Annual Report

Special Edition of The Year

2014

RIETUMU

Contents

Report of Council and Board of Directors

2014 was a record year for the Group with a record profit of

EUR 74.1 m

Dear Shareholders, Customers and Business Partners,

2014 marked another successful year for the Latvian economy. Latvia joined the EUR zone on 1 January 2014 and GDP grew by an estimated 2.4 % during the year. Similarly 2014 was a record year for the Rietumu Bank Group with a record profit of EUR 74.1 m for the year ended 31 December 2014. The Bank also continued to be one of the most efficient banks in the Baltic States and much has been done to further improve the Bank's efficiency. These efforts have resulted in the Bank achieving a cost to income ratio in 2014 of 31%. This has been achieved in the current low interest rate environment and with revenues well diversified over interest and commission income.

Quality and Individual approach

The Group has a strategy to offer a comprehensive range of banking products of the highest level for corporate customers and high net worth individuals. Our commitment to our customers was witnessed again not only by our customers' success but the Bank was also rewarded for the third consecutive year the award from SPEAR`S Russia Wealth Management Awards as the Best bank in the CIS and Baltic countries that provides the services of private banking and high money management for Russian clients. The Group has widespread experience in the EU and CIS countries and the Group sees itself as a bridge between East and West as many of its customers operate in Latvia, the Baltic States, Western Europe, Russia and other CIS countries. The Group comprehends the business environments in both Western and Eastern Europe.

The Group operates in the EU and CIS countries and the current turbulent geopolitical environment made it more complicated to operate in. However, maintaining a close contact to our clients through our extensive network of representative offices, we have continued to cooperate with our customer successfully. We believe strongly that all customers have access to the Bank remotely through internet banking, phone banking, private bankers and regional managers and 24 h customer support service. The Bank improved the range of banking products for our customer base which is focused on corporate customers and high net worth individuals.

The size of net fee and commission income is a significant contributor to the Group's income and represents 30% of total income for the year ended 31 December 2014. The Bank focussed on increasing this type of income and to achieve this increase the Bank believes that customers require an individual approach. A private banking manager is allocated to each client that has an in depth knowledge of each customer business. This enables an understanding of each customer's unique requirements allowing the Bank to continue servicing each customer with the highest quality of services. In addition, the Bank believes in always using the most recent technologies to further improve the banking experience that customers expect.

E-commerce development and growth

The Bank is a leader in the Baltic States in e-commerce and revenue from e-commerce has continued to its impressive growth. The Bank improved the list of e-commerce type of products offered to customers as well as improving existing products and services. In the last quarter of 2014 the Bank hosted its annual e-commerce conference which is the largest e-commerce forum in the Baltic States with more than 450 participants from 30 countries. Demand for e-Commerce services shows that growth will continue in 2015. In addition, the Bank's payment card and e-Commerce volumes have reached a volume that justifies operating its own processing centre. This processing centre was operational in the last quarter of 2014 and will improve the Group's efficiency even more.

The average outstanding amount of commercial loans to individual groups of customers was approximately

EUR 1.3 m

Lending

The Bank's approach to lending is to offer innovative and individually created products that suit the requirements of each individual customer the best. This includes not only lending services but other services such as legal assistance, consulting and corporate support. The tailor made approach to lending enabled the Group to record interest income from lending to customers of EUR 87.5 m for the year ended 31 December 2014 compared to EUR 80.6 m for 2013.

However, as a result of the uncertain regional environment the Bank has slowed down its commercial lending significantly in 2014. Lending growth commenced from 2009 and the portfolio is mature with good loan to value ratios. This maturity has shown that the portfolio is quite robust in this challenging environment. In addition since 2011, the Group focussed on reducing concentration risks to large lending projects. This resulted in the lending portfolio is diversified over a large group of medium sized loans rather than concentrating the portfolio in a smaller group of larger loans. As at 31 December 2014, the average outstanding amount of commercial loans to individual groups of customers was approximately EUR 1.3 m. This size diversification further increases the resilience of the portfolio to withstand stress and economic turbulence.

The Group believes that there will be industries that will continue to do well even in times of crises. In 2014 the Bank made significant efforts to grow its trade finance and transport finance businesses. By focussing the trade finance business the Bank also offered its customers new opportunities to develop their international expansion. Trade finance as well as developing new lending markets will be areas the Bank will focus on in developing its lending business.

Innovations and modern technologies

The Bank continued to improve its internet and mobile banking applications and in 2014 we successfully launched an updated mobile banking application. The Group views Information Technology as one of the primary tool to amplify the effect form the business and ensure business continuity. The Group is striving to make the technology be as invisible as possible to every end user, whether it is an employee or a customer. In achieving this goal, our employees servicing customers remain focused on providing the best personalized service utilizing all necessary tools to make informed decisions fast and thus, keep the Group growing successfully.

The Group demonstrates significant growth from year to year and IT supports its growth. The systems that we build are built for change. In Bank IT we develop in-house everything that represents our business know-how and thus captures our business logic, customer profiling, data mining and discovery, risk management, CRM, internet and mobile banking. At the same time, we outsource systems that already became an "IT commodity", GL, credit cards, infrastructure, brokerage, clearing.

The Group's Belorussian leasing business contributed to the Group's profit in the amount of

EUR 1.6 m

Group Companies

The major non-banking companies represent leasing and consumer finance companies, reposed real estate and other reposed collateral maintenance companies and asset management and financial companies. It is the Bank's strategy as much as possible to fully integrate its subsidiaries into the Bank's management and control systems. The activities of Group companies are financed by the Bank via capital investments and loans. In most cases the Bank owns 100% of the shares of its subsidiaries.

During 2014 the Group developed a fully owned asset management company called Rietumu Asset Management. Rietumu Asset Management is fully integrated into the Bank's structures and provides asset management services to the Bank's customers. The asset management company provides individual portfolios for customers as well as investment into four Latvian registered funds. These funds have a global investor universe. The fund specializations are cash management, investment grade fixed income, high yield fixed income and equity markets.

The Group's Belorussian leasing business focuses on industrial equipment leasing and as at 31 December 2014 the company has a stable leasing portfolio of EUR 28 m and which contributed to the Group's profit in the amount of EUR 1.6 m for the year ended 31 December 2014. The Bank partly owns and finances a consumer leasing company named InCredit Group SIA which is registered and operates in Latvia. As of 31 December 2014, the net leasing portfolio of InCredit Group SIA was EUR 28 m and it contributed to the net profit after tax of the Group in the amount of EUR 1 m.

RB Investments Group, owns most of the significant real estate that the Bank repossessed as well as other assets that the Bank took over on defaulted loans. Most of the reposed assets are located in Riga and the Riga region. RB Investments Group is renting out a portion of these assets and plans to sell most of its portfolio of assets in the coming years. As of 31 December 2014 RB Investments had total assets of EUR 48.7 m, shareholders' equity of EUR 19.5 m.

Profitability

After tax profit attributable to the equity holders for the year 2014 was EUR 74.1 m which represents an increase of 19.03% compared to 2013. The Group generated an after tax return on equity of 23.7% (2013: 24.3%) and an after tax return on assets of 2.3% (2013: 2.4%).

Operating income reached EUR 154.6 m which represents an increase of 10.3% from 2013. Net interest income was EUR 76.9 m (2013: EUR 66.5 m) primarily due to growth in interest income on commercial loans. Net fee and commission EUR 45.7 m (2013: EUR 37.5 m) due to a significant increase in e-commerce income and payment card income. Other types of commission income increased as well due to changes in the Bank's tariff structure. The Group's cost to income ratio was 31% for the year ended 31 December 2014 (2013: 37%). The Group's goal is to continue to maintain a cost income ratio of less than 40%. The result of the above is that the Group reached a profit margin of 56.3% compared to 51.1% in 2013.

Assets

As at 31 December 2014 the Group's total assets were EUR 3,478 m. This represents an increase of 18.8% compared to 2013. The Group follows a conservative approach to asset allocation and about 57% of the Group's assets invested in liquidity management portfolios. About 58% of the liquidity management portfolio is invested in short term money market placement with large mainly European banks. The tenor of these placements is up to 7 days. The remaining 42% of the liquidity management portfolios are invested in collateralized instruments with large and stable financial institutions and a short term bond portfolio. Collateralized instruments represent reverse repos or similar instruments and have a tenor of between up to 3 months. The Group increased its available for sale bond portfolio from EUR 45 m as at 31 December 2013 to EUR 99.5 m at the end of 2014. The held to maturity portfolio was EUR 93m as at 31 December 2014 compared to 2013 balance of EUR 29m. The bond portfolio is primarily invested in corporate investment grade securities.

Loans and receivables due from customers represent about 30% of total assets. Since 2010 this ratio has not exceeded 45% and the Bank does not plan that this ratio exceeds 45% in the nearest future. Loans and receivable to customers were EUR 1,041 m compared to the balance of 2013 of EUR 1,125 m. This stagnation of lending growth occurred due to a reduction of Russian lending exposure. The commercial loan portfolio represents about 85% of the total Bank's loans of EUR 1,089 m and the effective average interest rate for 2014 was 6.9%. Latvia, Russia and Belarus represent the largest commercial lending markets with real estate management, financial services and transport representing the largest industries in the commercial loan portfolio. The second largest category of lending is margin lending to customers against liquid securities as collateral and this represents about 15% of the total loan portfolio. The effective average interest rate for 2014 for margin loans was 4.7%.

Current accounts and deposits due to customers increased by

20%

Funding, Equity and Expand Capital Base

During 2014, the funding sources of the Group remained unchanged in that the Group finances its activity through current accounts and deposits due to customers and shareholders' equity. Current accounts and deposits due to customers reached EUR 3,083 m and increased by 20% compared to 2013. Current accounts represented EUR 2,661 m or 86.3% of total current accounts and customer deposits. Despite the fact that current accounts can be withdrawn at any time, they have proven to be a stable funding source as has been witnessed again in the Latvian and world financial crises as well as the analyses performed by the Group explained in Note 4 d) Liquidity risk. Term deposits amounted to EUR 422 m as at 31 December 2014 and included in this are EUR 127 m of subordinated deposits. The average remaining tenor of term deposits is 2 years with the average effective interest rate in 2014 of 2.9%. The average effective interest rate for subordinated deposits in 2014 was 5.1%. During 2015, the Bank plans to issue senior bonds to its customers that will be listed on the NASDAQ OMX Riga Stock Exchange to diversify the funding base further.

In order to diversify the Bank's capital base and secure longer term funding the Bank raised additional capital in form of preference shares in the first quarter of 2014. The Bank raised EUR 18.6 m in new preference shares which were allocated for the general growth of the Bank. In 2015 the Bank plans to continue to issue additional tranches of preference shares to support the general activities of the Bank.

Group total shareholders' equity reached EUR 342 m as of 31 December 2014 representing a 21% increase from 2013. Group Tier I and total capital adequacy capital adequacy ratios were 12.7% (2013: 13.6%) and 19% (2013: 17.8%) respectively. In 2014 the Bank paid an interim dividend of EUR 0.15 per share amounting to EUR 18.3 m. The Bank plans continue its dividend policy of paying a dividend equal to 50% of the annual profit resulting in a final dividend per share of EUR 0.15 or EUR 17.7 m.

2015 and Beyond

The economical and geopolitical environment during 2014 presented many new opportunities to the Bank and we believe that using our customer oriented approach we were very successful in maximising these opportunities. We achieved our results while maintaining a conservative asset allocation which we believe is the basis to continue our stable development. We are looking forward to continue developing the Bank in 2015 successfully together with our customers.

Financial results of the Group

	2014	2013	2012	2011
At year end (EUR'000)				
Total assets	3,477,763	2,927,779	2,347,926	1,986,542
Loans and receivables due from customers	1,041,444	1,125,278	944,576	809,322
Due to customers	3,082,706	2,564,705	2,049,581	1,752,278
Total shareholder's equity	341,903	282,870	230,171	201,254
For the year (EUR'000)				
Net profit before tax	87,021	71,573	36,972	17,527
Net profit after tax	74,130	62,279	31,555	13,983
Operating income	154,553	140,174	110,136	72,713
Ratios				
Earnings per share (EUR)				
After tax*	0.65	0.62	0.32	0.14
Before tax*	0.76	0.72	0.37	0.18
Dividend per share (EUR)	0.15	0.27	0.07	0.04
Return on equity				
Before tax	27.86%	27.90%	17.14%	8.73%
After tax	23.73%	24.28%	14.63%	6.97%
Return on assets				
Before tax	2.72%	2.71%	1.71%	0.98%
After tax	2.31%	2.36%	1.46%	0.78%
Capital adequacy ratio	18.96%	17.80%	18.79%	16.79%
Profit margin	56.30%	51.06%	33.57%	24.10%
Loan portfolio to total assets ratio	29.95%	38.43%	40.23%	40.74%
Number of employees	968	893	1,008	974

* Since 2014, the Bank has 101,633,700 ordinary shares and 13,254,238 preference shares (2013 and before: 100,000,000 ordinary shares).

Financial results of the Bank

	2014	2013	2012	2011
At year end (EUR'000)				
Total assets	3,475,041	2,920,546	2,332,040	1,975,518
Loans and receivables due from customers	1,087,989	1,175,947	1,002,420	861,452
Due to customers	3,107,957	2,579,621	1,757,001	2,051,397
Total shareholder's equity	323,380	272,201	224,272	193,592
For the year (EUR'000)				
Net profit before tax	83,786	60,705	33,722	18,578
Net profit after tax	71,500	53,544	28,823	15,101
Operating income	146,336	125,544	97,250	67,459
Ratios				
Earnings per share (EUR)				
After tax*	0.62	0.54	0.29	0.15
Before tax*	0.73	0.61	0.34	0.19
Dividend per share (EUR)	0.15	0.27	0.07	0.04
Return on equity				
Before tax	28.14%	24.45%	16.14%	9.53%
After tax	24.01%	21.57%	13.80%	7.75%
Return on assets				
Before tax	2.62%	2.31%	1.57%	1.04%
After tax	2.24%	2.04%	1.34%	0.85%
Capital adequacy ratio	18.91%	18.49%	19.51%	17.20%
Profit margin	57.26%	48.35%	34.68%	27.54%
Loan portfolio to total assets ratio	31.31%	40.26%	42.98%	43.61%
Number of employees	758	689	654	623

* Since 2014, the Bank has 101,633,700 ordinary shares and 13,254,238 preference shares (2013 and before: 100,000,000 ordinary shares).

Statement of Management Responsibility

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

The separate and consolidated financial statements on pages 4 to 103 are prepared in accordance with source documents and present fairly the financial position of the Bank and the Group as of 31 December 2014 and the results of their operations and cash flows for the year ended 31 December 2014.

