Total	**45 360**	**30 626**	**39 191**	**22 943**

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 2015 the amount of the statutory reserve of the Bank was 8 482 thousand euro (31.12.2014: 7 594 thousand euro). Bank is compliant with this regulation.

12. LOANS TO AND RECEIVABLES FROM BANKS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Demand placements with:	**132 580**	**130 391**	**186 147**	**169 326**
Banks of the Republic of Latvia	1 104	1 104	160	150
Banks of the OECD countries	126 544	126 054	162 372	162 127
Banks of other countries	4 932	3 233	23 615	7 049
Loans to and receivables from:	**64 841**	**62 453**	**59 935**	**58 774**
Banks of the Republic of Latvia	180	180	815	815
Banks of the OECD countries	60 273	60 273	58 958	57 959
Banks of other countries	4 388	2 000	162	-
Total	**197 421**	**192 844**	**246 082**	**228 100**

As at 31 December 2015 the Bank has 568 thousand euro pledged for guaranties (31.12.2014: 303 thousand euro); 736 thousand euro pledged for POS-terminal payments (31.12.2014: 816 thousand euro).
In 2015 the Bank's average nominal interest rates were: USD 0.10%, EUR 0.02%, RUB 12.39%, GBP 0.03%; in 2014: USD 0.06%, EUR 0.07%, RUB 8.23%, GBP 0.11%.

13. TRADING FINANCIAL ASSETS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Trading bonds and other fixed income securities	**67 369**	**109**	**59 780**	**7 115**
OECD country bonds	569	-	16 132	-
Other country bonds	66 800	109	43 648	7 115
Trading shares and other non- fixed income securities	**1**	**-**	**3 575**	**3 066**
OECD country shares	-	-	3 491	3 066
Other country shares	1	-	84	-
Total	**67 370**	**109**	**63 355**	**10 181**

14. DERIVATIVE FINANCIAL INSTRUMENTS

The table below presents the fair value of the Group's and Bank's derivatives held for trading. Derivative 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.

	31.12.2015			31.12.2014		
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	1 798	269	70 874	859	394	274 881
Forwards	-	74	790	38	428	26 857
Other derivatives						
Options	11	4	113	12	64	1 497
Total	**1 809**	**347**	**71 777**	**909**	**886**	**303 235**

	31.12.2015			31.12.2014		
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	1 795	241	66 044	779	394	272 761
Forwards	-	74	790	38	428	26 857
Other derivatives						
Options	11	4	113	11	4	444
Total	**1 806**	**319**	**66 947**	**828**	**826**	**300 062**

15. LOANS TO AND RECEIVABLES FROM CUSTOMERS

	31.12.2015		31.12.2014	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Net loans to:	**248 103**	**179 685**	**337 841**	**209 951**
Private companies	247 412	196 064	299 967	221 419
Individuals	59 817	23 380	88 712	31 024
Allowance for impairment losses (Note 16)	(59 126)	(39 759)	(50 838)	(42 492)
Receivables from:	**66 203**	**66 203**	**26 849**	**26 849**
Finance companies	68 143	68 143	26 849	26 849
Allowance for impairment losses (Note 16)	(1 940)	(1 940)	-	-
Total loans to and receivables from customers, net	**314 306**	**245 888**	**364 690**	**236 800**

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Geographical segmentation of loans and receivables				
Net loans to:	**248 103**	**179 685**	**337 841**	**209 951**
Residents of Latvia	116 302	116 421	134 189	137 621
Residents of OECD countries	1 500	188	2 000	1 937
Residents of the other countries	189 427	102 835	252 490	112 885
Allowance for impairment losses (Note 16)	(59 126)	(39 759)	(50 838)	(42 492)
Receivables from:	**66 203**	**66 203**	**26 849**	**26 849**
Residents of Latvia	2	2	5	5
Residents of OECD countries	18 982	18 982	20 479	20 479
Residents of the other countries	49 159	49 159	6 365	6 365
Allowance for impairment losses (Note 16)	(1 940)	(1 940)	-	-
Total loans to and receivables from customers, net	**314 306**	**245 888**	**364 690**	**236 800**

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Analysis of loans by type				
Mortgage loans	60 273	65 097	89 562	85 324
Industrial loans	80 243	70 531	99 139	74 766
Commercial loans	63 182	24 667	83 466	35 373
Consumer loans	9 392	2 740	20 951	3 890
Credit card balances	18 735	3 739	32 689	4 255
Reverse Repo transactions	548	548	1 299	1 299
Finance leases	87	87	689	-
Other	15 643	12 276	10 046	5 044
Net loans to customers	**248 103**	**179 685**	**337 841**	**209 951**

The Group has received securities at fair value 1 975 thousand euro (at 31 December 2014: 2 910 thousand euro) as collateral for reverse repo deals and the Group is permitted to sell or repledge them. As at 31 December 2015 they have not been sold or repledged (at 31 December 2014: nil euro).

In 2015 Bank has 6 003 thousand euro pledged for card transactions (at 31.12.2014: 5 803 thousand euro); 4 350 thousand euro pledged for Forex deals (at 31 December 2014: 3 669 thousand euro).

During 2015 the Bank's average nominal interest rates were: USD 10.64%, EUR 4.48%, RUB 29.96%, GBP 4.41%; in 2014: USD 8.58%, EUR 5.80%, RUB 9.22%, GBP 4.02%.

As of 31 Dec 2015, the Group's loan portfolio comprises several loans with the total gross exposure of EUR 44 million, granted to companies that own and operate hotels under the Hilton brand in Russia. The following comments should be taken into account.

The company, operating the hotels, together with the hotel owners approached the Bank in Q4 2015 with the proposal to structure the loans so that each loan is granted to an EU (Cyprus) company that operates as the financing intermediary rather than the hotel directly (as it was initially structured).

The main reason to work on the proposal was to reduce the tax burden a Russia-based borrower carries when paying interest to a Latvian bank. Structuring the loan in the way described above helps to keep the loan performing, maintaining the interest income and lets the borrower reduce the cost of borrowing.

The Bank supported the proposal and we have worked out an agreed deal structure that helped facilitate the refinancing. Each loan was assigned towards the hotel owners based in the EU (Cyprus) as the first step (completed in December 2015), the second step is when the hotel owners reassigns the loan towards the EU company acting as an SPV, and the last step implies granting new loans to those EU SPVs to pay off the debts for the loan assignments. As the result of the transactions the bank will have on its books loans to EU SPVs which in turn will have loans to the hotels. The Group’s exposure will continue to be secured by pledge over the respective hotels. Described in more detail in Note 2 section 3.

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
Finance leases	EUR’000	EUR’000	EUR’000	EUR’000
Gross investments	**98**	**98**	**691**	**-**
Within 1 year	44	44	684	-
From 1 year to 5 years	54	54	7	-
More than 5 years	-	-	-	-
Unearned income	**11**	**11**	**2**	**-**
Within 1 year	9	9	2	-
From 1 year to 5 years	2	2	-	-
More than 5 years	-	-	-	-
Present value of minimum lease payments	**87**	**87**	**689**	**-**
Within 1 year	35	35	682	-
From 1 year to 5 years	52	52	7	-
More than 5 years	-	-	-	-

16. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

Group	**At 31 December 2014**	**Increase in allowance**	**Written off**	**Released from allowance**	**Foreign exchange**	**At 31 December 2015**
	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000	EUR’000
Industrial loans	**19 684**	10 172	(2 424)	(2 023)	(188)	**25 221**
Commercial loans	**7 958**	7 694	(5 082)	(870)	(542)	**9 158**
Consumer loans	**12 428**	2 570	(4 080)	(1 537)	(309)	**9 072**
Credit cards	**9 164**	10 745	(761)	(5 485)	(1 408)	**12 255**
Finance leasing	**442**	3	(9)	(5)	-	**431**
Mortgage loans	**685**	421	(297)	(44)	13	**778**
Other loans	**477**	1 902	-	(133)	(35)	**2 211**
Other provisions	**520**	2 733	(378)	-	56	**2 931**
Total	**51 358**	**36 240**	**(13 031)**	**(10 097)**	**(2 413)**	**62 057**