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

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

On behalf of the Management of Rietumu Banka AS:

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

25 March 2015

The Council and the Board of Directors

During the year and as of the date of the signing of the financial statements:

The Council of Rietumu Bank

1 January 2014 – 24 March 2014

Name	Position	Date of appointment
Leonid Esterkin	Chairman of the Council	25/09/97(25/03/11-24/03/14)
Arkady Suharenko	Deputy Chairman of the Council	25/09/97(25/03/11-24/03/14)
Brendan Thomas Murphy	Deputy Chairman of the Council	07/09/05(25/03/11-24/03/14)
Dermot Fachtna Desmond	Member of the Council	07/09/05(25/03/11-24/03/14)
Alexander Gafin	Member of the Council	25/03/10(25/03/11-24/03/14)
Aleksander Kalinovski	Member of the Council	05/11/10(25/03/11-24/03/14)
Valentin Bluger	Member of the Council	25/03/11(25/03/11-24/03/14)

24 March 2014 – 31 December 2014

Name	Position	Date of appointment
Leonid Esterkin	Chairman of the Council	25/09/97(25/03/14-24/03/17)
Arkady Suharenko	Deputy Chairman of the Council	25/09/97(25/03/14-24/03/17)
Brendan Thomas Murphy	Deputy Chairman of the Council	07/09/05(25/03/14-24/03/17)
Dermot Fachtna Desmond	Member of the Council	07/09/05(25/03/14-24/03/17)
Alexander Gafin	Member of the Council	25/03/10(25/03/14-24/03/17)
Aleksander Kalinovski	Member of the Council	05/11/10(25/03/14-24/03/17)
Valentin Bluger	Member of the Council	25/03/11(25/03/14-24/03/17)

The Board of Directors

1 January 2014 – 31 December 2014

Name	Position	Date of appointment
Alexander Pankov	Chairman of the Board, President	18/10/10(10/10/13-10/10/16)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(10/10/13-10/10/16)
Dmitry Pyshkin	Member of the Board, Senior Vice President	04/07/06(10/10/13-10/10/16)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(10/10/13-10/10/16)
Renats Lokomets	Member of the Board, Senior Vice President	10/12/12(10/12/13-10/10/16)

Independent Auditors' Report

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To the shareholders of AS Rietumu Banka

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of AS Rietumu Banka ("the Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 103. We have also audited the accompanying consolidated financial statements of AS Rietumu Banka and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 104.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report

KPMG

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the AS Rietumu Banka as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the AS Rietumu Banka and its subsidiaries as at 31 December 2014, and of the consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Consolidated Management Report, as set out on pages 4 to 7, the preparation of which is the responsibility of management, is consistent with the consolidated financial statements. Our work with respect to the Consolidated Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the consolidated financial statements of the Group. In our opinion, the Consolidated Management Report is consistent with the consolidated financial statements.

KPMG Baltics SIA

Licence No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia

Valda Užāne
Sworn Auditor
Certificate No 4

25 March 2015

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Separate and Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Interest income	6	97,466	89,350	86,324	78,362
Interest expense	6	(20,530)	(19,448)	(19,815)	(18,328)
Net interest income		**76,936**	**69,902**	**66,509**	**60,034**
Fee and commission income	7	66,203	65,820	53,089	52,202
Fee and commission expense	8	(20,481)	(20,332)	(15,608)	(15,856)
Net fee and commission income		**45,722**	**45,488**	**37,481**	**36,346**
Net gain/(loss) on financial instruments at fair value through profit or loss	9	(85)	250	1,451	1,517
Net foreign exchange gain	10	22,077	23,412	22,387	22,998
Net loss on the net monetary position		-	-	(310)	-
Net realised gain on available-for-sale assets	11	762	762	1,937	1,044
Share of losses of equity accounted investees (net of income tax)		(19)	-	(44)	-
Other income/(expense)	12	9,160	6,522	10,763	3,605
Operating income		**154,553**	**146,336**	**140,174**	**125,544**
Impairment losses	13	(20,033)	(21,986)	(16,134)	(19,688)
General administrative expenses	14	(47,499)	(40,564)	(52,467)	(45,151)
Profit before income tax		**87,021**	**83,786**	**71,573**	**60,705**
Income tax expense	15	(12,891)	(12,286)	(9,294)	(7,161)
Profit for the period		**74,130**	**71,500**	**62,279**	**53,544**
Attributable to:					
Equity holders of the Bank		**73,125**		**60,889**	
Non-controlling interest		**1,005**		**1,390**	

The separate and consolidated statement of profit or loss is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

25 March 2015

Separate and Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Profit for the period		**74,130**	**71,500**	**62,279**	**53,544**
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Revaluation of property and equipment	24	-	-	602	-
Related tax		-	-	(87)	-
		-	-	515	-
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		3,640	-	(42)	-
Other reserves - net change		1	-	(3)	-
Available-for-sale financial assets – net change in fair value	20	(6,215)	(6,552)	(1,323)	1,871
Related tax		177	177	199	(280)
		(2,397)	**(6,375)**	**(1,169)**	**1,591**
Other comprehensive income for the period		**(2,397)**	**(6,375)**	**(654)**	**1,591**
Total comprehensive income for the period		**71,733**	**65,125**	**61,625**	**55,135**
Attributable to:					
Equity holders of the Group		**70,728**		**60,235**	
Non-controlling interest		**1,005**		**1,390**	

The separate and consolidated statement of comprehensive income is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

25 March 2015

Separate and Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Assets					
Cash and balances with the central bank	16	158,574	158,552	522,601	522,565
Financial instruments at fair value through profit or loss	17	11,558	5,141	18,650	17,833
Loans and receivables due from banks	18	1,771,391	1,770,718	856,437	853,612
Loans and receivables due from customers	19	1,041,444	1,087,989	1,125,278	1,175,947
Reverse repo	37	153,235	153,235	150,308	150,308
Available-for-sale assets	20	100,192	144,666	77,262	111,202
Non-current assets held for sale		108	-	1	-
Current tax asset		271	-	353	-
Held-to-maturity investments	21	92,825	89,808	28,578	28,578
Investments in subsidiaries	22	-	28,854	-	29,140
Equity accounted investees	23	22	-	41	-
Investment property	26	76,399	5,406	70,875	4,455
Property and equipment	24	45,045	6,470	43,435	5,538
Intangible assets	25	3,659	2,458	3,487	2,168
Deferred tax asset	32	485	128	472	280
Other assets	27	22,555	21,616	30,001	18,920
Total Assets		**3,477,763**	**3,475,041**	**2,927,779**	**2,920,546**

The separate and consolidated statement of financial position is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Separate and Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Liabilities and Shareholders' Equity					
Financial instruments at fair value through profit or loss	17	161	161	615	615
Deposits and balances due to banks	28	13,196	11,738	34,499	32,016
Current accounts and deposits due to customers	29	3,082,706	3,107,957	2,564,705	2,579,621
Current tax liability		1,602	1,499	4,714	4,035
Issued debt securities	30	19,498	19,498	18,474	18,474
Deferred tax liability	32	2,571	-	2,803	-
Other liabilities and accruals	31	16,126	10,808	19,099	13,584
Total Liabilities		**3,135,860**	**3,151,661**	**2,644,909**	**2,648,345**
Share capital	33	160,843	160,843	142,287	142,287
Share premium	33	33,882	33,882	6,843	6,843
Revaluation reserve	33	1,387	-	2,217	-
Fair value reserve	33	(5,036)	(2,658)	1,002	3,717
Currency translation reserve		43	-	(3,597)	-
Other reserves	33	104	23	14,331	14,251
Retained earnings		146,405	131,290	117,763	105,103
Total Equity Attributable to Equity Holders of the Bank		**337,628**	**323,380**	**280,846**	**272,201**
Non-controlling Interest		**4,275**	**-**	**2,024**	**-**
Total Shareholders' Equity		**341,903**	**323,380**	**282,870**	**272,201**
Total Liabilities and Shareholders' Equity		**3,477,763**	**3,475,041**	**2,927,779**	**2,920,546**

The separate and consolidated statement of financial position is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

25 March 2015

Separate and Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		87,021	83,786	71,573	60,705
Amortisation and depreciation	24, 25	2,930	1,449	3,382	1,668
Profit from sale of investment property		(686)	(443)	(176)	(131)
Revaluation of investment property		598	(619)	(2,965)	(294)
Gain on disposal of property and equipment		(18)	50	(191)	-
Gain on sale of subsidiary		(1,276)	80	(46)	(267)
Share on profit of equity accounted investees		19	-	44	-
Impairment losses	13	20,033	21,985	16,134	19,688
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**108,621**	**106,288**	**87,755**	**81,369**
Decrease in financial instruments at fair value through profit or loss		7,092	12,692	34,956	35,438
(Increase)/Decrease in loans and receivables due from banks – term deposits		(91,239)	(93,684)	(31,987)	(29,369)
Decrease in loans and receivables from customers		64,347	73,389	(197,189)	(189,496)
(Increase) in receivable under reverse repurchase agreements		(2,927)	(2,927)	(32,523)	(32,523)
(Increase)/decrease in available-for-sale assets		(29,134)	(41,900)	(4,021)	(4,027)
(Increase)/Decrease in other assets		3,937	(3,723)	(6,787)	(1,360)
Increase/(Decrease) in derivative liabilities		(454)	(454)	471	471
Decrease in term deposits due to banks		(2,110)	(279)	8,421	(39)
Increase in current accounts and deposits from customers		519,117	528,336	522,551	528,224
(Decrease) in other liabilities and accruals		(2,525)	(2,776)	6,622	4,269
(Decrease in non-current assets held for sale		(107)	-	-	-
(Decrease)/Increase in cash and cash equivalents from operating activities before corporate income tax		**574,618**	**574,962**	**388,269**	**392,957**

The separate and consolidated statement of cash flows is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Separate and Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
CASH FLOWS FROM OPERATING ACTIVITIES					
Corporate income tax paid		(16,001)	(14,495)	(4,752)	(3,507)
Net cash and cash equivalents from operating activities		**558,617**	**560,467**	**383,517**	**389,450**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment and intangible assets	24, 25	(5,512)	(2,720)	(2,782)	(2,447)
Proceeds from sale of property, plant and equipment and other assets		88	-	777	507
(Increase) in consideration paid for acquisition of subsidiaries		(2,313)	(5,941)	-	(5,665)
Proceeds from sale of subsidiary		2,884	648	1,199	-
Consideration paid to purchase non-controlling interest		-	-	(1,653)	-
Proceeds from sale of non-controlling interest		2,310	-	-	-
(Acquisition)/ sale of investment property	26	1,363	1,106	10,150	9,650
(Increase/Decrease) in held-to-maturity financial assets		(64,247)	(61,230)	(6,311)	(6,311)
Cash and cash equivalents used in investing activities		**(65,427)**	**(68,137)**	**1,380**	**(4,266)**

The separate and consolidated statement of cash flows is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Separate and Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase of share capital		18,556	18,556	-	-
Increase of share premium		27,039	27,039	-	-
Increase/(decrease) in issued debt securities	30	1,024	1,024	(255)	(255)
Payment of Other reserves		(14,228)	(14,228)	-	-
Dividends paid		(45,971)	(45,313)	(7,272)	(7,206)
Cash and cash equivalents used in/from financing activities		**(13,580)**	**(12,922)**	**(7,527)**	**(7,461)**
Net cash flow for the period		**479,610**	**479,408**	**377,370**	**377,723**
Cash and cash equivalents at the beginning of the year		**1,218,730**	**1,219,695**	**841,360**	**841,972**
Cash and cash equivalents at the end of the year	34	**1,698,340**	**1,699,103**	**1,218,730**	**1,219,695**

The separate and consolidated statement of cash flows is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

25 March 2015

Group Consolidated Statement of Changes in the Shareholders' Equity

For the year ended 31 December 2014
Attributable to Equity Holders of the Bank

	Share capital '000 EUR	Share premium '000 EUR	Revaluation reserve '000 EUR	Fair value reserve '000 EUR	Foreign currency translation reserve '000 EUR	Other reserves '000 EUR	Retained earnings '000 EUR	Total '000 EUR	Non-controlling interest '000 EUR	Total Equity '000 EUR
Balance at 1 January 2013	**142,287**	**6,843**	**3,798**	**2,126**	**(3,002)**	**14,334**	**61,420**	**227,806**	**2,365**	**230,171**
Transactions with shareholders recorded directly in equity										
Dividends paid	-	-	-	-	-	-	(7,273)	**(7,273)**	-	**(7,273)**
Change in ownership interests										
Net result of sale or purchase of subsidiary shares to third parties	-	-	400	-	(553)	-	231	**78**	(1,731)	(1,653)
Total comprehensive income										
Profit for the current year	-	-	-	-	-	-	60,889	**60,889**	1,390	**62,279**
Other comprehensive income	-	-	515	(1,124)	(42)	(3)	-	**(654)**	-	**(654)**
Other										
Sale of revalued property	-	-	(2,496)	-	-	-	2,496	-	-	-
Balance at 31 December 2013	**142,287**	**6,843**	**2,217**	**1,002**	**(3,597)**	**14,331**	**117,763**	**280,846**	**2,024**	**282,870**
Transactions with shareholders recorded directly in equity										
Dividends paid	-	-	-	-	-	-	(45,313)	(45,313)	-	(45,313)
Share issue	18,556	27,039	-	-	-	-	-	45,595	-	45,595
Payment of other reserves	-	-	-	-	-	(14,228)	-	(14,228)	-	(14,228)

The Group consolidated statement of changes in the shareholders' equity is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Group Consolidated Statement of Changes in the Shareholders' Equity

For the year ended 31 December 2014
Attributable to Equity Holders of the Bank

	Share capital '000 EUR	Share premium '000 EUR	Revaluation reserve '000 EUR	Fair value reserve '000 EUR	Foreign currency translation reserve '000 EUR	Other reserves '000 EUR	Retained earnings '000 EUR	Total '000 EUR	Non-controlling interest '000 EUR	Total Equity '000 EUR
Change in ownership interests										
Loss of control in subsidiaries	-	-	(756)	-	-	-	756	-	(405)	(405)
Dividends paid to non-controlling interest shareholders	-	-	-	-	-	-	-	-	(659)	(659)
Transactions with thirds parties related to units of funds controlled by Group	-	-	-	-	-	-	-	-	2,310	2,310
Total comprehensive income										
Profit for the current year	-	-	-	-	-	-	73,125	73,125	1,005	74,130
Other comprehensive income	-	-	-	(6,038)	3,640	1	-	(2,397)	-	(2,397)
Other										
Sale of revalued property	-	-	(50)	-	-	-	50	-	-	-
Depreciation of revalued property	-	-	(24)	-	-	-	24	-	-	-
Balance at 31 December 2014	**160,843**	**33,882**	**1,387**	**(5,036)**	**43**	**104**	**146,405**	**337,628**	**4,275**	**341,903**

The Group consolidated statement of changes in the shareholders' equity is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

25 March 2015

Bank's Separate Statement of Changes in Shareholders' Equity

For the year ended 31 December 2014

	Share capital '000 EUR	Share premium '000 EUR	Revaluation reserve '000 EUR	Fair value reserve '000 EUR	Other reserves '000 EUR	Retained earnings '000 EUR	Total equity '000 EUR
Balance at 1 January 2013	**142,287**	**6,843**	**2,496**	**2,126**	**14,251**	**56,269**	**224,272**
Transactions with shareholders recorded directly in equity							
Dividends paid	-	-	-	-	-	(7,206)	**(7,206)**
Total comprehensive income							
Profit for the period	-	-	-	-	-	53,544	**53,544**
Other comprehensive income	-	-	-	1,591	-	-	**1,591**
Other							
Transfer to retained earnings	-	-	(2,496)	-	-	2,496	**-**
Balance at 31 December 2013	**142,287**	**6,843**	**-**	**3,717**	**14,251**	**105,103**	**272,201**
Transactions with shareholders recorded directly in equity							
Dividends paid	-	-	-	-	-	(45,313)	**(45,313)**
Payment of reserves	-	-	-	-	(14,228)	-	**(14,228)**
Share issue	18,556	27,039	-	-	-	-	**45,595**
Total comprehensive income							
Profit for the period	-	-	-	-	-	71,500	**71,500**
Other comprehensive income	-	-	-	(6,375)	-	-	**(6,375)**
Balance at 31 December 2014	**160,843**	**33,882**	**-**	**(2,658)**	**23**	**131,290**	**323,380**

The Bank's separate statement of changes in shareholders' equity is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 26–103.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

25 March 2015

1 / Background

Principal activities

These separate and consolidated financial statements include the financial statements of JSC "Rietumu Bank" (the "Bank") and its subsidiaries (together referred to as the "Group").
JSC "Rietumu Bank" was established in the Republic of Latvia as a Joint Stock Company and was granted it's general banking license in 1992. The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Bank of Latvia and the Financial and Capital Market Commission ("FCMC"). The registered address of the Bank's head office is Vesetas Street 7, Riga, Latvia. The average number of people employed by the Group during the year was 968 (2013: 893) and by the Bank 758 (2013: 689).

Principal subsidiaries of the Group

Name	Country of incorporation	Principal activities	Ownership %	
			31 Dec 2014	31 Dec 2013
RB Securities Ltd	Stasinou Str.1, Mitsi Building 1, 2nd floor, Flat/office 5, Plateia Eleftherias, P.C.1060, Nicosia, Cyprus	Financial services	99.99%	99.99%
RB Investments Ltd	Vesetas Str.7, Riga, Latvia	Investments	100%	100%
Westtransinvest Ltd	Odoevskogo Str.117, 6th floor, office 9, Minsk Belarus	Leasing company	100%	100%
Elektro Bizness Ltd	Vesetas Str.7, Riga, Latvia	Electricity production company	85%	85%
RB Opportunity Fund I	Vesetas Str.7, Riga, Latvia	Investments	100%	100%
Vesetas 7 Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
Overseas Estates Ltd	Vesetas Str.7, Riga, Latvia	Terminal	100%	100%
M 322 Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
H-Blok Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
Aristida Briāna 9 Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
InCREDIT GROUP Ltd	Krišjāņa Barona Str.130, Riga, Latvia	Customer lending	51%	51%
KI Nekustamie īpašumi Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
KI Zeme Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
Miera 30C Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
RAM Cash Reserve Fund USD	Vesetas Str.7, Riga, Latvia	Investments	100%	-
RAM Fund-Fixed Income High Yield USD	Vesetas Str.7, Riga, Latvia	Investments	99.66%	-
RAM Fund-Fixed Income Investment Grade USD	Vesetas Str.7, Riga, Latvia	Investments	99.40%	-
RAM Global Equity Fund USD	Vesetas Str.7, Riga, Latvia	Investments	98%	-
Westleasing – M Ltd	Kostjakova Str. 10, Moscow, Russia	Leasing company	0%	100%
Aquarium investments JSC IPS (former "RB Asset management" JSC IPS)	Vesetas Str.7, Riga, Latvia	Financial services	0%	65.1%

2 / Basis of preparation

(A) Statement of compliance

The accompanying separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), and regulations of the Financial and Capital Market Commission of the Republic of Latvia (the 'FCMC') in force as at the reporting date.

The Board of Directors authorised these separate and consolidated financial statements for issue on 25 March 2015. The shareholders have the power to reject the separate and consolidated financial statements prepared and issued by management and the right to request that new financial statements be issued.

(B) Basis of measurement

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

- financial instruments at fair value through profit or loss are stated at fair value;
- available-for-sale assets are stated at fair value;
- owner occupied buildings which are stated at revalued amounts being the fair value at the date of valuation less subsequent accumulated depreciation and accumulated impairment losses;
- investment property which is stated at fair value.

(C) Functional and Presentation Currency

On 1 January 2014 the Republic of Latvia joined the euro-zone and the Latvian Lat was replaced by the euro. As a result, the Bank and the Group converted its financial accounting to euros as from 1 January 2014 and the financial statements for subsequent years are prepared and presented in euros. Future comparative information is translated into euros using the official exchange rate of LVL 0.702804 to EUR 1.

The financial statements are presented in thousands of euro (EUR 000's). The functional currencies of the Bank and its principal subsidiaries are EUR except for the subsidiaries listed below:

"RB Securities" Ltd	USD (US dollar)
Rietumu Asset Management funds	USD (US dollar)
"Westtransinvest" Ltd	BYR (Belarus rouble)

3 / Significant accounting policies

The following significant accounting policies have been applied in the preparation of these separate and consolidated financial statements. The accounting policies have been consistently applied to all periods presented in these financial statements, except for the change in accounting policies described in Note 3(t).

(A) Foreign currency

(I) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Bank and its subsidiary companies at the spot exchange rate on the date of the transaction as determined by the respective Central Bank of the respective country in which each entity operates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are translated into the functional currency at the spot exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in equity through other comprehensive income.

(II) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group at exchange rates set by the European Central Bank at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group at exchange rate at the date of transaction. Foreign currency differences are recognised in other comprehensive income and accumulated in a foreign currency translation reserve, except that the translation difference is allocated to non-controlling interest. Upon disposal of subsidiary, the balance of foreign currency reserve is reclassified to profit and loss.

3 / Significant accounting policies

(III) Foreign exchange rates

	31 Dec 2014
USD	1.2141
BYR	13,310.60
RUB	72.3370

On 1 January 2014 the Republic of Latvia joined the euro-zone and the Latvian Lat was replaced by the euro. As a result, the Group and the Bank converted its financial accounting to euros as from 1 January 2014 and the financial statements are presented in euros. The comparative information was translated into euros using the official exchange rate of LVL 0.702804 to EUR 1.

(B) Basis of consolidation

(I) Subsidiaries

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

(II) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of associated entity. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(III) Transactions eliminated on consolidation

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

(IV) Non –controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

(V) Investment in subsidiaries and associates in Bank's separate financial statements

Investments in subsidiaries and associates are measured in Bank's separate financial statements at cost less impairment allowance.

(VI) Funds management

The Bank and the Group manage and administer assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these trusts and investment vehicles are not included in the separate and consolidated financial statements except when the Bank or the Group control the operations of the trust or investment vehicle.

(C) Goodwill

Goodwill represents the excess of the cost of a business combination over the Bank's or the Group's interest in the fair value of the net identifiable assets and contingent liabilities of the acquiree at the date of acquisition.

The Bank and the Group measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is included in intangible assets.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired and is measured at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to assets sold.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(D) Fair value measurement principles

A number of the Bank's and Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3 / Significant accounting policies

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(I) Financial assets and liabilities

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

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

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank and the Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk.

(II) Investment property and owner occupied buildings

The fair value of property is based on internal valuations performed by the Bank and the Group that are, on a regular basis (once per year or when market conditions significantly change), corroborated with external, independent valuations prepared by valuation companies, having appropriate professional qualifications and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which property could be exchanged on the date of the valuation between willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably and willingly. In the year when property is obtained, purchase price could be accepted as fair value.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(III) Intangible assets

The fair value of licenses acquired in a business combination is based on the discounted estimated cash flows from the business activity subject to the license. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earning method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the rated flows.

(E) Cash and cash equivalents

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

(F) Financial instruments

(I) Classification

Financial instruments are classified into the following categories:

Financial instruments at fair value through profit or loss are financial assets or liabilities that are derivatives or are acquired or incurred principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or that are designated to this category at initial recognition. The Bank and the Group designate financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank and the Group have the positive intention and ability to hold to maturity.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

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

Loans and receivables include regular loans and credit card balances, deposits and balances with Central Bank and other banks, and finance lease.

Liabilities at amortized cost include deposits and balances due to banks, current accounts and deposits from customers and issued debt securities.

3 / Significant accounting policies

(II) Recognition

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

(III) Measurement

A financial asset or liability is initially measured at its fair value and, except for a financial asset or liability at fair value through profit or loss, includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Subsequent to initial recognition, financial assets other than loans and receivables, held to maturity investments and equity investments carried at cost and financial liabilities at amortised cost, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal.

All held to maturity investments, loans and receivables and financial liabilities at amortised cost and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(IV) Gains and losses on subsequent measurement

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

— a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
— a gain or loss on an available-for-sale financial asset is recognised in fair value reserve through other comprehensive income (except for impairment losses and foreign exchange gains or losses on monetary assets) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the unwinding of interest using the effective interest rate method.

(V) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank and the Group transfer substantially all of the risks and rewards of ownership of the financial asset or when the Bank and the Group neither transfer, nor retain substantially all risks and rewards of ownership but does not retain control of the financial asset. Any interest in transferred financial assets that qualifies for derecognition that is created or retained by the Bank and the Group is recognised as a separate asset or liability. A financial liability is derecognised when it is extinguished.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(VI) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under “repo” transactions.

The difference between the sale and repurchase price represents the interest expense and is recognised in profit or loss over the term of the “repo” agreement using the effective interest method.

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

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

(VII) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments. The Bank and the Group classify all derivative financial instruments as financial instruments at fair value through profit and loss.

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

Derivatives may be embedded in another contractual arrangement (a “host contract”). The Bank and the Group account for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

(VIII) Offsetting

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

3 / Significant accounting policies

(G) Leases

The lease of property and equipment is classified as a finance lease if it transfers substantially all risks and rewards of ownership to the lessee. Title does not have to be transferred. All other leases are classified as operating leases.

The Company as lessor

Assets leased out under operating lease are carried in the statement of financial position analogously to property, plant and equipment or investment property. Income is recognised on a straight-line basis over each lease term. Other payments associated with the lease are recognised in profit or loss as a component other income.

When assets are held subject to finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable before impairment allowance is recognised as unearned finance income.

The Company as lessee

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term.

Assets acquired under finance leases include equipment. Asset acquired by way of finance lease is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease plus initial direct costs of the lessee. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and impairment losses.

(H) Property and equipment

(I) Owned assets

Items of property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, except for land and buildings which are carried at revalued amounts as described below. Cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. The cost includes expenditures that are directly attributable to the acquisition of the asset.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(II) Revaluation

Land and buildings of the Bank and the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognised in equity through other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss.

A revaluation decrease on an item of land or buildings is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

(III) Depreciation

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date when the asset becomes available for use or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed annually. The estimated useful lives are as follows:

Buildings	50 years
Equipment	2.5 to 4 years
Furniture	8 years
Vehicles	2.5 to 5 years

(I) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss in other operating income.

(J) Repossessed collateral

If the borrower fails to fulfil the contractual obligations, the Bank may decide that the loan agreement will be terminated and that the right to collateral pledged as security, will be exercised. According to Latvian law, the Bank and the Group cannot assume formal title of the asset pledge, but can initiate the sale, proceeds of which will be used to repay or partly repay the outstanding loan receivable. As the Bank and the Group are assuming the de facto title to the asset, and retain no contractual obligation to the original borrower, the Bank and the Group classify the asset as other assets. The repossessed collateral is measured at its fair value based on external valuation prepared by independent valuator.

If the collateral is property and title has been transferred to the Bank and the Group, the assets are shown as investment property.

(K) Intangible assets

Intangible assets, which are acquired by the Bank and the Group, are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 5 to 7 years.

(L) Impairment

(I) Financial assets

At each reporting date the Bank and the Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

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

3 / Significant accounting policies

Significant loans and receivables due from customers, except for lease contracts, and held-to-maturity investment securities are assessed individually for impairment indication and specific impairment allowance is established if necessary.

All loans and receivables for which no objective evidence of impairment is identified on an individual basis are grouped into sub-portfolios with similar credit risk characteristics according to the Bank's and the Group's internal loan portfolio rating procedure and a collective impairment allowance is assessed using statistical modelling of historical trends of the probability of default and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses and recoveries are recognised monthly based on regular loan reviews and are recognised in profit or loss.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held to maturity financial investments. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. If the impaired financial asset is derecognised (due to repossessing of collateral (see Note 3j) or restructuring (see Note 19), the related impairment allowance is written off.

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in fair value reserve through other comprehensive income to profit or loss. The cumulative loss that is removed from fair value reserve and recognised in profit and loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale bond increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(II) Non-financial assets

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

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

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

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

(M) Provisions

A provision is recognised when the Bank and the Group have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, which can be estimated reliably, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(N) Credit related commitments

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

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

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

(O) Taxation

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

3 / Significant accounting policies

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(P) Income and expense recognition

(I) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. When calculating the effective interest rate, the Bank and the Group estimate future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

Fees and commission income and expenses that are integral part to the effective interest rate on financial assets and liabilities are included in the measurement of the effective interest rate.

(II) Fee and commission income and expense

Fee and commission income, including mainly account servicing fees, investment management fees and credit card servicing fees, are recognised as the related services are provided. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expressed as the services are received.

(III) Net gain/loss on financial instrument at fair value through profit or loss

Net gain/loss on financial instrument at fair value through profit or loss comprises gains less losses related to trading assets and liabilities and derivatives held for risk management purposes, and includes realised and unrealised fair value changes and foreign exchange differences.

(Q) Dividends

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

(R) Employee benefits

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

(S) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with Group's and Bank's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as non-current assets held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, assets are no longer depreciated.

(T) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group and Bank have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

— IFRS 10 Consolidated Financial Statements (2011)
— IFRS 11 Joint Arrangements
— IFRS 12 Disclosure of Interests in Other Entities

(I) IFRS 10 Consolidated Financial Statements (2011)

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2014. The Group concluded that there are no changes in control assessment as a consequence of new rules introduced by IFRS 10 (2011).

(II) IFRS 11 Joint Arrangements

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

— The Group's interest is a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
— The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

The Group is not a party to any joint arrangements.

(III) IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Note 44).

3 / Significant accounting policies

(U) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

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

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

(II) IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014)

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that and entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the consolidated financial statements, since it does not result in a change in the entity's accounting policy regarding levies imposed by governments.

(III) Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

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

4 / Risk management

The Bank and the Group have exposure to the following risks:

- market risk
- credit risk
- liquidity risks

This note presents information about the Bank's and the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

(A) Risk management policies and procedures

The Bank's and the Group's risk management policies aim to identify, analyse and manage the risks faced by the Bank and the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework for the Bank and the Group, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Board of Directors of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank and the Group operate within the established risk parameters. Chief risk officer of the Bank is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the president of the Bank and indirectly to the Board..

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Committee.

Both external and internal risk factors are identified and managed throughout the Bank's and the Group's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(B) Market risks

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's and the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Asset and Liability Committee (ALCO), chaired by the Chairman of the Board of Directors. Market risk limits are approved by ALCO based on recommendations of the Risk Management Department's Financial Risk Management Group.

The Bank and the Group manage their market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits, which are monitored on a regular basis and reviewed and approved by the Board of Directors.

In addition, the Bank and the Group use a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank and the Group's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank and the Group include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rate risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Bank's and the Group's net interest margin to various standard and non-standard interest rate scenarios.

(I) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Bank's and the Group's income or the value of its portfolios of financial instruments.

The Bank and the Group are exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise. For further analysis of interest repricing refer to Note 42 Interest rate risk analysis.

An analysis of sensitivity of the net income for the year to changes of market interest rate impacting the interest income on variable interest rate financial instrument and the fair value of fixed interest rate financial instruments measured at fair value based on a scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves, all other variables remaining constant, is as follows:

Group	2014		2013	
'000 EUR	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
100bp parallel increase	7,622	-	7,631	-
100bp parallel decrease	(7,622)	-	(7,631)	-

Bank	2014		2013	
'000 EUR	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
100bp parallel increase	8,112	-	8,068	-
100bp parallel decrease	(8,112)	-	(8,068)	-

4 / Risk management

(II) Currency risk

The Bank and the Group have assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Bank's and the Group's exposure to currency risk at year-end refer to Note 41 Currency analysis.