Group	Individual impairment	Collective impairment	Total	Gross amount of financial assets individually determined to be impaired before deducting any individually assessed impairment allowance
At 31 December 2015	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Industrial loans	22 629	2 592	**25 221**	**78 245**
Commercial loans	8 550	608	**9 158**	**18 385**
Consumer loans	8 672	400	**9 072**	**10 035**
Credit cards	9 748	2 507	**12 255**	**10 051**
Finance leasing	431	-	**431**	**431**
Mortgage loans	623	155	**778**	**1 105**
Other loans	2 123	88	**2 211**	**10 841**
Other provisions	2 931	-	**2 931**	**37 621**
Total	**55 707**	**6 350**	**62 057**	**166 714**

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	Individual impairment	Collective impairment	Total	Gross amount of financial assets individually determined to be impaired before deducting any individually assessed impairment allowance
At 31 December 2014	**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	2015	2014
	EUR'000	EUR'000
Result from impairment losses	**(25 640)**	**(15 322)**
Increase in allowance (loans)	(36 240)	(19 395)
Released from allowance (loans)	10 097	2 867
Recovery of previously written-off assets	503	1 224
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 2014	Increase in allowance	Written off	Released from allowance	Foreign exchange	Reorganiza-tion	At 31 December 2015
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Industrial loans	**18 228**	6 891	(2 424)	(452)	196	-	**22 439**
Commercial loans	**8 861**	3 071	(4 947)	(98)	178	(2 295)	**4 770**
Consumer loans	**11 354**	664	(4 097)	(882)	-	-	**7 039**
Credit cards	**3 281**	314	(761)	(214)	6	-	**2 626**
Finance leasing	-	1	-	-	-	430	**431**
Mortgage loans	**608**	213	(204)	(5)	4	-	**616**
Other loans	**160**	1 678	-	(14)	14	-	**1 838**
Other provisions	**482**	2 107	(165)	-	56	-	**2 480**
Total	**42 974**	**14 939**	**(12 598)**	**(1 665)**	**454**	**(1 865)**	**42 239**

Bank	Individual impairment	Collective impairment	Total	Gross amount of financial assets individually determined to be impaired before deducting any individually assessed impairment allowance
At 31 December 2015	EUR'000	EUR'000	EUR'000	EUR'000
Industrial loans	22 439	-	**22 439**	**75 469**
Commercial loans	4 770	-	**4 770**	**12 597**
Consumer loans	6 977	62	**7 039**	**8 340**
Credit cards	2 600	26	**2 626**	**2 888**
Finance leasing	431	-	**431**	**431**
Mortgage loans	616	-	**616**	**1 099**
Other loans	1 838	-	**1 838**	**10 556**
Other provisions	2 480	-	**2 480**	**37 169**
Total	**42 151**	**88**	**42 239**	**148 549**

Bank	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**	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	2015	2014
	EUR’000	EUR’000
Result from impairment losses	**(12 770)**	**(15 462)**
Increase from impairment (loans)	(14 939)	(18 191)
Released from impairment	1 665	1 505
Recovery of previously written-off assets	504	1 224

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Bonds and other fixed income securities	**229 579**	**229 579**	**183 229**	**183 229**
OECD country bonds	196 259	196 259	117 131	117 131
Other country bonds	33 320	33 320	66 098	66 098
Shares and other non-fixed income securities	**18 859**	**158 825**	**7 531**	**155 401**
Funds registered in Latvia	-	139 966	-	147 870
Funds registered in EU countries	7 531	7 531	7 531	7 531
Other non-fixed income securities (OECD country residents)	11 328	11 328	-	-
Investments in subsidiaries	**5 344**	**87 685**	**1 199**	**89 279**
Bank (Other country residents)	-	43 099	-	51 541
Financial institutions (LR residents)	-	23 852	-	8 563
Financial institutions (OECD country residents)	-	612	-	440
Financial institutions (other country residents)	-	4 447	-	13 146
Private companies (LR residents)	5 344	-	1 199	-
Private companies (other country residents)	-	15 675	-	15 589
Total	**253 782**	**476 089**	**191 959**	**427 909**

During 2015 the Bank recognized impairment losses regarding its investments in closed investments funds in the amount of 13 864 thousand euro (2014: 25 899 thousand euro). During 2015 the Bank did not identify and recognize any impairment losses regarding its investments in subsidiary ПАО "Норвик Банк " (2014: 11 035 thousand euro).

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

	Group	Bank
	EUR’000	EUR’000
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)**
Revaluation	21 106	(4 386)
Net (gain) or loss from sales of available-for-sale financial assets	(11 277)	(3 313)
Impairment losses	-	14 987
At 31 December 2015	**5 668**	**2 771**

As at 31 December 2015 and 2014 the Bank had the following investments in subsidiaries:

Company	Country	Business profile	Balance value as at 31 December 2015	Balance value as at 31 December 2014	Bank's share capital (%) as at 31 December 2015
ПАО "Норвик Банк"	RU	Financial services	43 099	51 541	97.75
AS "NORVIK ieguldījumu pārvaldes sabiedrība"	LV	Financial services	8 848	8 563	100
"NORVIK" liquidation Universal Credit Organization CJSC	AM	Financial services	4 447	13 146	100
"Norvik Banka UK" Limited	GB	Financial services	612	440	100
"NORVIK APDROŠINĀŠANAS BROKERIS" SIA	LV	Insurance brokerage services	-	-	100
AS "NORVIK EURASIA AIF"	LV	Financial services	15 004	-	100
"Allurine" Limited	CY	Financial services	5 578	-	100
"Olerinia" Limited	CY	Financial services	6 693	-	100
"Балтикс" ООО *	RU	Transportation and storage	3 404	4 620	-
"Cecily Holdings" Limited	CY	Financial services	-	10 969	100
Total			**87 685**	**89 279**	

* The company is included in the Bank's consolidation group as the Bank controls the entity in accordance with IFRS 10 paragraph 6.
In 2015, the Bank was sold 99.917% of shares of "Baltiks" OOO.

In 2015, the Bank's subsidiary company Norvik IPS AS SIF Nākotnes Īpašuma Fonds sold 95% of shares of the card processing company OOO Общая Карта. The balance sheet value as of 31.12.2014 was 14.2 million euro. The transaction of reregistration of 95% of the company's shares in the name of the new owner had been completed in 2016 prior to signing and approval of the annual report. The net losses from sales in amount of 57 thousand euro are shown in the profit and loss of the Bank/Group.
OOO Общая Карта is a company certified by international payment systems, it has the status of a MasterCard International Member Service Provider and Visa International Third Party Processor, as well as the status of a Third Party Personalizer, which allows ensuring card personification in compliance with payment system requirements. The company's customers are commercial banks of the Russian Federation.
The bank has granted a loan to the customer for this purchase in the amount of 14.2 million euro. The buyer is a legal person, the owner of which is the CEO of the company OOO Общая Карта, who has the respective knowledge and competence in the field. As of 31.12.2015 the Bank and Group recognized impairment 1.1 million euro for respective loan.
Prior to sale OOO Общая Карта was consolidated and reflected in the Group's accounts as intangible asset (goodwill), having direct negative impact on the Group's Tier 1 equity in the amount of 14.2 million euro. As such, the Management of the Group considered it was in the best interest of the Group to sell the asset on the terms described above, including 100% financing provided by the Bank. The Management believes that by means of the mentioned sales transaction, the Group has transferred the control, benefits and risks related to investment in OOO Общая Карта to the third party and hence the Tier 1 capital adjustment is not required. It is the Management's understanding that, as long as the loan issued to the buyer is performing and there are no other adverse events related to the loan or collateral, additional capital adjustments would also not be required by the FCMC.
In 2015 the company's profit was 0.9 million euro. The same year the company obtained a permission of the FCMC to provide processing services to the Bank. One of the company's goals is further development in provision of services to a vaster range of customers in the EU.

18. HELD-TO-MATURITY FINANCIAL ASSETS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Bonds and other fixed income securities				
OECD country bonds	19 802	19 802	18 439	18 439
Total	**19 802**	**19 802**	**18 439**	**18 439**

In 2015 the Bank and the Group recognised impairment losses in the amount of 39 thousand euro which was conditioned by the change of terms of two bond issues (loan restructuring of issuers of OECD countries), as a result of which bond yield has decreased, respectively, from 5.9688% to 2.8757% per annum and from 7.6354% to 2.8004% per annum. The mentioned bonds were included in the Bank's balance sheet item "Financial assets held to maturity"; one of the bond issues was redeemed as of the end of 2015, while the other one – at the beginning of 2016.

As at 31 December 2015 the Bank has 13 779 thousand euro pledged for Forex deals (in 2014: 12 346 thousand euro.)