An analysis of sensitivity of the Bank's and the Group's net income and other comprehensive income for the year to changes in the foreign currency exchange rates based on positions existing as at 31 December 2014 and 2013 and a scenario of a 5% change in USD to EUR or USD to LVL exchange rates, while the other variable remain constant, is as follows:

Group	2014		2013	
'000 EUR	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
5% appreciation of USD against EUR	(4,882)	4,072	-	-
5% depreciation of USD against EUR	4,882	(4,072)	-	-
5% appreciation of USD against LVL	-	-	(3,142)	3,759
5% depreciation of USD against LVL	-	-	3,142	(3,759)

Bank	2014		2013	
'000 EUR	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
5% appreciation of USD against EUR	(5,212)	4,692	-	-
5% depreciation of USD against EUR	5,212	(4,692)	-	-
5% appreciation of USD against LVL	-	-	(3,129)	3,759
5% depreciation of USD against LVL	-	-	3,129	(3,759)

On 1 January 2014 the Republic of Latvia joined the euro-zone and the Latvian Lat was replaced by the Euro.

(III) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Bank and the Group take a long or short position in a financial instrument.

An analysis of sensitivity of the Bank's and the Group's net income for the year and equity to changes in securities prices based on positions existing as at 31 December 2014 and 2013 and a scenario of a 5% change in all securities prices, while the other variables remain constant, is as follows:

Group	2014		2013	
'000 EUR	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
5% increase in securities prices	541	5,010	896	3,863
5% decrease in securities prices	(541)	(5,010)	(896)	(3,863)

Bank	2014		2013	
'000 EUR	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
5% increase in securities prices	220	7,233	855	5,561
5% decrease in securities prices	(220)	(7,233)	(855)	(5,561)

4 / Risk management

(C) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank and the Group. The Bank and the Group have developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Group's credit risk. The Group's credit policy is reviewed and approved by the Board of Directors.

The Bank's and the Group's credit policies establish:

— Procedures for review and approval of loan/credit applications;
— Methodology for the credit assessment of borrowers (corporate, SME and retail)
— Methodology for the credit assessment of counterparties, issuers and insurance companies;
— Methodology for the evaluation of collateral;
— Credit documentation requirements;
— Procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan/credit applications are originated by the relevant client managers and are then passed on to the Lending and Investment Department, which is responsible for the Group's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The Risk Management Department's Loan Analysis Division then independently reviews the loan/credit application and the report and a second opinion is given accompanied by a check that credit policy requirements have been met. The Credit Committee reviews the loan application on the basis of submissions by the Lending and Investment Department and the Risk Management Department. Individual transactions are also reviewed by the Bank's Legal and Accounting departments depending on the specific risks and pending final approval of the Credit Committee.

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

The Bank's Latvian Projects' Lending division of Lending and Investment Department through the use of scoring models and application data verification procedures developed together with the Risk Management Department reviews retail loan applications.

Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Management Department with regard to credit concentration and market risks. The Bank and the Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of Loans and receivables from customers refer to Note 19 ″Loans and receivables due from customers″.

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

Maximum credit risk exposure		**Gross maximum credit exposure**			
	Notes	**Group**	**Bank**	**Group**	**Bank**
31 December **EUR'000**		**2014**	**2014**	**2013**	**2013**
Cash and balances with the central bank	16	158,574	158,552	522,601	522,565
Loans and receivables due from banks	18	1,771,391	1,770,718	856,437	853,612
Loans and receivables due from customers, gross	19	1,131,715	1,174,802	1,206,621	1,256,382
Reverse repo	37	153,235	153,235	150,308	150,308
Fair value through profit or loss financial instruments	17	10,898	4,481	16,704	16,704
Available for sale assets	20	99,478	99,478	44,668	44,668
Held to maturity investments	21	92,825	89,808	28,578	28,578
Total financial assets		**3,418,116**	**3,451,074**	**2,825,917**	**2,872,817**
Guarantees	35	17,493	17,493	13,909	13,909
Credit card commitments	35	9,503	9,504	9,896	9,897
Overdraft facilities	35	15,153	15,153	7,975	7,975
Credit commitments	35	32,400	38,184	29,250	32,104
Total guarantees and commitments		**74,549**	**80,334**	**61,030**	**63,885**
Total maximum credit risk exposure		**3,492,665**	**3,531,408**	**2,886,947**	**2,936,702**

4 / Risk management

(D) Liquidity risk

Liquidity risk is the risk that the Bank and the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank and the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank and the Group maintain liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Bank's and the Group's liquidity policies are reviewed and approved by the Board of Directors of the Bank.

The Bank and the Group seek to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policies of the Bank and the Group require:

— projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
— maintaining a diverse range of funding sources;
— managing the concentration and profile of debts;
— maintaining debt financing plans;
— maintaining a portfolio of highly marketable assets that can easily be traded as protection against any interruption to cash flow;
— maintaining liquidity and funding contingency plans;
— monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and receivables from banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank and the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position of the Bank and the Group are presented to senior management on a daily basis. Decisions on the Bank's and the Group's liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

The process of the Bank's liquidity management includes assessment and analysis of banking financing sources. A significant source of funding is customer demand deposits, most of which are current accounts. These funds are considered to be open-ended, i.e. they have no contractual maturity and are available to customers without any restrictions on withdrawals. Experience of the Bank and conducted statistical analysis, applied on historical data of changes on current account and card account balances, make it possible to estimate the effective maturity of such funds remaining in the accounts of the bank. The following table provides a breakdown of demand deposits based on the time of their presence in the account, which does not exceed 5 years.

Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. Both the interest and principal cash flows should be included in the analysis as this best represents the liquidity risk being faced by the entity.

4 / Risk management

The Group

The table below analyses the Bank's and the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Analysis of financial liabilities' undiscounted cash flows as at 31 December 2014:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	11,375	132	531	1,158	-	**13,196**	**13,196**
Current accounts and deposits due to customers	383,411	123,448	307,883	2,273,292	31,607	**3,119,641**	**3,082,706**
Issued debt securities	-	-	-	25,255	-	**25,255**	**19,498**
Derivative liabilities							
- Inflow	(7,066)	(930)	-	-	-	**(7,996)**	**-**
- Outflow	7,189	968	-	-	-	**8,157**	**161**
Total	**394,909**	**123,618**	**308,414**	**2,299,705**	**31,607**	**3,158,253**	**3,115,561**
Guarantees (maximum exposure)	**1,556**	**5,003**	**4,626**	**412**	**-**	**11,597**	**17,493**
Credit related commitments	**57,056**	**-**	**-**	**-**	**-**	**57,056**	**57,056**

Analysis of financial liabilities' undiscounted cash flows as at 31 December 2013:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	31,395	663	1,568	876	-	**34,502**	**34,499**
Current accounts and deposits due to customers	404,099	88,775	173,673	1,900,779	35,235	**2,602,561**	**2,564,705**
Issued debt securities	-	-	-	-	26,067	**26,067**	**18,474**
Derivative liabilities							
- Inflow	(23,698)	(2,046)	(1,581)	-	-	**(27,325)**	**-**
- Outflow	24,232	2,097	1,611	-	-	**27,940**	**615**
Total	**436,028**	**89,489**	**175,271**	**1,901,655**	**61,302**	**2,663,745**	**2,618,293**
Guarantees (maximum exposure)	**232**	**253**	**7,783**	**30**	**-**	**8,298**	**13,909**
Credit related commitments	**47,121**	**-**	**-**	**-**	**-**	**47,121**	**47,121**

4 / Risk management

The Bank

Analysis of financial liabilities' undiscounted cash flows as at 31 December 2014:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	11,222	-	-	605	-	**11,827**	**11,738**
Current accounts and deposits due to customers	386,153	123,448	306,766	2,296,894	31,545	**3,144,806**	**3,107,957**
Issued debt securities	-	-	-	25,255	-	**25,255**	**19,498**
Derivative liabilities							
- Inflow	(7,066)	(930)	-	-	-	**(7,996)**	**-**
- Outflow	7,189	968	-	-	-	**8,157**	**161**
Total	**397,498**	**123,486**	**306,766**	**2,322,754**	**31,545**	**3,182,049**	**3,139,354**
Guarantees (maximum exposure)	**1,556**	**5,003**	**4,626**	**412**	**-**	**11,597**	**17,493**
Credit related commitments	**62,841**	**-**	**-**	**-**	**-**	**62,841**	**62,841**

Analysis of financial liabilities' undiscounted cash flows as at 31 December 2013:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	31,222	371	424	-	-	**32,017**	**32,016**
Current accounts and deposits due to customers	404,099	88,802	173,488	1,915,854	35,235	**2,617,478**	**2,579,621**
Issued debt securities	-	-	-	-	26,067	**26,067**	**18,474**
Derivative liabilities							
- Inflow	(23,698)	(2,046)	(1,581)	-	-	**(27,325)**	
- Outflow	24,232	2,097	1,611	-	-	**27,940**	**615**
Total	**435,855**	**89,224**	**173,942**	**1,915,854**	**61,302**	**2,676,177**	**2,630,726**
Guarantees (maximum exposure)	**232**	**253**	**7,783**	**30**	**-**	**8,298**	**13,909**
Credit related commitments	**49,976**	**-**	**-**	**-**	**-**	**49,976**	**49,976**

4 / Risk management

The Group

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2014:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	11,375	132	531	1,158	-	**13,196**	**13,196**
Current accounts and deposits due to customers	2,670,035	11,495	149,834	256,670	31,607	**3,119,641**	**3,082,706**
Issued debt securities	-	-	-	25,255	-	**25,255**	**19,498**
Derivative liabilities							
- Inflow	(7,066)	(930)	-	-	-	**(7,996)**	**-**
- Outflow	7,189	968	-	-	-	**8,157**	**161**
Total	**2,681,533**	**11,665**	**150,365**	**283,083**	**31,607**	**3,158,253**	**3,115,561**
Guarantees (maximum exposure)	**1,556**	**5,003**	**4,626**	**412**	**-**	**11,597**	**17,493**
Credit related commitments	**57,056**	**-**	**-**	**-**	**-**	**57,056**	**57,065**

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2013:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	31,395	663	1,568	876	-	**34,502**	**34,499**
Current accounts and deposits due to customers	2,235,612	28,583	93,882	209,249	35,235	**2,602,561**	**2,564,705**
Issued debt securities	-	-	-	-	26,067	**26,067**	**18,474**
Derivative liabilities							
- Inflow	(23,698)	(2,046)	(1,581)	-	-	**(27,325)**	**-**
- Outflow	24,232	2,097	1,611	-	-	**27,940**	**615**
Total	**2,267,541**	**29,297**	**95,480**	**210,125**	**61,302**	**2,663,745**	**2,618,293**
Guarantees (maximum exposure)	**232**	**253**	**7,783**	**30**	**-**	**8,298**	**13,909**
Credit related commitments	**47,121**	**-**	**-**	**-**	**-**	**47,121**	**47,121**

4 / Risk management

The Bank

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2014:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	11,222	-	-	605	-	**11,827**	**11,738**
Current accounts and deposits due to customers	2,696,386	11,495	148,717	256,663	31,545	**3,144,806**	**3,107,957**
Issued debt securities	-	-	-	25,255	-	**25,255**	**19,498**
Derivative liabilities							
- Inflow	(7,066)	(930)	-	-	-	**(7,996)**	**-**
- Outflow	7,189	968	-	-	-	**8,157**	**161**
Total	**2,707,731**	**11,533**	**148,717**	**282,523**	**31,545**	**3,182,049**	**3,139,354**
Guarantees (maximum exposure)	**1,556**	**5,003**	**4,626**	**412**	**-**	**11,597**	**17,493**
Credit related commitments	**62,841**	**-**	**-**	**-**	**-**	**62,841**	**62,841**

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2013:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	31,222	371	424	-	-	**32,017**	**32,016**
Current accounts and deposits due to customers	2,252,294	28,564	93,698	207,687	35,235	**2,617,478**	**2,579,621**
Issued debt securities	-	-	-	-	26,067	**26,067**	**18,474**
Derivative liabilities							
- Inflow	(23,698)	(2,046)	(1,581)	-	-	**(27,325)**	
- Outflow	24,232	2,097	1,611	-	-	**27,940**	**615**
Total	**2,284,050**	**28,986**	**94,152**	**207,687**	**61,302**	**2,676,177**	**2,630,726**
Guarantees (maximum exposure)	**232**	**253**	**7,783**	**30**	**-**	**8,298**	**13,909**
Credit related commitments	**49,976**	**-**	**-**	**-**	**-**	**49,976**	**49,976**

4 / Risk management

(E) Capital Management

The Bank's and the Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders returns is also recognised and the Bank and the Group recognise the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantage and security afforded by a solid capitalization. The FCMC sets and monitors capital requirements for the Bank and for the Group.

The Bank and the Group define as capital those items defined by statutory regulation as capital. Under the current capital requirements set by FCMC banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level – 15.8% for the Bank as at 31 December 2014 (2013: 17.70%). The Bank and the Group were in compliance with the statutory capital ratio as at 31 December 2014 and 31 December 2013.

The following table shows the composition of the Bank's and the Group's capital position calculated 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 as at 31 December 2014:

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Tier 1 capital				
Share capital	142,287	142,287	142,287	142,287
Share premium	6,843	6,843	6,843	6,843
Other reserves	104	23	14,331	14,251
Value adjustments due to the requirements for prudent valuation	(11,472)	(3,693)	(7,548)	(636)
Non controlling interest	3,877	-	2,024	-
Currency translation reserve	43	-	(3,597)	-
Retained earnings from prior years	91,821	78,331	56,874	51,559
Current year profit	73,125	71,500	60,889	53,544
Intangible assets	(3,659)	(2,458)	(3,487)	(2,168)
Own funds requirements related to Pillar II adjustments	(8,116)	(5,731)	(10,330)	(8,839)
Dividends declared or proposed	(36,028)	(36,028)	(26,773)	(26,773)
Total tier 1 capital	**258,825**	**251,074**	**231,513**	**230,068**
Tier 2 capital				
Paid up capital instruments (preference shares)	18,556	18,556	-	-
Share premium (preference shares)	27,039	27,039	-	-
Long term deposits qualifying as regulatory capital	90,905	90,905	80,983	80,983
Other regulatory deductions from Tier 2 capital	(8,116)	(5,731)	(10,330)	(8,839)
Total tier 2 capital	**128,384**	**130,769**	**70,653**	**72,144**
Total capital	**387,209**	**381,843**	**302,168**	**302,212**
Total risk exposure amount	**2,042,586**	**2,018,763**	**1,697,325**	**1,634,413**
Total capital adequacy ratio	**18.96%**	**18.91%**	**17.80%**	**18.49%**

4 / Risk management

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

The Bank and the Group are subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord 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 established by covenants under liabilities incurred by the Bank and the Group. The Bank and the Group have complied with all externally imposed capital requirements as at 31 December 2014 and 31 December 2013.

5 / Use of estimates and judgements

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

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

Key sources of estimation uncertainty:

(I) Allowances for credit losses on loans and receivables

The specific counterparty component of the total allowances for impairment applies to loans and receivables evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about each counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. The cash flows may be realised from repayment of the loan, from sale of collateral, from operating the collateral etc., depending on the specific situation and terms of the loan agreement. The estimated net realisable value of collateral is based on a combination of internal fair value assessment conducted by internal valuation specialists and independent external valuation reports and is reviewed on a regular basis. The estimated future cash flows are discounted using the financial asset's original effective interest rate.