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Goodwill	10 265	-	24 935	-
Other intangible assets	352	308	355	290
Prepayment for other intangible assets	43	43	-	-
Net book value of other intangible assets	**10 660**	**351**	**25 290**	**290**

During the reporting year, the Group goodwill has been decreased by 14.6 million euro. 14.2 million euro as a result of Bank's financed management buyout of ООО Общая Карта (see Note 17).

The following table shows the changes in the Group's and Bank's intangible assets for the year ended 31 December 2015 and 31 December 2014:

Group	Goodwill	Other intangible assets	Prepayments for other intangible assets	Total
EUR `000				
Historical cost				
At 31 December 2014	**24 935**	**2 469**	**-**	**27 404**
Additions	-	138	89	**227**
Disposals	(14 670)	(9)	(46)	**(14 725)**
Foreign exchange	-	1		**1**
At 31 December 2015	**10 265**	**2 599**	**43**	**12 907**
Amortization				
At 31 December 2014	**-**	**2 114**	**-**	**2 114**
Charge/correction	-	139	-	**139**
Disposals	-	(6)	-	**(6)**
At 31 December 2015	**-**	**2 247**	**-**	**2 247**
Net book value				
At 31 December 2014	**24 935**	**355**	**-**	**25 290**
At 31 December 2015	**10 265**	**352**	**43**	**10 660**

Group	Goodwill	Other intangible assets	Prepayments for other intangible assets	Total
EUR `000				
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**

Bank	Other intangible assets	Prepayments for other intangible assets	Total
EUR`000			
Historical cost			
At 31 December 2014	**3 153**	**-**	**3 153**
Additions	133	89	**222**
Disposals	(2)	(46)	**(48)**
At 31 December 2015	**3 284**	**43**	**3 327**
Amortization			
At 31 December 2014	**2 863**	**-**	**2 863**
Charge	115	-	**115**
Disposals	(2)	-	**(2)**
At 31 December 2015	**2 976**	**-**	**2 976**
Net book value			
At 31 December 2014	**290**	**-**	**290**
At 31 December 2015	**308**	**43**	**351**

Bank	Other intangible assets	Prepayments for other intangible assets	Total
EUR`000			
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**

20. INVESTMENT PROPERTY

The following table shows the movement in the Group's and Bank's investment property for the year ended 31 December 2015:

	Group EUR'000	Bank EUR'000
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**
Additions	4 959	-
Renovation	790	-
Disposal	(8 088)	-
Derecognition	(146)	-
Reclassification	(11 908)	-
Net change in fair value	3 789	(346)
Foreign exchange	(4 429)	-
As at 31 December 2015	**106 642**	**6 225**

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

	31.12.2015		31.12.2014	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Land	29 053	-	28 443	-
Office buildings	23 357	-	38 511	-
Manufacturing facilities warehouses	17 828	6 225	18 230	6 571
Hotels and restaurants	2 433	-	2 518	-
Recreation buildings	440	-	50	-
Fuel station and oil depot	2 843	-	7 876	-
Apartments	6 109	-	6 834	-
Unfinished constructions	20 807	-	12 503	-
Other	3 772	-	6 710	-
Total	**106 642**	**6 225**	**121 675**	**6 571**

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 2 418 thousand euro (31.12.2014: 3 992 thousand euro) / 512 thousand euro (31.12.2014: 970 thousand euro). Direct operating expenses (including real estate tax) arising from investment property that generated rental income during the period by the Group / Bank amounted to 1 157 thousand euro (31.12.2014: 1 303 thousand euro) / 14 thousand euro (31.12.2014: 198 thousand euro). 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 213 thousand euro (31.12.2014: 169 thousand euro). Part of Group's investment property is acquired by overtaking collateral from loans issued by the Bank.

As of 31 December 2015 the amount of overtaken collateral accounted as Group investment property was 59 059 thousand euro (31.12.2014: 74 413 thousand euro).

21. TANGIBLE FIXED ASSETS

	31.12.2015		31.12.2014	
	Group	**Bank**	**Group**	**Bank**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Lands and buildings	48 849	17 465	37 689	15 456
Vehicles	445	254	780	307
Office equipment and other fixed assets	12 035	514	11 322	403
Prepayments for tangible fixed assets	3 673	1 626	1 674	34
Leasehold improvements	156	-	151	-
Net book value of tangible fixed assets	**65 158**	**19 859**	**51 616**	**16 200**

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 2015 the amount of overtaken collateral accounted as Group tangible fixed assets was 6 308 thousand euro (2014: 8 111 thousand euro).

The following table shows the changes in the Bank's tangible fixed assets for the year ended 31 December 2015:

Bank	Land and Buildings	Vehicles	Office equipment and other fixed assets	Prepayments for tangible fixed assets	Total
EUR'000					
Historical cost					
At 31 December 2014	**21 739**	**468**	**5 518**	**34**	**27 759**
Additions	1 060	-	330	1 682	**3 072**
Revaluation	1 406	-	-	-	**1 406**
Disposals	-	-	(325)	(90)	**(415)**
At 31 December 2015	**24 205**	**468**	**5 523**	**1 626**	**31 822**
Accumulated depreciation and impairment					
At 31 December 2014	**6 283**	**161**	**5 115**	**-**	**11 559**
Charge	588	53	208		**849**
Impairment reverse	(131)	-	-		**(131)**
Disposals	-	-	(314)		**(314)**
At 31 December 2015	**6 740**	**214**	**5 009**	**-**	**11 963**
Net book value					
At 31 December 2014	**15 456**	**307**	**403**	**34**	**16 200**
At 31 December 2015	**17 465**	**254**	**514**	**1 626**	**19 859**

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**

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

22. OTHER ASSETS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Inventories	1 826	-	1 855	-
Deferred expenses	1 430	1 007	1 655	991
Spot deals	727	727	930	916
VAT	2 929	24	748	11
Accrued income	670	241	642	236
Cards transactions	373	372	343	343
Other receivables	37 913	9 149	23 494	5 004
Total	**45 868**	**11 520**	**29 667**	**7 501**

As at 31 December 2015 the Bank has 116 thousand euro pledged for communal and communication services (in 2014: 101 thousand euro), accounts receivable (DEUTSCHE BANK TRUST COMPANY AMERICAS) 3 638 thousand euro (in 2014: 3 262 thousand euro).

23. MANAGED TRUST ASSETS AND LIABILITIES

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Managed trust assets	**2 188**	**2 188**	**2 603**	**2 603**
Loans	2 188	2 188	2 603	2 603
Managed trust liabilities	**2 188**	**2 188**	**2 603**	**2 603**
Private companies	2 188	2 188	2 493	2 493
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.

24. DUE TO THE CENTRAL BANK AND OTHER BANKS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Demand deposits	**1 809**	**1 827**	**1 672**	**8 750**
Banks registered in Latvia	1 486	1 486	1 021	1 021
Banks registered in OECD countries	26	26	23	23
Banks registered in other countries	297	315	628	7 706
Term deposits	**104**	**4**	**732**	**621**
Banks registered in OECD countries	4	4	3	3
Banks registered in other countries	100	-	729	618
Total	**1 913**	**1 831**	**2 404**	**9 371**

During 2015 the Bank's average nominal interest rate for all currencies was 0%, in 2014: EUR 0.01%, USD 0.01%, RUB 0.62%, CHF 1.17%.

25. CUSTOMER DEPOSITS

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Current accounts	**696 025**	**667 156**	**739 203**	**705 812**
Private companies	508 014	493 403	571 294	557 743
Individuals	181 989	171 860	160 270	146 297
Public organizations	4 326	986	2 260	1 028
Government companies	1 076	287	598	580
Local government	620	620	4 781	164
Fixed-term deposits	**261 947**	**173 757**	**262 332**	**134 534**
Private companies	27 660	40 863	27 878	24 649
Individuals	233 158	132 665	233 047	109 852
Public organizations	392	229	921	33
Local government	737	-	486	-
Promissory notes issued	**-**	**-**	**7 164**	**-**
Demand	-	-	1	-
Fixed-term	-	-	7 163	-
Total	**957 972**	**840 913**	**1 008 699**	**840 346**
Geographical segmentation of customer deposits				
Current accounts	**696 025**	**667 156**	**739 203**	**705 812**
Residents of Latvia	105 244	106 725	95 739	98 178
Residents of OECD countries	111 458	111 507	120 932	121 122
Residents of the other countries	479 323	448 924	522 532	486 512
Fixed-term deposits	**261 947**	**173 757**	**262 332**	**134 534**
Residents of Latvia	106 270	128 023	88 829	91 993
Residents of OECD countries	2 024	2 024	1 582	1 582
Residents of the other countries	153 653	43 710	171 921	40 959
Promissory notes issued	**-**	**-**	**7 164**	**-**
Residents of the other countries	-	-	7 164	-
Total	**957 972**	**840 913**	**1 008 699**	**840 346**

During 2015 the Bank's average nominal interest rates for term deposits were: EUR 0.30%, USD 0.10%, RUB 1.10%, GBP 0.07%, CHF 0.02%; in 2014: EUR 0.23%, USD 0.08%, RUB 1.05%, GBP 0.08%, CHF 0.04%.