Collectively assessed impairment allowance covers credit losses inherent in a portfolio of loans with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans, but individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentration and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the estimates of future cash flows for specific counterparty allowance and the model assumptions and parameters used in determining collective allowance.

(II) Determining fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

All financial instruments that are carried at fair value were valued based on their market value, except for units in RB Opportunity Fund that are valued based on the estimated fair value of underlying assets, mostly properties. To determine fair value of the properties valuation techniques were used that are based on market prices for similar properties sold on the market or based on discounted estimated future income.

Fair value of financial instruments carried at amortised cost is stated at present value of future estimated cash flows discounted by a market interest rate. For short term financial assets and liabilities the fair value approximate amortised cost.

(III) Impairment of held-to-maturity investments

The determination of impairment indication is based on comparison of the financial instrument's carrying value and fair value. In the event of a significant decline and subsequent significant fluctuations in financial and capital markets or the existence of an illiquid capital market, the market price may not always represent fair value, i.e. is not the best indication of impairment of a financial asset. The Bank and the Group use valuation models based on quoted market prices of similar products.

For the purposes of impairment loss measurement, the Bank's and the Group's management make 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.

(IV) Determining fair value of investment property and owner occupied property

Investment property is stated at its fair value with all changes in fair value recorded in profit or loss. Property used in own business operation is revaluated to fair value on regular periodic basis with changes in revaluation recognised through other comprehensive income in a revaluation reserve and subsequent amortisation is recognised in the profit and loss statement. When measuring the fair value of the property, management relies on external valuations based either on income valuation method or comparative valuation method and assesses the reliability of such valuation in light of the current market situation. Income method is based on discounted estimated future cash flows from the property. Comparative method is based on recent market transactions with comparable property.

5 / Use of estimates and judgements

(V) Impairment of assets shown under other assets

Assets assumed as collateral are valued at lower of cost and net realisable value. When assessing net realisable value of assets, management prepares several valuation models (e.g. replacement cost, discounted future cash flows) and compares them to observable market data (e.g. similar transactions taking place on the market, offer made by potential buyers).

(VI) Impairment of investments in subsidiaries

Investments in subsidiaries are valued at cost in the Bank's separate financial statements. On a regular basis, the Bank compares the cost of investment with the carrying value of net assets of a subsidiary to see whether any impairment indication exists. If impairment indication exists, the recoverable amount of the investment is calculated based on discounted estimated future cash flows of the subsidiary. Future cash flows are based on budgets and projections prepared by the subsidiary and assessed for reasonableness. Discount rate is equal to the cost of financing interest rate, i.e. rate charged on deposits to customers increased by a risk margin of 2 to 6 basis points. An impairment loss is recorded when the decline in value of subsidiary is significant and prolonged.

(VII) Impairment of goodwill

Goodwill is assessed for impairment on an annual basis by discounting estimated future cash flows for the underlying cash generating unit using a discount rate equal to return on equity expected by shareholders. The estimated future cash flows are projected based on historical experience adjusted for expected changes in the business.

(VIII) Useful lives of equipment

Estimated useful lives of equipment are based on practical experience over using similar equipment in the past. Each year damaged items and technically out-of-date items are identified and their useful life or carrying value is adjusted individually.

(IX) Deferred tax asset recognition

A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

6 / Net interest income

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Interest income				
Loans and receivables due from customers	87,488	79,443	80,573	72,716
Loans and receivables due from financial institutions	4,091	4,023	2,848	2,743
Available for sale assets	2,519	2,519	1,496	1,496
Held-to-maturity investments	2,661	2,658	514	514
Amounts receivable under reverse repurchase agreements	546	546	576	576
Financial instruments at fair value through profit or loss	161	161	317	317
	97,466	**89,350**	**86,324**	**78,362**
Interest expense				
Current accounts and deposits due to customers	13,877	13,858	13,533	13,302
Deposits and balances due to financial institutions	297	86	569	17
Other interest expense	6,356	5,504	5,713	5,009
	20,530	**19,448**	**19,815**	**18,328**

Included within interest income from loans and receivables due from customers for the year ended 31 December 2014 is interest income of EUR 2,302 thousand (2013: EUR 1,349 thousand) relating to impaired loans issued by the Bank and EUR 2,323 thousand (2013: EUR 1,592 thousand) accordingly by the Group.

7 / Fee and commission income

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Money transfers	21,284	21,284	18,985	18,985
Commission income from payment cards	10,452	10,452	8,714	8,714
E-commerce	16,448	16,448	10,280	10,280
Revenue from customer asset management and brokerage commissions	3,951	3,976	5,265	4,394
Commission from account servicing	9,072	9,072	5,696	5,696
Commission from documentary operations	901	901	936	936
Cash withdrawals	222	222	339	339
Remote system fee	187	187	179	179
Other	3,686	3,278	2,695	2,679
	66,203	**65,820**	**53,089**	**52,202**

8 / Fee and commission expense

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Payment card expenses	5,193	5,193	3,833	3,833
E-commerce	8,759	8,759	5,568	5,568
Agent commissions	2,911	2,746	2,806	2,806
On correspondent accounts	1,668	1,668	1,094	1,094
Brokerage fees	889	882	963	1,168
Other	1,061	1,084	1,344	1,387
	20,481	**20,332**	**15,608**	**15,856**

9 / Net gain/(loss) on financial instruments at fair value through profit or loss

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Equity instruments	(116)	(57)	(124)	(58)
Debt instruments	64	340	310	310
Derivatives	(33)	(33)	1,265	1,265
	(85)	**250**	**1,451**	**1,517**

10 / Net foreign exchange gain

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Loss from revaluation of financial assets and liabilities	(1,354)	(19)	(973)	(390)
Gain on spot transactions and derivatives	23,431	23,431	23,360	23,388
	22,077	**23,412**	**22,387**	**22,998**

11 / Net realised gain on available-for-sale assets

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Equity instruments	625	625	1,904	1,011
Debt instruments	137	137	33	33
	762	**762**	**1,937**	**1,044**

12 / Other income/(expense)

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Rental income from operating leases	3,399	863	5,023	731
Fair value change in investment property	(598)	619	2,965	294
Penalties received	744	499	1,229	662
Recovery of assets written off	112	112	221	221
Profit from sale of property and equipment	18	-	191	-
Profit/Loss from sale of Investment property	686	443	176	131
Dividends received	121	2,266	95	1,144
Profit/Loss from sale of subsidiaries	1,276	(80)	46	267
Other	3,402	1,800	817	155
	9,160	**6,522**	**10,763**	**3,605**

13 / Impairment losses

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Impairment losses				
Loans and receivables due from customers	(21,522)	(20,732)	(26,093)	(25,453)
Intangible assets	(1,443)			
Available-for-sale financial assets	-	(1,896)	-	(979)
Investments in subsidiaries	-	(5,500)	-	(3,273)
Other non-financial assets	(132)	(55)	(381)	(267)
	(23,097)	**(28,183)**	**(26,474)**	**(29,972)**
Reversals of impairment losses				
Loans and receivables due from customers	3,030	6,163	9,606	9,484
Available-for-sale financial assets	11	11	296	296
Held-to-maturity investments	-	-	393	393
Investments in subsidiaries	-	-	-	99
Other non-financial assets	23	23	45	12
	3,064	**6,197**	**10,340**	**10,284**
Net impairment losses	**(20,033)**	**(21,986)**	**(16,134)**	**(19,688)**

14 / General administrative expenses

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Employee compensation	18,857	15,897	17,886	14,677
Payroll related taxes on employee remuneration	4,104	3,382	4,812	3,920
Salaries to Board of Directors and Council	3,620	2,811	2,327	1,673
Depreciation and amortisation	2,930	1,449	3,382	1,668
Provision for bonus and payroll related taxes	2,762	2,762	3,786	3,786
Taxes other than on corporate income and payroll	2,224	1,264	1,892	1,266
Repairs and maintenance	1,980	823	2,682	791
IT related costs	1,845	1,845	1,830	1,830
Representative offices	1,779	1,290	1,653	1,219
Rent	1,748	3,711	1,389	3,436
Credit card service	1,702	1,702	1,188	1,188
Communications and information services	1,354	1,212	1,498	1,318
Travel expenses	1,240	1,141	1,283	1,231
Charity and sponsorship	1,023	2,241	738	1,860
Advertising and marketing	964	585	1,291	975
Professional services	776	363	1,441	1,056
Representation	759	441	443	431
Insurance	318	205	262	206
Office supplies (Stationery)	142	82	127	71
Subscription of information	139	139	110	110
Security	86	68	54	70
Other	2,267	2,271	2,393	2,369
Reverse of provisions for the management bonus	(5,120)	(5,120)	-	-
	47,499	**40,564**	**52,467**	**45,151**

The amount of reversed provision for bonuses represents the part of potential bonuses which, in addition to bonuses annually paid out by the Bank and Group, might be paid discretionary by the Bank, subject to certain conditions. The conditions were not met in the respective cases.

15 / Income tax expense

(A) Income tax expense recognised in the profit and loss

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Current tax expense				
Current tax expense	12,903	11,957	9,539	8,114
Deferred tax	(12)	329	(245)	(953)
Total income tax expense in the profit and loss	**12,891**	**12,286**	**9,294**	**7,161**

The tax rate applicable in countries in which group entities operate:	2014 '000 EUR	2013 '000 EUR
Latvia	15.00%	15.00%
Belarus	18.00%	18.00%
Cyprus	12.50%	10.00%
Russia	20.00%	20.00%
Azerbaijan	20.00%	20.00%

(B) Reconciliation of effective tax rate:

The Group	2014 '000 EUR	%	2013 '000 EUR	%
Profit before tax	87,021		71,573	
Income tax at the applicable tax rate	13,053	15.00%	10,736	15.00%
Non-deductible expenses	1,704	1.96%	2,582	3.61%
Tax exempt income	(605)	(0.70%)	(1,144)	(1.60%)
Tax paid abroad	903	1.04%	-	-
Tax relief on donations	(1,802)	(2.07%)	(1,531)	(2.14%)
Tax loss carried forward	59	0.07%	-	-
Change in unrecognised deferred tax asset	68	0.08%	(905)	(1.27%)
Under/(over) provided in prior years	(584)	(0.68%)	(455)	(0.64%)
Effect of different tax rate in other countries	95	0.11%	11	0.02%
	12,891	**14.81%**	**9,294**	**12.98%**

15 / Income tax expense

The Bank	2014 '000 EUR	%	2013 '000 EUR	%
Profit before tax	83,786		60,705	
Income tax at the applicable tax rate	12,568	15.00%	9,106	15.00%
Non-deductible expenses	671	0.80%	1,512	2.49%
Tax exempt income	(928)	(1.11%)	(1,144)	(1.88%)
Tax relief on donations	(1,802)	(2.15%)	(1,515)	(2.50%)
Change in unrecognised deferred tax asset	1,222	1.46%	(798)	(1.31%)
Tax paid abroad	996	1.19%	-	-
Under/(over) provided in prior years	(441)	(0.53%)	-	-
	12,286	**14.66%**	**7,161**	**11.80%**

(C) Income tax recognised in other comprehensive income and directly in equity

The Group	2014 '000 EUR		2013 '000 EUR	
Deferred tax expense	**Tax Base**	**Deferred income tax**	**Tax Base**	**Deferred income tax**
Change in revaluation reserve	-	-	602	(87)
Change in fair value reserve	(1,176)	177	(1,323)	199
Change in fair value reserve on which deferred tax asset is not recognized	(5,039)	-	-	-
Total income tax recognised in other comprehensive income	**(6,215)**	**177**	**(721)**	**112**
Change in revaluation reserve (Note 33g)	(83)	9	(2,937)	441
Total income tax recognised directly in equity	**(83)**	**9**	**(2,937)**	**441**

The Group	2014 '000 EUR		2013 '000 EUR	
Deferred tax expense	**Tax Base**	**Deferred income tax**	**Tax Base**	**Deferred income tax**
Change in fair value reserve	(1,179)	177	1,871	(280)
Change in fair value reserve on which deferred tax asset is not recognized	(5,373)	-	-	-
Total income tax recognised in other comprehensive income	**(6,552)**	**177**	**1,871**	**(280)**
Change in revaluation reserve (Note 33g)	-	-	(2,937)	441
Total income tax recognised directly in equity	-	-	**(2,937)**	**441**

16 / Cash and balances with the central bank

Cash and balances with central bank comprised of the following items:

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Cash	5,279	5,257	5,690	5,654
Balances due from the Bank of Latvia	153,295	153,295	516,911	516,911
	158,574	**158,552**	**522,601**	**522,565**

Deposits with the Bank of Latvia represent the balance outstanding on the correspondent account with the Bank of Latvia in EUR. That consists of compulsory reserve as well as voluntary deposit.

In accordance with the Bank of Latvia's regulations, the Bank is required to maintain a compulsory reserve set based on the average monthly balance of its liabilities.

The compulsory reserve is compared to the Bank's average monthly correspondent account balance in EUR. The Bank's average correspondent balance should exceed the compulsory reserve requirement. The Bank was in compliance with the aforementioned compulsory reserve requirement at the end of the reporting year.

17 / Financial instruments at fair value through profit or loss

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Bonds				
- with rating from AAA to A	881	-	7,582	7,582
- with rating from BBB+ to BBB-	6,324	3,903	9,021	9,021
- non-investment grade	3,115	-	-	-
Equity investments	499	499	1,331	514
Derivative financial instruments	739	739	716	716
Financial assets at fair value through profit or loss	**11,558**	**5,141**	**18,650**	**17,833**
Derivative financial instruments	(161)	(161)	(615)	(615)
Financial liabilities at fair value through profit or loss	**(161)**	**(161)**	**(615)**	**(615)**

17 / Financial instruments at fair value through profit or loss

The Bank and the Group classify derivative financial instruments and trading portfolio under this category.

Derivative financial assets and liabilities

The Group	31 Dec 2014 '000 EUR		31 Dec 2013 '000 EUR	
	Carrying value	Notional amount	Carrying value	Notional amount
Assets				
Forward contracts	135	16,152	73	6,938
Option premium	195	n/a	205	n/a
Swap contracts	409	5,030	438	9,969
Total derivative financial assets	**739**		**716**	
Liabilities				
Swap contracts	-	-	507	18,142
Forward contracts	161	8,157	108	9,799
Total derivative liabilities	**161**		**615**	

The Bank	31 Dec 2014 '000 EUR		31 Dec 2013 '000 EUR	
	Carrying value	Notional amount	Carrying value	Notional amount
Assets				
Forward contracts	135	16,152	73	6,938
Option premium	195	n/a	205	n/a
Swap contracts	409	5,030	438	9,969
Total derivative financial assets	**739**		**716**	
Liabilities				
Swap contracts	-	-	507	18,142
Forward contracts	161	8,157	108	9,799
Total derivative liabilities	**161**		**615**	

18 / Loans and receivables due from banks

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Demand accounts				
Latvian commercial banks	7,372	7,226	11,928	11,612
OECD banks	1,432,273	1,432,273	654,924	654,924
Other non-OECD banks	112,802	112,275	62,982	61,816
Total Demand accounts	**1,552,447**	**1,551,774**	**729,834**	**728,352**
Deposit accounts				
OECD banks	192,970	192,970	118,228	118,228
Other non-OECD banks	25,974	25,974	8,375	7,032
Total loans and deposits	**218,944**	**218,944**	**126,603**	**125,260**
	1,771,391	**1,770,718**	**856,437**	**853,612**

Concentration of placements with banks and other financial institutions

As at 31 December 2014 the Bank and the Group had no balances (2013: none), which exceeded 10% of total loans and receivable from banks.