26. SUBORDINATED DEBT

As at 31 December 2015 and 2014 subordinated debt lenders were as follows:

31.12.2015		Group			Bank		
Lenders:	Currency	EUR'000	Rate %	Maturity	EUR'000	Rate %	Maturity
Residents	EUR	2 218	3.85 - 7	2016-2022	2 218	3.85 - 7	2016-2022
Residents	USD	4 876	4-7	2017-2020	4 876	4-7	2017-2020
Residents	GBP	136	3.85	2016	136	3.85	2016
Non-residents	EUR	19 129	4-7	2016-2025	19 129	4-7	2016-2025
Non-residents	USD	11 776	4-7	2016-2024	11 776	4-7	2016-2024
Total		**38 135**			**38 135**		

31.12.2014		Group			Bank		
Lenders:	Currency	EUR'000	Rate %	Maturity	EUR'000	Rate %	Maturity
Residents	EUR	2 530	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	128	3.85	2016	128	3.85	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**		

27. DEBT SECURITIES

As at 31 December 2015 and 2014 the Group’s and the Bank’s subordinated debt securities were as follows:

31.12.2015

ISIN	Currency	Date of issue	Date of maturity	Coupon rate %	Principal amount EUR'000	Coupon amount EUR'000	Total 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
LV0000801660	EUR	27.02.2015	27.02.2020	6.2	13 319	697	14 016
LV0000801678	EUR	27.02.2015	27.02.2020	6	10 000	7	10 007
						Total:	**28 354**

31.12.2014

ISIN	Currency	Date of issue	Date of maturity	Coupon rate %	Principal amount EUR'000	Coupon amount EUR'000	Total 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**

28. OTHER LIABILITIES

	31.12.2015		31.12.2014	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Accrued expenses	2 196	1 855	1 497	1 252
Spot deals	515	515	1 006	1 006
Accruals for vacations	1 283	680	1 478	685
Payments collected on behalf of public utilities services providers	69	69	127	127
Suspense amounts	3 033	3 033	1 395	1 395
Cards transactions	370	325	286	286
Deferred income	1 931	4	1 409	82
Other	12 120	1 749	14 078	1 673
Total	**21 517**	**8 230**	**21 276**	**6 506**

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.

29. SHARE CAPITAL

	31.12.2015		31.12.2014	
	Quantity`000	EUR’000	Quantity`000	EUR’000
Registered and paid – in share capital	**218 504**	**131 102**	**205 169**	**123 101**

The new XXIX shares issue was announced on 31 March, 2015 at the shareholders’ meeting. Upon closing the above issue on 29 September 2015, the share capital of the Bank was equal to 131 102 thousand euro, consisting of 218 503 500 shares with par value of 0,60 euro each.

Voting rights correspond to number of registered shares.

As at 31 December 2015 and 2014 accordingly the Bank’s shareholders were as follows:

	31.12.2015			31.12.2014		
Shareholder (residence)	Number of shares	% of total shares	Paid up share capital	Number of shares	% of total shares	Paid up share capital
			EUR’000			EUR’000
G. Guselnikov (LV)	69 926 787	32.00	41 956	91 845 959	44.77	55 107
G. Guselnikov* (LV)	120 656 539	55.22	72 394	98 737 367	48.13	59 243
D.D. Archer * (US)	19 107 793	8.75	11 465	-	-	-
Other (each individually less than 5%)	8 812 381	4.03	5 287	14 585 622	7.1	8 751
Total	**218 503 500**	**100**	**131 102**	**205 168 948**	**100**	**123 101**

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

30. 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 2015 and 2014 there is no difference between basic and diluted earnings per share calculation.

	Group 31.12.2015	Group 31.12.2014
Net loss (EUR'000)	(12 323)	(17 779)
Weighted average number of ordinary shares ('000)	207 369	115 040
Losses per share (EUR)	**(0.06)**	**(0.15)**

31. CASH AND CASH EQUIVALENTS

	31.12.2015		31.12.2014	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due on demand from the Central Bank	45 360	30 626	39 191	22 943
Balances due from other banks with original maturity of 3 months or less	195 806	192 469	243 982	227 161
Total	**241 166**	**223 095**	**283 173**	**250 104**

32. COMMITMENTS AND CONTINGENCIES

	31.12.2015		31.12.2014	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Contingent liabilities	**13 000**	**3 730**	**14 980**	**5 464**
Guarantees	12 908	3 638	14 897	5 381
Other	92	92	83	83
Commitments	**18 428**	**12 493**	**16 382**	**5 674**
Unused credit lines	18 235	12 300	16 331	5 623
Letters of credit	193	193	51	51
Total off-balance sheet items gross	**31 428**	**16 223**	**31 362**	**11 138**

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.

33. 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.

	31.12.2015		31.12.2014	
Group	**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	45 360	45 360	39 191	39 191
Loans and receivables to banks	197 421	197 421	246 082	246 082
Trading financial assets	67 370	67 370	63 355	63 355
Derivative financial instruments	1 809	1 809	909	909
Loans to customer and receivables	314 306	314 337	364 690	377 640
Available-for-sale financial assets	253 782	253 782	191 959	191 959
Held-to-maturity financial assets	19 802	19 802	18 439	18 439
Financial liabilities				
Due to the central bank and other banks	1 913	1 913	2 404	2 404
Derivative financial instruments	347	347	886	886
Customer deposits	957 972	959 688	1008 699	1008 719
Subordinated debt	38 135	38 135	41 853	41 853
Debt securities	28 354	28 354	4 331	4 331

	31.12.2015		31.12.2014	
Bank	**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	30 626	30 626	22 943	22 943
Loans and receivables to banks	192 844	192 844	228 100	228 100
Trading financial assets	109	109	10 181	10 181
Derivative financial instruments	1 806	1 806	828	828
Loans to customer and receivables	245 888	242 721	236 800	249 662
Available-for-sale financial assets	476 089	476 089	427 909	427 909
Held-to-maturity financial assets	19 802	19 802	18 439	18 439
Financial liabilities				
Due to the central bank and other banks	1 831	1 831	9 371	9 371
Derivative financial instruments	319	319	826	826
Customer deposits	840 913	840 908	840 346	840 330
Subordinated debt	38 135	38 135	33 298	33 298
Debt securities	28 354	28 354	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.

34. 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. Held to maturity financial assets are presented in this table for illustrative purposes only, on the balance sheet such investments are presented at amortized cost.

	Quoted market	Valuation techniques – market observable inputs	Valuation techniques – non-market observable inputs	Total
As at 31 December 2015 - Group	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets	**315 033**	**3 528**	**24 202**	**342 763**
Trading financial assets	65 640	1 730	-	67 370
Derivative financial instruments	11	1 798	-	1 809
Available-for-sale financial assets	229 580	-	24 202	253 782
Held to maturity financial assets	19 802	-	-	19 802
Financial liabilities	**4**	**343**	**-**	**347**
Derivative financial instruments	4	343	-	347

	Quoted market	Valuation techniques – market observable inputs	Valuation techniques – non-market observable inputs	Total
As at 31 December 2014 - Group	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets	**250 789**	**15 143**	**8 730**	**274 662**
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
Held to maturity financial assets	18 439	-	-	18 439
Financial liabilities	**4**	**882**	**-**	**886**
Derivative financial instruments	4	882	-	886

As at 31 December 2015 - 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	**249 502**	**1 795**	**246 509**	**497 806**
Trading financial assets	109	-	-	109
Derivative financial instruments	11	1 795	-	1 806
Available-for-sale financial assets	229 580	-	246 509	476 089
Held to maturity financial assets	19 802	-	-	19 802
Financial liabilities	**4**	**315**	**-**	**319**
Derivative financial instruments	4	315	-	319

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**
Derivatives financial instruments	4	822	-	826

The following table shows changes of non-market observable inputs during 2014 and 2015:

	Group	Bank
	Non-market observable inputs	Non-market observable inputs
EUR'000		
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**
Acquisition	3 452	27 643
Sell/reorganization	(453)	(18 039)
Net loss from sales	-	(472)
Fair value adjustment	12 473	(7 303)
At 31 December 2015	**24 202**	**246 509**

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”.

35. CAPITAL ADEQUACY CALCULATION

The Group’s and Bank’s capital adequacy calculations for the 31 December 2015 have been made in accordance with the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR).
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 2015 has been calculated as follows:

		Group	Group	Bank	Bank
	Notional risk level	Exposure	Risk weighted assets	Exposure	Risk weighted assets
ASSETS	**%**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**
Central governments or central banks	0%	224 873	-	224 873	-
	20%	2 975	595	2 975	595
	50%	1 962	981	1 962	981
	100%	8 274	8 274	-	-
Regional governments	100%	14 140	14 140	-	-
Public sector entities	100%	12 998	12 998	12 053	12 053
Financial institutions	20%	188 173	37 635	187 683	37 537
	50%	720	360	720	360
Private companies and individuals	20%	21	4	21	4
	50%	904	452	904	452
	100%	233 684	233 684	164 149	164 149
	150%	4 669	7 004	4 011	6 017
Pool of retail exposure claims (MRD)	75%	5 280	3 960	5 280	3 960
Past due exposures	100%	17 842	17 842	17 353	17 353
	150%	9 214	13 821	6 623	9 934
Collective investment undertakings (CIU)	100%	7 531	7 531	141 349	141 349
Equity Exposures	100%	143 834	143 834	72 975	72 975
Other items	0%	19 972	-	13 521	-
	100%	129 030	129 030	91 867	91 867
Total assets and off-balance sheet items		**1 026 096**	**632 145**	**948 319**	**559 586**

	Group	Bank
	EUR'000	EUR'000
Tier 1		
Paid in share capital	131 102	131 102
Reserve capital	10	10
Accumulated losses	(21 986)	(40 762)
Minority interest	581	-
Other comprehensive income	(19 272)	1 108
Expected loss from loans	(5 975)	(5 975)
Profit (loss) of the year	(17 590)	(10 395)
Goodwill	(10 265)	(9 858)
Other intangible assets	(361)	(351)
40% from tangible fixed assets revaluation earnings	2 182	1 752
Total tier 1	**58 426**	**66 631**
Tier 2		
Expected loss from loans	(5 975)	(5 975)
Subordinated capital	46 461	46 461
Total tier 2	**40 486**	**40 486**
Total capital	**98 912**	**107 117**
Summary		
Credit risk capital	50 572	44 767
Market risks capital requirement	8 046	716
Operational risk	10 241	5 984
Capital requirement covered by capital (total capital)	**30 053**	**55 650**
Capital adequacy rate as of 31.12.2015	**11.49%**	**16.65%**
Tier 1 capital ratio as of 31.12.2015	**6.79%**	**10.36%**
Capital adequacy rate as of 31.12.2014	**11.24%**	**14.48%**
Tier 1 capital ratio as of 31.12.2014	**7.41%**	**10.28%**
Minimal capital adequacy ratio (%) 2015 and 2014	**8.00%**	**8.00%**

According to the FCMC requirements, in 2015 the Bank/Group made capital corrections (deduction of Tier 1 and Tier 2 in similar parts – line "Expected loss from loans"), the most important of which were related to the following assets:
- loans granted to the energy sector companies – in the amount of 11 million euro;
- funds blocked on the Bank's account with Deutsche Bank Trust Company Americas in connection with legal proceedings, which are further described in the Legal Proceedings, Section B – in the amount of 609 thousand euro.

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 13.5% and for the Group is set at a level 10,5% (minimum 8% plus 2.5% conservation buffer). Thus, Bank fulfills required minimum on total CAD at individual and Group level.

36. 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:

				31.12.2015	31.12.2014
Group	**Average interest rate** %	**Amount** EUR’000	**Off-balance sheet items** EUR’000	**Total** EUR’000	**Total** EUR’000
Assets		**2 543**	**410**	**2 953**	**1 663**
Loans and receivables net		**2 543**	**410**	**2 953**	**1 663**
Related undertakings and individuals	1.69	1 553	167	**1 720**	**142**
Supervisory Council and Management Board	5.32	869	185	**1 054**	**1 165**
Other senior executives	11.09	121	58	**179**	**356**
Liabilities		**13 802**	**-**	**13 802**	**13 726**
Deposits		**11 368**	**-**	**11 368**	**2 437**
Related undertakings and Individuals	6.07	9 827	-	**9 827**	**329**
Supervisory Council and Management Board	0	1 398	-	**1 398**	**1 209**
Other senior executives	1.48	143	-	**143**	**899**
Subordinated debt		**1 423**	-	**1 423**	**9 589**
Related undertakings and Individuals	6.33	1 373	-	**1 373**	**9 539**
Supervisory Council and Management Board	5.95	50	-	**50**	**50**
Other senior executives	0	-	-	-	-
Debt securities		**1 011**	-	**1 011**	**1 700**
Related undertakings and Individuals	5.93	1 011	-	**1 011**	**1 000**
Council and Board	0	-	-	-	**700**

Bank	Average interest rate %	Amount EUR’000	Off-balance sheet items EUR’000	31.12.2015 Total EUR’000	31.12.2014 Total EUR’000
Assets		**9 533**	**7 614**	**17 147**	**11 704**
Loans and receivables net		**9 533**	**7 614**	**17 147**	**11 704**
Related undertakings and Individuals	1.53	1 536	70	**1 606**	**20**
Subsidiaries	1.01	7 357	7 509	**14 866**	**10 970**
Supervisory Council and Management Board	4.09	640	34	**674**	**709**
Other senior executives		-	1	**1**	**5**
Liabilities		**33 398**	**-**	**33 398**	**17 172**
Deposits		**30 964**	**-**	**30 964**	**14 438**
Related undertakings and Individuals	0	4 749	-	**4 749**	**240**
Subsidiaries	0.34	24 813	-	**24 813**	**13 688**
Supervisory Council and Management Board	0	1 385	-	**1 385**	**476**
Other senior executives	0	17	-	**17**	**34**
Subordinated debt		**1 423**	**-**	**1 423**	**1 034**
Related undertakings and Individuals	6.33	1 373	-	**1 373**	**984**
Supervisory Council and Management Board	5.95	50	-	**50**	**50**
Other senior executives		-		**-**	**-**
Debt securities		**1 011**	**-**	**1 011**	**1 700**
Related undertakings and Individuals	5.93	1 011	-	**1 011**	**1 000**
Council and Board		-	-	**-**	**700**

As at 31 December 2015 the amount of the Bank’s exposure transactions with related parties is 1 337 thousand euro or 1.13 % 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.

The Bank and the Group received support from its shareholder at the end of 2014/beginning of 2015. The support transaction was made by transferring to the Group the control over investment property at a consideration significantly below the fair value of the mentioned asset. The asset was recognised in the Bank’s balance sheet line “Available for sale financial assets” and the Group’s balance sheet line “Investment property” as of 31 December 2014 and the excess of the value obtained over consideration paid in this transaction, amounting to 10 969 thousand euro, was recognised directly in the Bank’s and the Group’s equity in 2014. The execution of the transaction was completed and registration of the ownership rights in public registers was performed in 2015.

During the fourth quarter 2014 corporate loans to the total amount of EUR 67.8 million euro with average interest rate 15% 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. No impairment has been made in 2014 for these loans. As of 31 December 2015, some of these exposures related to hospitality industry are in the process of restructuring (see also Note 15). As of 31 December 2015, the gross amount of refinanced loans was 75.7 million euro, impairment made for these loans amounted 1.9 million euro, the maturity is in 2016 – 2024. The average interest rate changed to 9.52%.

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:

	2015		2014	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	86	328	33	2 279
Interest expense	(1 432)	(181)	(351)	(84)
Net interest income	**(1 346)**	**147**	**(318)**	**2 195**

As described in the Report of the Management board and in note 2, in 2015 the Bank has attracted a new shareholder D.Archer, who also became the beneficiary owner of the Winergy assets. The summary of the Groups exposure to D.Archer as of 31 December 2015 is as follows: balance value of loans taken over as a result of obtaining beneficial ownership over Winergy is 39.6 million euro, impairment of mentioned loans amount is 9 million euro, additional capital correction required by regulator is 7 million euro.