The largest balances due from credit institutions as of 31 December 2014 in the Bank were as follows:

	31 Dec 2014 '000 EUR	%
Euroclear Bank	103,316	5.7
Deutsche Bank NY	97,635	5.4
KBC Bank NV	91,267	5.1
Clearstream Banking SA	86,205	4.8
Erste Bank Vienna	82,366	4.6
HSH Nordbank AG	82,366	4.6
Mizuho Corporation	82,366	4.6
Banco Bilbao	80,126	4.4
WGZ-Bank AG	80,000	4.4
Raiffeisen Zentralbank	78,941	4.4
Total	**864,588**	**48.0**

The largest balances due from credit institutions as of 31 December 2013 in the Bank were as follows:

	31 Dec 2013 '000 EUR	%
Erste Bank Vienna	73,278	8.6
Unicredit Bank DE	64,184	7.5
HSH Nordbank AG	54,958	6.4
Landesbank Berlin	51,295	6.0
Bank of Tokyo	47,631	5.6
Banco Bilbao	43,991	5.2
Mizuho Corporation	43,967	5.2
Deutsche Bank NY	41,256	4.8
NORD/LB London	36,639	4.3
Credit Mutuel	36,639	4.3
KBC Bank NV	36,639	4.3
LBBW Stuttgart	33,951	4.0
Bank of Montreal	29,311	3.4
Total	**593,739**	**69.6**

19 / Loans and receivables due from customers

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Companies				
Finance leases	166	-	35,267	-
Loans	970,621	1,073,657	1,034,529	1,144,186
Individuals				
Finance leases	57,891	-	23,344	-
Loans	103,037	101,145	113,481	112,196
Specific impairment allowance	(88,025)	(86,813)	(79,435)	(80,435)
Collective impairment allowance	(2,246)	-	(1,908)	-
Net Loans and receivables from customers	**1,041,444**	**1,087,989**	**1,125,278**	**1,175,947**

(A) Finance leases

Loans and receivables from customers include the following finance lease receivables for leases of certain property and equipment where the Group is the lessor:

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Gross investment in finance leases, receivable				
Less than one year	30,198	-	34,758	-
Between one and five years	43,512	-	37,706	-
Total gross investment in finance leases	73,710	-	72,464	-
Unearned finance income	(15,653)	-	(13,853)	-
Net investment in finance lease before allowance	58,057	-	58,611	-
Impairment allowance	(2,343)	-	(3,729)	-
Net investment in finance lease	**55,714**	**-**	**54,882**	**-**

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
The net investment in finance leases comprises:				
Less than one year	23,567	-	32,292	-
Between one and five years	32,147	-	22,590	-
Net investment in finance lease	**55,714**	**-**	**54,882**	**-**

19 / Loans and receivables due from customers

(B) Credit quality of loan portfolio

(I) Ageing structure of loan portfolio

The Group			Of which past due by the following terms				
As at 31 Dec 2014	Total EUR'000	Of which not past due on the reporting date	Less than 30 days	31-90 days	91-180 days	More then 180 days	Net carrying value of overdue loans
Net carrying amount	**1,041,444**	872,717	73,931	46,005	38,779	10,012	168,727
Out of which impaired	**168,242**	89,498	28,355	13,207	29,784	7,398	78,744
Assessed fair value of collateral	**1,540,909**	1,304,780	98,585	70,804	48,051	18,689	236,129
As at 31 Dec 2013							
Net carrying amount	**1,125,278**	1,027,658	53,737	27,103	1,615	15,165	97,620
Out of which impaired	**120,092**	87,485	17,547	4,946	97	10,017	32,607
Assessed fair value of collateral	**1,659,088**	1,505,613	64,987	54,189	1,409	32,890	153,475

The Bank			Of which past due by the following terms				
As at 31 Dec 2014	Total EUR'000	Of which not past due on the reporting date	Less than 30 days	31-90 days	91-180 days	More then 180 days	Net carrying value of overdue loans
Net carrying amount	**1,087,989**	927,442	72,383	45,278	32,820	10,066	160,547
Out of which impaired	**142,507**	71,503	27,312	12,422	23,824	7,446	71,004
Assessed fair value of collateral	**1,624,152**	1,397,912	98,069	69,720	39,762	18,689	226,240
As at 31 Dec 2013							
Net carrying amount	**1,175,947**	1,071,204	51,673	36,642	1,518	14,910	104,743
Out of which impaired	**102,144**	70,798	16,591	4,742	-	10,013	31,346
Assessed fair value of collateral	**1,737,751**	1,572,706	63,753	67,242	1,409	32,641	165,045

19 / Loans and receivables due from customers

(II) Analysis of loan portfolio by type of collateral

The following table provides the analysis of the loan portfolio, net of impairment, by types of collateral as at 31 December 2014:

The Group EUR'000	31 Dec 2014	% of loan portfolio	31 Dec 2013	% of loan portfolio
Commercial buildings	357,650	34.34	358,373	31.85
Commercial assets pledge	349,176	33.53	304,075	27.02
Traded securities	55,712	5.35	163,832	14.56
Other mortgage	89,618	8.61	99,288	8.82
Land mortgage	75,567	7.26	86,834	7.72
Mortgage on residential properties	36,781	3.53	35,935	3.19
Without collateral	34,130	3.28	32,685	2.90
Guarantee	7,220	0.69	15,528	1.38
Deposit	6,368	0.61	5,552	0.49
Not traded securities	1,199	0.12	1,067	0.10
Other	28,023	2.68	22,109	1.97
Total	**1,041,444**	**100.00**	**1,125,278**	**100.00**

The Bank EUR'000	31 Dec 2014	% of loan portfolio	31 Dec 2013	% of loan portfolio
Commercial buildings	399,238	36.70	400,406	34.05
Commercial assets pledge	358,130	32.92	318,978	27.13
Traded securities	55,712	5.12	163,832	13.93
Other mortgage	103,480	9.51	110,991	9.44
Land mortgage	75,567	6.94	86,834	7.39
Mortgage on residential properties	39,263	3.61	38,500	3.27
Without collateral	41,813	3.84	38,016	3.23
Guarantee	7,220	0.66	11,691	0.99
Deposit	6,367	0.59	5,552	0.47
Non-traded securities	1,199	0.11	1,067	0.09
Other	-	-	80	0.01
Total	1,087,989	100.00	1,175,947	100.00

The amounts shown in the table above represent the carrying value of the loans, and not the fair value of the collateral.

19 / Loans and receivables due from customers

(III) Impaired loans

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Impaired loans gross	228,800	229,320	177,822	182,579
Specific impairment allowance	(88,025)	(86,813)	(79,435)	(80,435)
Net loans and receivables from customers	**140,775**	**142,507**	**98,387**	**102,144**

Fair value of collateral related to impaired loans	**169,556**	**172,310**	**131,111**	**133,776**

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

The Group	31 Dec 2014 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance	31 Dec 2013 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance
Standard	950,415	(4,422)	(920)	1,035,865	(350)	(925)
Watch	66,326	(10,837)	(26)	42,433	(5,905)	(18)
Substandard	53,568	(24,925)	(84)	72,263	(28,177)	(80)
Doubtful	42,462	(30,032)	(85)	40,427	(30,127)	(141)
Lost	18,944	(17,809)	(1,131)	15,633	(14,876)	(744)
Total	**1,131,715**	**(88,025)**	**(2,246)**	**1,206,621**	**(79,435)**	**(1,908)**

The Bank	31 Dec 2014 '000 EUR Gross	Specific impairment allowance	31 Dec 2013 '000 EUR Gross	Specific impairment allowance
Standard	997,673	(4,647)	1,082,316	(350)
Watch	65,447	(10,776)	41,585	(5,840)
Substandard	54,396	(25,372)	80,542	(32,370)
Doubtful	40,789	(29,521)	40,104	(30,048)
Lost	16,497	(16,497)	11,835	(11,827)
Total	**1,174,802**	**(86,813)**	**1,256,382**	**(80,435)**

19 / Loans and receivables due from customers

(IV) Movements in the impairment allowance

Movements in the loan impairment allowance for the year ended 31 December 2014 and 2013 are as follows:

EUR'000	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Allowance for impairment				
Balance at 1 January	81,343	80,435	74,870	74,270
Sale of subsidiary	(1,455)	-	-	-
Charge for the year:				
Specific impairment allowance	21,068	20,732	25,480	25,453
Collective impairment allowance	454	-	613	-
Reversal of specific impairment allowance loss				
Specific impairment allowance	(3,030)	(6,163)	(9,551)	(9,484)
Collective impairment allowance	-	-	(55)	-
Effect of foreign currency translation	1,258	1,176	(770)	(560)
Write offs	(9,367)	(9,367)	(9,244)	(9,244)
Balance at 31 December	**90,271**	**86,813**	**81,343**	**80,435**

(V) Restructured loans

As at 31 December 2014, the Group held restructured loans of EUR 98,072 thousand (2013: 92,303 thousand) and the Bank held restructured loans of EUR 104,570 thousand (2013: 98,575 thousand). Main forms of restructuring were the reduction of the interest rate, postponing of interest payments or principal payments.

19 / Loans and receivables due from customers

(C) Industry analysis of the loan portfolio

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Real estate management	272,791	319,442	291,114	333,783
Financial services	237,904	287,312	364,234	422,261
Transport and communication	164,110	166,747	123,182	126,681
Individuals	84,564	83,553	90,910	90,910
Wholesale and retailing	77,858	77,824	60,401	60,382
Investments in finance lease	55,555	-	54,751	-
Construction	37,462	38,462	35,154	35,154
Manufacturing	31,751	31,693	26,023	25,977
Tourism	11,767	11,760	6,234	6,228
Food industry	-	-	10,431	10,431
Other	67,682	71,196	62,844	64,140
	1,041,444	**1,087,989**	**1,125,278**	**1,175,947**

(D) Geographical analysis of the loan portfolio

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Latvia	240,921	292,858	263,446	316,892
OECD countries	127,869	127,836	104,184	104,169
Other non-OECD countries	672,654	667,295	757,648	754,886
	1,041,444	**1,087,989**	**1,125,278**	**1,175,947**

(E) Significant credit exposures

As at 31 December 2014 and 2013 the Bank and the Group had no borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loans and receivables from customers.

According to regulatory requirements, the Bank and the Group are not allowed to have a credit exposure to one client or group of related clients more than 25% of its equity. As at December 31, 2014 and 2013 the Bank and the Group were in compliance with this requirement.

Due to current developments on Russian market, the Bank is monitoring its loan portfolio with exposure to this market. Monitored loans with exposure to Russian market are such loans that are denominated in EUR or USD where borrower generates its cash flows for repayment of the loan in Russian rubbles and/or the collateral for the loan is located on the territory of Russian Federation. The carrying value of loans with exposure to Russian market amount to EUR 439 m as at 31 December 2014, and bad debt provision amounts to EUR 16 m. The Group has the same exposure to Russian market as the Bank.

19 / Loans and receivables due from customers

The Bank developed a model to monitor expected losses from loans with exposure to Russian market. The model assumes that the borrowers will earn the same cash flows denominated in Russian rubbles as they reported in last quarter of 2014. If, due to currency fluctuations, these cash flows are not sufficient to cover loan repayment schedule in EUR or USD, the model assumes immediate collateral repossession and its realization at value lower than fair value of property according to external valuations from last quarter of 2014. The model does not serve as a basis for impairment, as it is measured individually on loan by loan basis.

The below table shows expected losses from the loans with exposure to Russian market given reasonably expected foreign currency rates fluctuations and real estate property, i.e. collateral value fluctuations:

Expected losses	Real estate value decrease	
'000 EUR	-10%	-30%
50 RUB/EUR	(1,748)	(2,006)
70 RUB/EUR	(2,910)	(9,228)
90 RUB/EUR	(2,910)	(9,228)

20 / Available-for-sale assets

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Bonds				
- with rating from AAA to A	18,685	18,685	26,963	26,963
- with rating from BBB+ to BBB-	42,782	42,782	14,045	14,045
- non-investment grade	36,351	36,351	3,660	3,660
- without rating	1,660	1,660	-	-
Rietumu Asset Management Funds				
RB Opportunity Fund I	-	32,237	-	34,132
Cash Reserve Fund	-	4,118	-	-
Fixed Income High Yield Fund	-	3,882	-	-
Fixed Income Investment Grade Fund	-	4,053	-	-
Global Equity Fund	-	375	-	-
Viaduct Invest FCP SIF USD	-	-	29,314	29,314
RBAM Fixed Income Fund	-	-	2,848	2,848
Other equity instruments	714	523	432	240
Available for sale assets	**100,192**	**144,666**	**77,262**	**111,202**
Acquisition cost	106,877	152,803	77,744	110,903
Revaluation	(5,037)	(2,180)	1,178	4,372
Impairment allowance	(1,648)	(5,957)	(1,660)	(4,073)
Financial liabilities at fair value through profit or loss	**100,192**	**144,666**	**77,262**	**111,202**

21 / Held-to-maturity investments

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Debt and other fixed-income instruments				
- Government and municipal bonds				
Latvia	1,642	1,642	-	-
Russia	743	743	-	-
Lithuania	170	-	-	-
Total government and municipal bonds	**2,555**	**2,385**	-	-
- Corporate bonds				
Latvia	16,830	16,830	7,487	7,487
Russia	14,469	14,469	17	17
USA	8,704	7,365	21,074	21,074
Other European Union countries	18,103	17,099	-	-
Other non-European Union countries	32,164	31,660	-	-
Total corporate bonds	**90,270**	**87,423**	**28,578**	**28,578**
	92,825	**89,808**	**28,578**	**28,578**

Analysis of movements in the impairment allowance

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Balance at the beginning of the year	-	-	294	294
Net charge/(recovery) for the year	-	-	(393)	(393)
Investment restructuring	-	-	94	94
Currency revaluation	-	-	5	5
Balance at the end of the year	**-**	**-**	**-**	**-**

22 / Investments in subsidiaries

The subsidiaries of the Bank are as follows:

	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Bank
Incorporated in		
- Latvia	27,130	21,837
- Cyprus	10,956	10,956
- Russia	-	2,450
- Belarus	2,430	2,430
- Azerbaijan	4	4
Total gross investments	**40,520**	**37,677**
Impairment allowance	(11,666)	(8,537)
Net Investments in subsidiaries	**28,854**	**29,140**

Movements in the impairment allowances

	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Bank
Balance at the beginning of the period	8,537	5,363
Charge for the period	5,500	3,273
Reversal of impairment loss	-	(99)
Disposal of subsidiary	(2,371)	-
Balance at the end of period	**11,666**	**8,537**

In 2014, the Bank disposed of its direct subsidiaries Westleasing-M Ltd (100% shareholding) and IPS AS Aquarium Investments (former RB Asset Management, 65.1% shareholding). In 2014, the Bank increased share capital of its direct subsidiary Overseas Estates Ltd by EUR 4,500 thousand and purchased subsidiary Euro Textile Group Ltd for EUR 1,000 thousand. For the new investment impairment of EUR 5,500 thousand was recognized.

23 / Investment in associates

The Group owns a share in the following associates, both associated companies provide information services and their assets consist mainly from property and equipment for their operations. The total assets and revenues are not material to the Group.