D.Archer is not regarded by the Group as a related party because:
- D.Archer holds less than 10% of shares and effectively do not have influence over the Bank's /Group's operations and decisions;
- D.Archer only business with the Group is currently limited with the work-out of the Winergy exposure which represents 2.7 % of Group's assets.

During several months of 2015, D.Archer was a non-voting member of the Bank's Supervisory Council.

Management is not aware that D.Archer would have significant influence over any other related parties or other related parties would have significant influence over D.Archer or that D.Archer would act in coordination with other shareholders or other related parties.
Accordingly, the Bank is not reporting D.Archer as a related party and the total exposure is assessed against the regulatory limit of 25% of eligible capital to a single borrower or group of related borrowers, but not against the limit of 15% of eligible capital of the Bank applicable to total related party exposures.
See also note 37 on subsequent events relating to D.Archer.

37. SUBSEQUENT EVENTS

Due to subsidiary Allurine Limited liquidation Bank became an owner of the real estate located in Riga, Raina 11. Further Bank will use mentioned property as Bank's office and include it in balance sheet as Tangible fixed assets.

In February 2016 the legal address of JSC "NORVIK BANKA" was changed. New legal address of JSC "NORVIK BANKA" is 15-2 Elizabetes Street, Riga, LV-1010 Latvia.

In March 2016, the Bank became the owner of shares of SIA Winergy.

In February 2016 Bank has concluded agreement with US auditor company on performing AML Compliance audit which has started in the end of March, 2016.

The Management was advised by external advisors mandated by the Bank in the USA (Holland & Knight) on 30 march 2016 that it was resolved by the USA court to substantially decrease the funds frozen on the account of the Bank opened in the Deutsche Bank Trust Company Americas with regards to the litigation (for more details see section "Legal Proceedings"), i.e. from 3 961 thousand USD down to 1 326 thousand USD. Simultaneously the Management was informed that review of the application for further decrease of the frozen funds down to 850 thousand USD might be reviewed in May 2016.

On 11 May 2016 the U.S. Securities and Exchange Commission has filed fraud charges against a group of defendants, including the minority shareholder of the Bank referred to above, in relation to alleged defrauding of investors in a scheme with certain financial instruments. In a parallel action, the U.S. Attorney's Office for the Southern District of New York has announced criminal charges against the same defendants.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC "Norvik Banka"

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of JSC "Norvik Banka" ("the Bank") and the consolidated financial statements of JSC "Norvik Banka" and its subsidiaries ("the Group") set out on pages 8 to 94, which comprise the Bank's and the Group's balance sheets as of 31 December 2015, 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 conducting the audit in accordance with International Standards on Auditing. However, because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

a) As disclosed in Note 2 section 3.3 "Legal proceedings", as of 31 December 2015 the Bank and the Group have a total gross exposure of 62 943 thousand euro related to the alternative energy sector (57 043 thousand euro as of 31 December 2014) comprising a gross loan exposure in the amount of 58 474 thousand euro (52 711 thousand euro as of 31 December 2014) and other exposure in the amount of 4 469 thousand euro (4 332 thousand euro as of 31 December 2014). As of 31 December 2015, management assessed the recoverability of these exposures based on a number of assumptions and estimates related to the future cash flows. As a result the management have recognized impairment allowances in the amount of 14 433 thousand euro (12 917 thousand euro as of 31 December 2014) as well as, based on the requirement of the Financial and Capital Market Commission, have made Tier 1 and Tier 2 negative capital adjustments in the calculation of the Capital adequacy ratio in the total amount of 11 085 thousand euro (none as of 31 December 2014). The Bank is still involved in legal proceedings related to the aforementioned exposure. During the audit we were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the valuation of the above balances.

b) As disclosed in Note 17, as of 31 December 2015 the Bank and the Group have the exposure presented on the Bank's and Group's Balance sheet line "Loans and receivables to customers" in the amount of 13 100 thousand euro (gross exposure of 14 200 thousand euro less loan loss provision of 1 100 thousand euro) relating to the sale of the Bank's and the Group's 95% shares in the subsidiary Obscaja Karta OOO to the CEO of the respective entity. As a result of this transaction, the Group has eliminated goodwill of 14 200 thousand euro relating to the acquisition of Obscaja Karta OOO. During the audit we were unable to obtain sufficient and appropriate audit evidence to verify that the Bank and the Group have effectively transferred the control over the mentioned asset to the buyer and whether the asset should not have been consolidated in the Group's financial statements. We were therefore unable to satisfy ourselves as to the presentation of the exposure related to Obscaja Karta OOO in the financial statements of the Bank and the Group as of 31 December 2015.

c) As disclosed in Note 2 section 3.2 "Exposure to Russian Federation", as of 31 December 2015 the Group has the exposure in the amount of 20 118 thousand euro (the Bank 17 633 thousand euro) related to hotel operations in the Russian Federation, owned by the Group. The hotel is not yet operating. We did not receive detailed information related to the required cost for completion of the hotel nor did we receive detailed business plans. We were therefore unable to satisfy ourselves as to the valuation of the mentioned exposure in the financial statements of Bank ang Group as of 31 December 2015.

d) As disclosed in Note 2 section 3.2 "Exposure to Russian Federation", as of 31 December 2015 the Bank's and the Group's Balance sheet position "Loans to and receivables from customers" includes two exposures totaling 34 506 thousand euro related to hotel operations in the Russian Federation. Based on the analyses we performed, we believe there is a material impairment in the amount of these exposures as of 31 December 2015, not recognized in these financial statements. However, given that we did not obtain detailed financial information regarding the operation of these hotels and future business plans, we were unable to determine the amount of the impairment as of 31 December 2015.

e) As disclosed in Note 2 section 4 "Foreign currency translation", as of 31 December 2015, when assessing the values of certain available for sale financial assets, investment properties and evaluating certain loan collaterals, which are located in the Russian Federation and the value of which is set in Russian roubles, the Bank and the Group applied the RUB/EUR exchange rate of 67.78 RUB for one euro which the management estimates as the mean RUB/EUR exchange rate for 2015. The actual RUB/EUR exchange rate of 80.6736 RUB for one euro as of 31 December 2015 should have been applied. This would result in the negative value adjustment of the mentioned available for sale financial assets, investment properties and loans in the amount of 8 406 thousand euro.

   If adjusted, the Group's Balance sheet position "Loans to and receivables from customers" would be reduced by 3 957 thousand euro, Balance sheet position "Investment property" would be reduced by 4 449 thousand euro, as well as the Group's loss for the year 2015 would be increased by 8 406 thousand euro, with a corresponding negative effect to the Group's equity as of 31 December 2015.

   If adjusted, the Bank's Balance sheet position "Loans to and receivables from customers" would be reduced by 3 957 thousand euro, Balance sheet position "Available for sale financial assets" would be reduced by 4 449 thousand euro, as well as the Bank's loss for the year 2015 would be increased by 8 406 thousand euro, with a corresponding negative effect to the Bank's equity as of 31 December 2015.

f) As of 31 December 2015, the Group's balance sheet position "Available for sale financial assets" comprises certain investments in shares of companies with the total balance sheet value of 6 042 thousand euro (the Bank: 7 524 thousand euro), as well as balance sheet position "Other receivables" comprises certain claims related to those companies with the total balance sheet value of 1 482 thousand euro (the Bank: none). The mentioned investments have been disposed of under the long term lease-purchase agreement whereby the buyer undertakes to pay the purchase price in regular instalments during the term of the agreement. In accordance with the International Financial Reporting Standards, in the Bank's and the Group's balance sheets such assets should be measured at amortized cost using the effective interest rate method. Furthermore, in the Group's balance sheet such assets should be classified as Loans to and receivables from the customers.

   If adjusted, as of 31 December 2015 the Group's balance sheet position "Available for sale financial assets" would be decreased by 6 042 thousand euro, the balance sheet position "Other receivables" would be decreased by 1 482 thousand euro, the balance sheet position "Loans and receivables from the customers" would be increased by approximately 4 770 thousand euro, as well as the Group's loss for the year would be increased by a minimum amount of approximately 2 754 thousand euro, with a corresponding negative effect to the Group's equity as of 31 December 2015.

   If adjusted, as of 31 December 2015 the Bank's balance sheet position "Available for sale financial assets" would be decreased by a minimum amount of 2 754 thousand euro, as well as the Bank's loss for the year would be increased by a minimum amount of approximately 2 754 thousand euro, with a corresponding negative effect to the Bank's equity as of 31 December 2015.

g) As disclosed in note 36, the Bank and the Group received support from its shareholder at the end of 2014/ beginning of 2015. The support transaction was made by transferring to the Group the control over investment property at a consideration significantly below the fair value of the mentioned asset. The asset was recognised in the Bank's balance sheet line "Available for sale financial assets" and the Group's balance sheet line "Investment property" as of 31 December 2014 and the excess of the value obtained over consideration paid in this transaction, amounting to 10 969 thousand euro, was recognised directly in the Bank's and the Group's equity in 2014. As the 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 the ownership of the mentioned investment property were transferred to the Group in 2015. Consequently, the mentioned support transaction should not have been recognised in the Bank's and the Group's balance sheet as of 31 December 2014. The Group's reported compliance with the capital adequacy requirements as of 31 December 2014 was achieved by accounting for the transaction described above. If adjusted, 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 would be decreased by 10 969 thousand euro as of 31 December 2014.

h) As disclosed in Note 9, in 2015 the subsidiary of the Bank has paid significant variable remuneration to the former CEO of the subsidiary. In our understanding, the Bank and the Group may have breached the Regulation (EU) No. 575/2013 "on prudential requirements for credit institutions and investment firms", which does not allow a creation of the obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the institution failed to meet the combined buffer requirements.

i) As disclosed in Note 36, the minority shareholder of the Bank is reported to have gained control over the assets that serve as collateral for the loans issued to the alternative energy sector. As of 31 December 2015 the Bank and the Group have total net exposure to the minority shareholder of 30 619 thousand euro, which (without adjustments directly to Tier 1 and Tier 2 capital) represents 29% and 31% of the eligible capital of the Bank and the Group, respectively, as presented in the financial statements. The Group and the Bank do not treat the minority shareholder as a related party, for which the exposure limit is 15% of the eligible capital. The Bank and the Group would not meet the large exposure limit of 25% after taking into account the effects and the potential effects of the matters described in "Basis for Disclaimer of Opinion" paragraphs a) - g) above.

   Furthermore, as disclosed in Note 37, on 11 May 2016 the U.S. Securities and Exchange Commission has filed fraud charges against a group of defendants, including the minority shareholder of the Bank referred to above, in relation to alleged defrauding of investors in a scheme with certain financial instruments. In a parallel action, the U.S. Attorney's Office for the Southern District of New York has announced criminal charges against the same defendants.

j) As disclosed in Note 35, as of 31 December 2015 the Group's reported Tier 1 capital adequacy ratio (CAR) was 6.79% and the Banks's reported Tier 1 CAR was 10.36%, which has been achieved without taking into account the effects and the potential effects of the matters described in "Basis for Disclaimer of Opinion" paragraphs a) - g) above, which would lead to a significant decrease of the Tier 1 capital adequacy ratio. In accordance with EU Regulation No. 575/2013 the Bank and the Group have to maintain a minimum Tier 1 capital adequacy ratio of 6% plus a capital conservation buffer of 2.5%. The Bank and the Group would not maintain the minimum required capital adequacy ratios when reflecting the effects and potential effects of the matters described in "Basis for Disclaimer of Opinion" paragraphs a) - g) above. As disclosed in Note 2 section 3.2 "Exposure to Russian Federation", the Bank and the Group have significant exposure to non-core assets, as well as exposure to the Russian Federation. Accordingly, 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. The Bank and the Group are dependent on the successful management of their exposure of non-core assets and exposure to the Russian Federation, as well as on support from the shareholders and the ability to improve their capital adequacy position.

   The aforementioned matters relating to the regulatory compliance issues, valuation issues and capital related issues collectively indicate the existence of a material uncertainty that may cast significant doubt about the Bank's and Group's ability to continue as a going concern. These financial statements have been prepared on a going concern basis and do not contain any adjustments, including adjustments in the valuation of the Bank's and the Group's assets, that might be necessary should the Bank be unable to meet the regulatory requirements and continue in its business activities.

INDEPENDENT AUDITORS' REPORT – continued

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of the Bank and the Group referred to above.

Report on Other Legal and Regulatory Requirements

As we disclaim opinion on the financial statements, we do not express an opinion on the consistency of the management report with the Bank's and the Group's financial statements for the year ended 31 December 2015.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stugis
Member of the Board

Riga, Latvia
27 May 2016

Kitija Kepite
Certified auditor of Latvia
Certificate No. 182

MANAGEMENT LETTER IN RESPONSE TO THE INDEPENDENT AUDITORS' REPORT / DISCLAIMER OF OPINION

In response to the Independent Auditors' Report / Disclaimer of Opinion (herein – the 'Disclaimer') received from Deloitte Audits Latvia SIA [herein – the 'Deloitte'] as part of these Consolidated and Separate Financial Statements of the Bank and its subsidiaries (herein - the 'Group') we would like to take the opportunity to comment on the limitations and disagreements noted therein. The management of the Bank considers all concerns, limitations and disagreements [herein - the 'issues'] as part of the annual audit process very seriously, and has endeavoured to the best of its capacity to ensure transparency in relation to the issues noted. We hope that this response supports a better understanding of these issues, and that the Banks position is clear. <u>In light of the below the management of the Bank re-iterates its position that the Bank is a going concern.</u>

The Bank and Group financial statements are prepared on a going concern basis; the management of the Bank would like to re-iterate that the situation with the "Winergy" case is holding up EUR 26 million in capital corrections and reserves that could be released when the legal case is resolved. The management of the Bank is satisfied that the Bank has sufficient resources to continue business in the future: that the Bank has sufficient liquid resources in the form of low-risk securities to support depositor claims; management is working on reducing exposure to higher-risk-weighted assets such as loans and non-profile assets, and is working on resolving the legal case related to "Winergy" that will release additional capital for future growth, and ensure increased resistance to further economic pressures. Taking into account anticipated low-growth economic conditions, and changes already implemented related to corporate governance and risk management the management of the Bank are confident in the future viability of the business model and profitability therein.

The following notes will cover each sub-point from the Disclaimer in order, but consolidate where the management of the Bank have deemed it relevant.

a) In relation to the alternative energy sector exposures (point a) and i) in the Disclaimer), in what the management of the Bank call the "Winergy" case, the auditors have made a note on the limitations related to the valuation of the exposure through the valuation of the underlying assets of the non-performing loans, as well as a note on related parties in relation to this exposure. In respect of the valuation of the underlying assets themselves, and future cash flows as a key driver in said valuation – the Bank has already presented Deloitte with a valuation report (STIWA Real Estate Advisory Gmbh) estimating the total value of the underlying assets as being EUR 52.3 millions, which is sufficient to cover the major part of the loans exposure from both wind parks once the cash-flows are released. On the 24 May 2016, the court case (last hearing) was due to be completed, but due to unforeseen circumstances (illness) the hearing was delayed to later in 2016 (to be defined). The Bank is taking every possible step to ensure that the next hearing date is sooner rather than later, including additional applications to the prosecutor's office regards seized funds, and their release.
   As noted before, the future cash flows are critical to supporting the future repayment of the loan. The Management of the Bank is confident that the independent valuation of the underlying assets is sufficient to cover the net exposure, and is sufficient and appropriate evidence that the loan exposures are correctly stated in the balance sheet. Given this valuation, and release of the cash flows noted above, the management of the Bank is confident that in coordination with the Financial and Capital Markets Commission a significant portion of the impairments and capital corrections on this gross exposure can be released.
   As it is, the majority of the civil cases are now closed, and the court's decision about the release of the Winergy cash flows under seizure in the frame of the criminal proceedings are due to be taken in the nearest time. The underlying assets are, in essence, a number of wind turbines generating energy sold on the free-market as well as to Latvenergo on subsidized terms. The discounted cash flows generated by this group of assets are sufficient to pay down the principal and interest of the outstanding loans during the lifecycle of the underlying assets (wind turbines). As of today, given the legal uncertainties related to this group of loans, the Bank has impaired this group of exposures to 50% of the gross exposure. The underlying asset values are dependent on the legal case and its resolution, and until the latter is resolved, the Bank will continue to maintain such high reserves. In any case the underlying assets will either be compensated to the Bank or sold back to the Bank as part of the courts' resolution, which will ensure repayment of the loans and hence the release of capital mentioned above (EUR 26 million). This is purely a question of time.
   In the future, with the final resolution of the courts, and positive business results, the Bank plans to either divest this business entirely or re-finance the loans with other, third-party banks. Hence, though there remains the question of related parties (which has been discussed and agreed with the Financial and Capital Markets Commission), it is envisaged that once the legal case is closed, the business (that is entirely positive in its profitability and results) can be divested.