Name	Country of incorporation	Principal activities	Ownership %	Amount of investment	Ownership %	Amount of investment
				31 December 2014		31 December 2013
AED Rail Service Ltd	Latvia	Information services for the railway	43.00%	22	43,00%	41
Dzelzcelu Tranzits Ltd	Latvia	Information services for the railway	49.12%	-	49,12%	-
Total				**22**		**41**

24 / Property and equipment

The Group

Cost/Revalued amount '000 EUR	Land and buildings	Construction in progress	Vehicles	Office equipment and machinery	Total
At 1 January 2014	**39,834**	**60**	**2,426**	**19,299**	**61,619**
Additions	265	-	1,031	3,500	**4,796**
Disposals	-	-	(584)	(873)	**(1,457)**
Sale of subsidiary	(1,186)	-	-	(26)	**(1,212)**
Reclassification to investment property	-	(28)	-	-	**(28)**
Purchase of subsidiary	224	1	-	755	**980**
FX translation effect	(670)	(1)	(5)	13	**(663)**
At 31 December 2014	**38,467**	**32**	**2,868**	**22,668**	**64,035**
Depreciation					
At 1 January 2014	**3,106**	**-**	**1,879**	**13,199**	**18,184**
Depreciation charge	799	-	284	1,303	**2,386**
Disposals	-	-	(544)	(843)	**(1,387)**
Sale of subsidiary	(122)	-	-	-	**(122)**
FX translation effect	(71)	-	(22)	22	**(71)**
At 31 December 2014	**3,712**	**-**	**1,597**	**13,681**	**18,990**
Carrying value					
At 31 December 2014	**34,755**	**32**	**1,271**	**8,987**	**45,045**
At 31 December 2013	**36,728**	**60**	**547**	**6,100**	**43,435**

24 / Property and equipment

The Group

Cost/Revalued amount '000 EUR	Land and buildings	Construction in progress	Vehicles	Office equipment and machinery	Total
At 1 January 2013	**38,760**	**64**	**2,183**	**20,400**	**61,407**
Additions	21	28	384	1,709	**2,142**
Disposals	-	-	(151)	(1,818)	**(1,969)**
Sale of subsidiary	-	(33)	-	(990)	**(1,023)**
Reclassification to investment property	(9)	-	-	-	**(9)**
Correction of prior year transfer to assets held for sale	679	-	-	-	**679**
Revaluation	602	-	-	-	**602**
FX translation effect	(219)	1	10	(2)	**(210)**
At 31 December 2013	**39,834**	**60**	**2,426**	**19,299**	**61,619**
Depreciation and impairment losses					
At 1 January 2013	1,669	-	1,776	13,346	**16,791**
Depreciation charge	929	-	184	1,407	**2,520**
Disposals depreciation	(17)	-	(81)	(1,333)	**(1,431)**
Sale of subsidiary	(137)	-	-	(219)	**(356)**
Correction of prior year transfer to assets held for sale	679	-	-	-	**679**
FX translation effect	(17)	-	-	(2)	**(19)**
At 31 December 2013	**3,106**	**-**	**1,879**	**13,199**	**18,184**
Carrying value					
At 31 December 2013	**36,728**	**60**	**547**	**6,100**	**43,435**
At 31 December 2012	**37,091**	**64**	**407**	**7,054**	**44,616**

24 / Property and equipment

Revalued assets

At 31 December 2014 and 2013 property consisting of office buildings and land, was revalued to its fair value as determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the property portfolio every year.

The fair value measurement for property (land and buildings) has been categorised as a Level 3 in the fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of the significant items of property, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Office premises in administrative building in the net book value of EUR 826 thousand (2013: EUR 826 thousand) located in Minsk, Belarus	Market comparison technique: The fair value was based on results of comparable sales of similar buildings	Price per m² -1,290 EUR (2013: 1,250 EUR)	The fair value would increase (decreased) if the price per m² was higher (lower).
Office building (1,642 m2) and land in the amount of EUR 33,225 thousand (2013: EUR 33,945 thousand) located in Riga, Latvia	Discounted cash flows technique: The model is based on discounted cash flows from rental income.	Rental income per m² of EUR 13.2 (2013: EUR 13.2); increasing over period of 7 years to EUR 15.67 (2013: EUR 15.67) Discount rate of 9% (2013: 7%)	The estimated fair value would increase (decrease) if: – Rental income per m2 was higher (lower) – The discount rate was lower (higher) – Annual capital expense are lower (higher) – The occupancy rate was higher (lower)

The Bank

’000 EUR	Vehicles	Office equipment	Total
Cost/Revalued amount			
1 January 2014	2,364	14,403	**16,767**
Additions	1,015	1,004	**2,019**
Disposals	(570)	(723)	**(1,293)**
At 31 December 2014	**2,809**	**14,684**	**17,493**
Depreciation and impairment losses			
At 1 January 2014	1,809	9,420	**11,229**
Depreciation charge	281	757	**1,038**
Disposals	(529)	(715)	**(1,244)**
At 31 December 2014	**1,561**	**9,462**	**11,023**
Net book value			
At 31 December 2014	**1,248**	**5,222**	**6,470**
At 31 December 2013	**555**	**4,983**	**5,538**

’000 EUR	Vehicles	Office equipment	Total
Cost/Revalued amount			
1 January 2013	2,128	14,666	**16,794**
Additions	374	1,450	**1,824**
Disposals	(138)	(1,713)	**(1,851)**
Transferred from advances	-	-	-
At 31 December 2013	**2,364**	**14,403**	**16,767**
Depreciation and impairment losses			
At 1 January 2013	1,699	9,931	**11,630**
Depreciation charge	181	763	**944**
Disposals	(71)	(1,274)	**(1,345)**
At 31 December 2013	**1,809**	**9,420**	**11,229**
Net book value			
At 31 December 2013	**555**	**4,983**	**5,538**
At 31 December 2012	**429**	**4,735**	**5,164**

25 / Intangible assets

The Group

'000 EUR	Goodwill	Software	Other	Total
Cost				
At 1 January 2014	**1,069**	**10,977**	**2,124**	**14,170**
Additions	-	684	32	**716**
Disposals	-	-	(100)	**(100)**
Purchase of subsidiary	1,443	-	-	**1,443**
Sale of subsidiary	-	(3)	-	**(3)**
At 31 December 2014	**2,512**	**11,658**	**2,056**	**16,226**
Amortisation and impairment losses				
At 1 January 2014	**-**	**9,943**	**740**	**10,683**
Amortisation charge		410	134	**544**
Disposals	-	-	(100)	**(100)**
Sale of subsidiary	-	(3)	-	**(3)**
Impairment loss	1,443	-	-	**1,443**
At 31 December 2014	**1,443**	**10,350**	**774**	**12,567**
Carrying value				
At 31 December 2014	**1,069**	**1,308**	**1,282**	**3,659**
At 31 December 2013	**1,069**	**1,034**	**1,384**	**3,487**

25 / Intangible assets

The Group

'000 EUR	Goodwill	Software	Other	Total
Cost				
At 1 January 2013	**3,329**	**11,147**	**2,120**	**16,596**
Additions	-	378	260	**638**
Disposals	-	(783)	-	**(783)**
Reclassification	-	235	(235)	**-**
Write off	(2,260)	-	-	**(2,260)**
Sale of subsidiary	-	-	(21)	**(21)**
At 31 December 2013	**1,069**	**10,977**	**2,124**	**14,170**
Amortisation and impairment losses				
At 1 January 2013	**2,260**	**10,000**	**624**	**12,884**
Amortisation charge	-	724	138	**862**
Disposals		(781)	-	**(781)**
Write off	(2,260)	-	-	**(2,260)**
Sale of subsidiary	-	-	(22)	**(22)**
At 31 December 2013	**-**	**9,943**	**740**	**10,683**
Carrying value				
At 31 December 2013	**1,069**	**1,034**	**1,384**	**3,487**
At 31 December 2012	**1,069**	**1,147**	**1,496**	**3,712**

Goodwill of EUR 1,069 thousand (2013: EUR 1,069 thousand) originated on the acquisition of a payment card business unit in 2001.

25 / Intangible assets

The Bank

'000 EUR	Goodwill	Software	Other	Total
Cost				
At 1 January 2014	**1,069**	**10,962**	**97**	**12,128**
Additions	-	683	18	**701**
At 31 December 2014	**1,069**	**11,645**	**115**	**12,829**
Amortisation and impairment losses				
At 1 January 2014	-	**9,928**	**32**	**9,960**
Amortisation charge	-	408	3	**411**
At 31 December 2014	-	**10,336**	**35**	**10,371**
Net book value				
At 31 December 2014	**1,069**	**1,309**	**80**	**2,458**
At 31 December 2013	**1,069**	**1,034**	**65**	**2,168**

'000 EUR				
Cost				
At 1 January 2013	**1,069**	**11,133**	**86**	**12,288**
Additions	-	377	246	**623**
Reclassification	-	(783)	-	**(783)**
Transfers from advances	-	235	(235)	**-**
At 31 December 2013	**1,069**	**10,962**	**97**	**12,128**
Amortisation and impairment losses				
At 1 January 2013	-	**9,988**	**31**	**10,019**
Amortisation charge	-	723	1	**724**
Disposals	-	(783)	-	**(783)**
At 31 December 2013	-	**9,928**	**32**	**9,960**
Net book value				
At 31 December 2013	**1,069**	**1,034**	**65**	**2,168**
At 31 December 2012	**1,069**	**1,145**	**55**	**2,269**

Goodwill of EUR 1,069 thousand (2013: EUR 1,069 thousand) originated on the acquisition of a payment card business unit in 2001.

25 / Intangible assets

In 2014 Group companies acquired the following subsidiaries:

	"Euro Textile Group" Ltd	"Green Energy Trio" Ltd	"Pack & Q" Ltd	"EkoSil" Ltd	"Ilukstes siltums" Ltd
Date of acquisition	17.03.2014	28.02.2014	16.06.2014	22.10.2014	12.09.2014
Acquired shares %	100%	100%	100%	100%	100%

The acquisition of the subsidiaries had the following effect on the Group`s assets and liabilities at the date acquisition:

	"Euro Textile Group" Ltd	"Green Energy Trio" Ltd	"Pack & Q" Ltd	"EkoSil" Ltd	"Ilukstes siltums" Ltd	Total
Assets	**'000 EUR**	**'000 EUR**	**'000 EUR**	**'000 EUR**	**'000 EUR**	**'000 EUR**
Loans and advances due from banks	-	-	30	-	-	30
Property and equipment	-	440	536	-	4	980
Investment property	5,048	-	-	-	-	5,048
Other assets	4	-	332	9	49	394
Liabilities						
Deposits and balances due to banks	(4,977)	-	(286)	-	(8)	(5,271)
Current accounts and deposits due to customers	(7)	(150)	(38)	(12)	-	(207)
Deferred tax liability	(1)	-	-	-	-	(1)
Other liabilities	(11)	(53)	(15)	(3)	(21)	(103)
Net identifiable assets and liabilities	**56**	**237**	**559**	**(6)**	**24**	**870**
Goodwill	**(944)**	**(272)**	**(42)**	**(9)**	**(176)**	**(1,443)**
Consideration paid	**1,000**	**509**	**601**	**3**	**200**	**2,313**

On 17 Mach 2014, the Group acquired shares in "Euro Textile Group" Ltd in the process exercising its right to collateral of a bad loan. The investment property is a production hall in Riga and was valued at fair value based on independent external valuator report based on comparable market deals method with the main assumption being price per m2 of 170EUR.

On 28 February 2014, the Group acquired a new subsidiary "Green Energy Trio" Ltd, the main operating activity of which is providing heating services in one city in Latvia. Subsequently to the acquisition, the Group invested into purchasing new equipment with the aim to significantly extend the operations.

On 16 June 2014, the Group acquired shares in "Pack&Q" Ltd in the process of exercising its right to collateral of a bad loan. The new subsidiary owns equipment for packages production; this equipment is rented out to a third party.

On 22 October 2014, the Group acquired a new subsidiary "EkoSil" Ltd and on 12 September 2014, the Group acquired a new subsidiary "Ilukstes siltums" Ltd, the main operating activities of which is heating production.

For goodwill on the newly acquired subsidiaries impairment was recognized in full.

Goodwill of EUR 1,069 thousand (2013: EUR 1,069 thousand) originated on the acquisition of a payment card business unit in 2001.

26 / Investment property

Investment property comprises residential properties and commercial properties, such as land or parts of buildings, and premises owned by the Group companies, which the Group does not occupy and which are leased to third parties, juice terminal and a hotel and leisure complex.

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Balance at 1 January	70,875	4,455	74,729	10,670
Collateral from loans assumed	995	995	3,142	3,142
Transferred from advances	2,867	-	-	-
Purchase of subsidiary	5,048	-	-	-
Transferred from property	28	-	9	-
Additions	3,504	189	4,159	10
Disposals	(4,181)	(852)	(14,142)	(9,199)
Revaluations	(598)	619	2,965	294
Investment in subsidiaries	-	-	-	(462)
Transfer to non-current held for sales	-	-	(1)	-
Currency revaluation	102	-	14	-
Sale of subsidiary	(2,241)	-	-	-
Balance at 31 December	**76,399**	**5,406**	**70,875**	**4,455**

Rental income and operating expense for the year ended 31 December 2014, the Group

	Book value '000 EUR	Rental income '000 EUR	Operating expenses '000 EUR
Investment property rented out	41,176	2,450	1,053
Investment property held for value appreciation	35,223	32	452
Total	**76,399**	**2,482**	**1,505**

Rental income and operating expense for the year ended 31 December 2013, the Group

	Book value '000 EUR	Rental income '000 EUR	Operating expenses '000 EUR
Investment property rented out	38,712	1,911	1,116
Investment property held for value appreciation	32,163	-	371
Total	**70,875**	**1,911**	**1,487**

Rental income and operating expenses are presented under Other income (expenses) in profit or loss.