In relation to Mr.Archer and the allegations of fraud noted in point i) in the Disclaimer, the management of the Bank do not see that this has a significant impact to the running of the Bank and its status as a going concern as Mr.Archer does not have a significant or qualified holding in the Bank. It is planned that Mr.Archer's minority shareholding will be disposed of to current shareholders of the Bank. Further to this, the management of the Bank look forward to seeing the results of what is expected to be a long court case in the USA, and is confident that Mr.Archer will not be found guilty of any wrong-doing.

b) In relation to point b) in the Disclaimer, concerning the former subsidiary ООО Общая Карта: throughout 2015 the management of the Bank worked on selling the firm to the management of the company (a traditional management buy-out transaction). This was finalized and completed by 01.10.2015. Given that control over the day-to-day operations of the firm, its business plans and financial results, and thereby the risks and rewards from running the business, are now fully in the hands of the local management of the firm, the Bank does not consider this a controlled asset/subsidiary and hence has not reported this as such. Local management of the firm maintain regular communications with the Bank in relation to their operational cash flows and business results to ensure that the loan outstanding is serviced on-time and that any unforeseen issues are resolved likewise in a timely manner.

c) In relation to point e) from the Disclaimer, and further to the comments in the financial statements already made in relation to the exposure that the Bank has to the Russian Federation, it should be noted that high volatility persists in the RUB/EUR exchange rate as evidenced throughout 2014 and 2015, and through 2015 the Russian rouble dropped by 15-20% against the euro and US dollar. And though this volatility does affect the way that the financial investments and loans issued are reported by the Bank, it does not affect the underlying performance of the loans issued and investments held. When reporting the impact of fluctuations of the Russian rouble exchange rate on the balance sheet value of said assets, the management of the Bank consider it prudent to impair such assets only if there is a sufficient decrease in underlying economic value of the asset. At the same time, the management factor in general economic headwinds through using the average annual exchange rate of the RUB/EUR pair which management believe better reflects the situation than a specific one-day exchange rate (e.g. 31 December 2015). This approach has been the key driver of the disagreement noted by the auditors, and was also noted in the 2014 audited annual financial report. As of today (25 May 2016) the RUB/EUR exchange rate is at 73.24 RUB for one euro versus 67.78 used in the financial statements, and 80.67 as of year-end 2015. Given that the volatility in the Russian ruble is largely based on the volatility in oil and commodities prices and is appreciating, it is our expectation that in the nearest months we will again see the exchange rate nearer to 65 RUB for one euro than 81, specifically with the prospective increase in the Federal Reserve of New York key rates in the summer 2016 which will drive EUR / USD parity.

d) In relation to point d) in the Disclaimer, which is in essence a disagreement on the valuations of the underlying collateral of two outstanding loans, the management of the Bank considers the information received from the borrowers sufficient, in light of payment of the interest due on the loans, to not further impair the loan exposures. Taking into account the above notes on the Russian Federation exposures it is clear that on a euro basis there has been additional pressure on the borrowers to support the payment schedule, but, again, we are comfortable that the underlying business is not impaired, and hence there is no need to further impair the loans themselves. Sufficient evidence was provided throughout the audit process of the underlying value of the collateral for the loans noted, and the management of the Bank believes that the financial statements represent a true picture of the economic value of said loans/assets. However, taking a more prudent approach to loans management, the management of the Bank will endeavour to ensure that a) regular reviews of operational performance of the underlying collateral, b) more frequent physical or remote photographic reviews of the underlying collateral are made, c) that accounting reports are prepared and presented to the Bank on, at least, a quarterly basis (as soon as recorded by the Russian state tax authority), d) that expertise in the field of valuations and asset management (specifically hotels and assets in the Russian Federation as either investments or collateral) is enhanced (through hiring of qualified staff or training of current employees).

e) In relation to point f) in the Disclaimer, the management of the Bank is, on a constant basis, looking to divest of non-profile assets – in this specific case an almost unique gas station and storage facility – without significantly impacting the Banks capital through large discounts at sale. In this specific sales purchase arrangement, the buyer has offset payments that, in light of the buyer's obligation to invest in the asset, do not negatively impact the capital position of the Bank and Group. The registration of ownership is likewise offset, based on the received purchase payments in installment, and further to this the sales-purchase agreement can be cancelled in case the buyer fails to make said payments on time as initially agreed in the contract for sale.

f) In relation to points c) and g) from the Disclaimer of Opinion - specifically this is related to the uncompleted hotel complex “Hilton Mozhaisk Borodino Hotel & Spa”, with a total area of 30,000 square meters, 100km from Moscow, Russian Federation: given that this complex was a form of capital increase accepted by the Bank from the majority shareholder in late 2014, the further investment to bring the facility to completion has been of the order of EUR 7 millions in loans and direct equity investment. The additional amount to be spent through to mid-2016 to open the complex to guests is in the order of EUR 5 millions. The last received valuation of the future discounted cash flows prepared by STIWA Real Estate Advisory Gmbh was EUR 20.6 million that ties closely with the invested amounts. Sufficient evidence was provided throughout the audit process of the underlying value of the collateral for the loans noted, and the management of the Bank believes that the financial statements represent a true picture of the economic value of said loans/assets. As such, the Bank has no reason to doubt the value of the hotel complex and its valuation, and looks forward to welcoming guests in the coming one or two months, and then plans to offer this attractive investment for sale in 2016. In fact, the recent souring in Russia’s and Turkey’s political relations, which will drive down tourism in Turkey from Russia, will boost the potential client flows and hence cash flows to this investment property over 2016-2017.

g) In relation to point h) noted in the Disclaimer, the management of the Bank maintain the position that the remuneration’s significant part that includes remuneration and severance payment, paid to the former CEO of the subsidiary bank was in-line with previously defined obligations arranged prior to the purchase of the subsidiary bank, and do not infringe the Regulation (EU) no. 575/2013 “on prudential requirements for credit institutions and investment firms”. The regulator has been informed on this point separately, and the results of their review will be made available in case any infringement is found.

The auditor further commented the Group’s capital adequacy ratio (point j) in the Disclaimer). In light of these comments, the Bank would like to make it clearly that it has communicated its plans to the Financial and Capital Markets Commission to resolve the problem with not meeting the minimum Tier 1 capital adequacy ratio of 8,50% through 2016. Though a significant part of these plans relates to the resolution of the “Winergy” case through the first half of 2016, negative scenarios in this respect were considered (e.g. a worsening RUB/EUR exchange rate, non-resolution of the “Winergy” case). At the same time, the management have also made it clear in both its budgeting process for 2016 and its capital adequacy plans that a key way to resolve the pressure on the capital adequacy ratio is to reduce the exposure to a) non-core assets held through the asset management firm “Norvik IPS AS SIF Nākotnes Īpašumu Fonds” and b) reduce the exposure to Russian loans and investments for which the currency risk is significant. These negative scenarios, as well as the plan for meeting the regulatory minimum capital adequacy ratio have likewise been communicated to the shareholders of the Bank and as a reserve solution the potential investment on real estate in the capital of the Bank has been agreed. Given the aforementioned plans, it has not been considered necessary by the management of the Bank to further adjust the financial statements specifically for meeting the regulatory requirements mentioned. In fact, the management has considered liquidating revenue-generating assets to help meet its regulatory capital adequacy ratio, but in light of the potentially capital-positive events expected in the first half of 2016 did not consider this prudent.

Further to the concluding remarks in the Disclaimer, the management of the Bank would like to re-iterate that they are in permanent contact with the Financial and Capital Markets Commission regarding the status of the uncertainties raised by Deloitte, and are working on their reduction in the coming months.

The management of the Bank re-affirms that the Bank is managed as a going concern.

Oliver Bramwell

Chairman of the Management Board, AS Norvik Banka

Anna Verbicka

Member of the Management Board, AS Norvik Banka

Sergey Gorashchenko

Member of the Management Board, AS Norvik Banka

Alexey Kutyavin

Member of the Management Board, AS Norvik Banka