26 / Investment property

Type	Valuation technique	Significant unobservable inputs	Carrying amount
Residential property		Average price per m^2	
- Riga - Jurmala - Other areas in Latvia	Market comparison technique: The fair value was based on results of comparable sales of similar properties	EUR 270-2,993 EUR 963-3,815 EUR 179-1,048	8,542 5,944 6,159
Land		Average price per m^2	
- Riga - Jurmala - Other areas in Latvia	Market comparison technique: The fair value was based on results of comparable sales of similar land plots	EUR 11-156 EUR 40-62 EUR 0.1-100	7,150 2,057 9,342
Commercial property		Average price per m^2	
- Riga - Riga region - Other areas in Latvia - Belarus	Market comparison technique: The fair value was based on results of comparable sales of similar properties	EUR 170-1,580 EUR 53-617 EUR 295 EUR 309-1,565	13,868 1,614 653 2,123
Commercial property			
- Hotels (Jurmala)	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Annual discount rate of 7% EUR 65 – 365 income per hotel room The occupancy rate increasing over time from 40% to 50%	4,761
- Industrial production premises for rent (Riga region)	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Annual discount rate of 6% Rental income EUR 1.6 - 2.0 per m^2	3,579
- Terminal (Ventspils)	Discounted cash flows technique: The model is based on discounted cash flows from transshipment, storage and blending of molasses	Discounted income determined based on income from molasses transshipment 11-13 EUR/t and molasses blending 5 EUR/t. Assumed transshipment volumes - 50’000-180’000t (50’000-140’000t in pessimistic scenario), assumed blending volumes – 15% of transshipment volumes. Annual discount rate of EBITDA 11%.	3,800
- Shop (Riga)	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Annual discount rate of 7.5% Occupancy rate 99% Rental income EUR 6.7 per m^2	3,648
- Commercial premises (Riga)	Discounted cash flows technique: The model is based on discounted cash flows from sales income after property reconstruction	Annual discount rate 5-15% Sales price for m^2 EUR 1,600-2,500 Sales price for a car parking lot EUR 10,000	2,129
- Office and shop premises (Riga)	Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average price per m^2 EUR 750	1,030

27 / Other assets

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Other financial assets				
Cash in transit	15	-	-	-
Other non-financial assets				
Collateral assumed on non-performing loans	8,918	8,918	10,013	10,013
Prepayments	1,559	1,178	2,368	723
Prepayments for property obtained in auctions	648	-	3,514	-
Guarantee receivable from borrower	3,560	3,560	3,560	3,560
Recoverable VAT	1,619	177	2,617	-
Tax prepayments	4	-	20	-
Other	8,477	9,716	10,470	6,951
Impairment allowance on collateral assumed	(2,245)	(1,933)	(2,561)	(2,327)
	22,555	**21,616**	**30,001**	**18,920**

Analysis of movements in the value of collateral assumed on non-performing loans	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Balance at the beginning of the year	10,013	10,013	12,230	12,230
Sale of collateral completed	(36)	(36)	(2,217)	(2,217)
Reclassified to investment property	(995)	(995)	-	-
Write-offs	(64)	(64)	-	-
Balance at the end of the year	**8,918**	**8,918**	**10,013**	**10,013**

27 / Other assets

Analysis of movements in the impairment allowance	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Balance at the beginning of the year	2,561	2,327	2,901	2,462
Charge for the year	132	55	381	267
Recovery	(23)	(23)	(45)	(12)
Transfer to other assets	-	-	2	-
Written off	(428)	(428)	(391)	(390)
Sale of subsidiary	-	-	(287)	-
Currency revaluation	3	2	-	-
Balance at the end of the year	**2,245**	**1,933**	**2,561**	**2,327**

Collateral assumed on non-performing loans by type of property	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Residential property	7,991	7,991	8,626	8,626
Land	832	832	1,292	1,292
Commercial property	95	95	95	95
	8,918	**8,918**	**10,013**	**10,013**

28 / Deposits and balances due to banks

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Vostro accounts	12,681	11,223	33,705	31,222
Term deposits	515	515	794	794
	13,196	**11,738**	**34,499**	**32,016**

Concentration of deposits and balances due to banks

As at 31 December 2014 the Bank and the Group had balances with two clients (two as at 31 December 2013), which exceeded 10 % of total deposits and balances from banks. The gross value of these balances as of 31 December 2014 was EUR 5,344 thousand and EUR 15,711 thousand accordingly (2013: EUR 15,711 thousand and EUR 15,585 thousand).

29 / Current accounts and deposits due to customers

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Current accounts and demand deposits				
- Private companies residents	119,239	145,518	85,348	101,994
- Individuals residents	58,462	58,462	55,651	55,251
- Government – non-residents	39	39	-	-
- Private companies non-residents	1,997,325	1,997,325	1,761,675	1,761,675
- Individuals non-residents	485,697	485,697	326,286	326,286
Total current account and demand deposits	**2,660,762**	**2,687,041**	**2,228,960**	**2,245,206**
Term deposits				
- State enterprises	8,002	-	-	-
- Private companies residents	59,390	8,002	4,731	3,685
- Individuals residents	1,011	59,373	33,915	33,631
- Private companies non-residents	143,238	143,238	142,782	142,782
- Individuals non-residents	83,323	83,323	48,984	48,984
Subordinated deposits				
- Individuals residents	11,263	11,263	10,013	10,013
- Private companies non-residents	31,140	31,140	27,726	27,726
- Individuals non-residents	84,577	84,577	67,594	67,594
Total term deposits	**421,944**	**420,916**	**335,745**	**334,415**
Total current accounts and deposits due to customers	**3,082,706**	**3,107,957**	**2,564,705**	**2,579,621**

Subordinated deposits have a fixed term of at least five years from their origination, and are repayable before maturity only on winding up or bankruptcy of the Bank and rank before shareholders' claims.

(A) Blocked accounts

As of 31 December 2014, the Bank maintained customer deposit balances of EUR 12,242 thousand (2013: EUR 11,979 thousand) which were blocked by the Bank as collateral for loans and financial guarantees and letters of credit granted by the Bank.

(B) Concentrations of current accounts and customer deposits

As of 31 December 2014 and 2013, the Bank and the Group had no customers, whose balances exceeded 10% of total customer accounts.

30 / Issued debt securities

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Subordinated bonds				
- Individuals residents	3,074	3,074	3,227	3,227
- Private companies non-residents	5,260	5,260	5,893	5,893
- Individuals non-residents	11,164	11,164	9,354	9,354
Total	**19,498**	**19,498**	**18,474**	**18,474**

Subordinated bonds have a fixed term of seven years at their origination, and are repayable before maturity only on winding up or bankruptcy of the Bank and rank before shareholders' claims. Bonds are listed on the Nasdaq OMX Riga exchange with the following maturities and carrying amounts:

Name	Rietumu Bank EURSB-1	Rietumu Bank USDSB-1	Rietumu Bank USDSB-2
ISIN	LV0000800993	LV0000801009	LV0000801025
Maturity	7 September 2019	7 September 2019	14 September 2019
Carrying amount, EUR '000	10,222	5,051	4,225

There were no defaults on interest or other breaches with respect to issued debt securities.

31 / Other liabilities and accruals

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Annual leave accrual	1,219	1,072	1,170	1,037
Deferred income	3,217	1,261	1,197	1,191
Management bonus accrual	5,118	5,042	7,430	7,400
Deposits guarantee fund	1,112	1,062	1,309	1,290
VAT payable	547	-	748	107
Estimated liabilities to FKTK	124	-	-	-
Dividends payable	24	6	14	6
Prepayments	311	20	2,203	113
Accounts payable to suppliers and other	4,454	2,345	5,028	2,440
	16,126	**10,808**	**19,099**	**13,584**

32 / Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as of 31 December 2014 and 2013.

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

The Group

	Assets		Liabilities		Net	
'000 EUR	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Financial instruments at fair value through profit or loss	39	56	-	-	39	56
Loans and advances to customers	394	247	-	-	394	247
Available-for-sale financial assets	806	-	-	(176)	806	(176)
Property and equipment	8	11	(1,351)	(1,480)	(1,343)	(1,469)
Intangible assets	-	-	-	(197)	-	(197)
Investment property	-	104	(2,318)	(2,446)	(2,318)	(2,342)
Other assets	282	1,050	(34)	(3)	248	1,047
Tax loss carried forward	59	-	-	-	59	-
Other liabilities	1,193	1,339	-	(546)	1,193	793
Total recognised deferred tax assets/(liabilities)	**2,781**	**2,807**	**(3,703)**	**(4,848)**	**(922)**	**(2,041)**
Unrecognised deferred tax assets					**(1,164)**	**(290)**
Recognised deferred tax liabilities					**(2,086)**	**(2,331)**

The rate of tax applicable for deferred taxes was equals to the tax rate applicable in countries in which subsidiaries operate, as disclosed in Note 15.

32 / Deferred tax asset and liability

Movement in temporary differences during the year ended 31 December 2014	2014 '000 EUR	2013 '000 EUR
Balance at 1 January – deferred tax liability	(2,803)	(4,022)
Balance at 1 January – deferred tax asset	472	201
Prior year adjustment	26	24
Purchase of subsidiaries	(1)	-
Sale of subsidiary	(43)	657
Charge to profit for the year	12	221
Transfer to retained earnings	9	441
Release in other comprehensive income	177	112
Currency revaluation	65	35
Balance at 31 December	**(2,086)**	**(2,331)**
Deferred tax asset	**485**	**472**
Deferred tax liability	**(2,571)**	**(2,803)**

Deferred tax asset and liability are shown net on individual subsidiaries level, but are not netted on Group level.

The Bank

	Assets		Liabilities		Net	
'000 EUR	2014	2013	2014	2013	2014	2013
Financial instruments at fair value through profit or loss	39	56	-	-	39	56
Loans and advances to customers	120	43	-	-	120	43
Available-for-sale financial assets	1,699	609	(479)	(656)	1,220	(47)
Investments in subsidiaries	1,750	790	-	-	1,750	790
Property and equipment	152	-	(1,162)	(847)	(1,010)	(847)
Investment property	-	-	(47)	(93)	(47)	(93)
Other assets	192	192	-	-	192	192
Other liabilities	972	1,266	-	-	972	1,266
Total recognised deferred tax assets/(liabilities)	**4,924**	**2,956**	**(1,688)**	**(1,596)**	**3,236**	**1,360**
Unrecognised deferred tax assets					**(3,108)**	**(1,080)**
Recognised deferred tax assets/(liabilities)					**128**	**280**

The rate of tax applicable for deferred taxes was 15% (2013: 15%).

33 / Share capital and reserves

(A) Issued capital and share premium

The largest shareholders of the Bank as of December 31, 2014 and December 31, 2013 are as follows:

	2014 '000 EUR	%	2013 '000 EUR	%
Ordinary shares				
Companies non-residents, total	**47,111**		**47,111**	
Boswell (International) Consulting Limited	47,111	33,11%	47,111	33,11%
Private persons, total	**95,176**		**95,176**	
Leonid Esterkin	47,126	33,12%	47,126	33,12%
Arkady Suharenko	24,665	17,34%	24,665	17,34%
Others	23,385	16,43%	23,385	16,43%
Ordinary shares, total	**142,287**	**100%**	**142,287**	**100%**
Preference shares				
Companies	7,963		-	
Private persons	10,593		-	
Preference shares, total	**18,556**		**-**	
Issued capital	160,843		142,287	
Share premium	**33,882**		**6,843**	

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank and to residual assets.

(B) Re-registration of share capital in EUR

Following the law requirement, the Bank re-registered its share capital in Euro on 10 March 2014. The share capital as of 1 January 2014 consists of 101,633,700 shares in total nominal value of EUR 142,287 thousand. The nominal value of one share is EUR 1.40. The structure of shareholders holding ordinary shares did not change due to this re-registration.

(C) Issue of preference shares

On 15 March 2014, the Bank increased its capital by issuing 13.25 million preference shares with par value of 1.40 EUR and share premium of 2.04 EUR.

Preference shares are shares which have preference over ordinary shares for payment of dividend. The dividend is defined as percentage of issuance price and if not paid, it is accumulated. It is upon Bank's discretion to delay the dividend payments indefinitely. Preference share shareholders do have voting rights if dividends are not received or are partly received for two consecutive years.

(D) Dividends

During reporting period dividends for the previous period were paid in amount of EUR 26,773 thousand and interim dividends were paid in amount of EUR 18,540 thousand. As at reporting date dividends in the amount of EUR 17,646 thousand were proposed. Paid and proposed dividends are proportionately divided between ordinary and preference shares.

(E) Other reserves

Out of all Other reserves those amounting to EUR 23 thousand at the Bank (2013: EUR 14,251 thousand) represent contributions made by shareholders in previous years. These reserves are not subject to any restrictions and majority of them was distributed to the shareholders based on their decision from 29 August 2014.

(F) Fair value reserve

The fair value reserve represents the changes in fair value of available for sale assets and is reduced by deferred tax charged on unrealised gains or losses on revaluation of the available for sale financial instruments.

33 / Share capital and reserves

(G) Revaluation reserve

A revaluation reserve represents the increase in the fair value of real estate properties classified under Property and equipment.

	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Revaluation reserve as at 1 January	2,217	-	3,798	2,496
Revaluation of property	-	-	602	-
Transfer to retained earnings	(24)	-	-	-
Release of revaluation reserve due to sale of property	(59)	-	(2,937)	(2,937)
Deferred tax on change in revaluation reserve	9	-	354	441
Increase/Decrease of revaluation reserve due to sale or purchase of subsidiary shares to third parties	-	-	400	-
Sale of subsidiary	(756)	-	-	-
Revaluation reserve as at 31 December	**1,387**	**-**	**2,217**	**-**

34 / Cash and cash equivalents

Cash and cash equivalents consist of the following:

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Cash	5,279	5,257	5,690	5,654
Balances due from the Bank of Latvia	153,295	153,295	516,911	516,911
	158,574	158,552	522,601	522,565
Demand loans and receivables from banks	1,552,447	1,551,774	729,834	728,352
Demand deposits and balances from banks	(12,681)	(11,223)	(33,705)	(31,222)
Total	**1,698,340**	**1,699,103**	**1,218,730**	**1,219,695**

35 / Commitments and guarantees

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

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

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

	31 Dec 2014 ’000 EUR Group	31 Dec 2014 ’000 EUR Bank	31 Dec 2013 ’000 EUR Group	31 Dec 2013 ’000 EUR Bank
Contracted amount				
Loan and credit line commitments	32,400	38,184	29,250	32,104
Credit card commitments	9,503	9,504	9,896	9,897
Undrawn overdraft facilities	15,153	15,153	7,975	7,975
Guarantees and letters of credit	17,493	17,493	13,909	13,909
Total	**74,549**	**80,334**	**61,030**	**63,885**

36 / Litigations

In the ordinary course of business, the Bank is subject to legal actions and complaints. As at 31 December 2014 there were 17 legal proceedings outstanding against the Bank. Total amount disputed in these proceedings is EUR 4,698 thousand (2013: EUR 4,489 thousand). No provisions were recognised as at 31 December 2014 and 2013, as the management based on the professional advice to the Bank considers that the loss is not likely to eventuate.

37 / Reverse repo

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Nomura International plc	59,747	59,747	35,071	35,071
KBC Bank NV	50,010	50,010	35,001	35,001
Merrill Lynch International	43,466	43,466	29,306	29,306
Brissard international	12	12	-	-
Natixis	-	-	50,930	50,930
Total	**153,235**	**153,235**	**150,308**	**150,308**

38 / Trust and custody activities

(A) Trust activities

Funds under trust management represent securities and other assets managed and held by the Bank and the Group on behalf of customers. The Bank and the Group earn commission income for holding such securities.

The Bank and the Group are not subject to interest, credit, liquidity, price and currency risk with respect of these securities in accordance with the agreements concluded with the customers. As at 31 December 2014 the total assets held by the Group on behalf of customers and assets under management were EUR 456,453 thousand (2013: EUR 604,305 thousand) and by the Bank EUR 465,073 thousand (2013: EUR 516,881 thousand) accordingly.

39 / Related party transactions

Related parties are defined as shareholders who have significant influence over the Bank, companies in which they have a controlling interest, members of the Council and Board of Directors, key management personnel, their close relatives and companies in which they have a controlling interest, as well as associated companies.

'000 EUR	31 Dec 2014			31 Dec 2013		
	Subsidiaries and associates	Key management	Other related parties	Subsidiaries and associates	Key management	Other related parties
Loans and receivables due from customers (gross)	121,152	509	1,315	154,248	1,579	1,579
Current accounts and deposits due to customers	26,780	70,763	10,013	15,494	49,269	14,139
Issued debt securities	-	153	-	-	-	-
Interest income	8,982	15	40	10,403	11	81
Interest expense	-	1,202	503	-	939	502

Total remuneration included in General administrative expenses (Note 14):

	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Members of the Council	165	312	235	235
Members of the Board Directors	3,455	2,499	1,438	1,328
Total	**3,620**	**2,811**	**1,673**	**1,563**

During the year 2014, the Bank paid rent and maintenance expenses to its subsidiary SIA Vesetas 7 in the amount of EUR 2,475 thousand (2013: EUR 2,297 thousand).

During the year 2014, the Bank received dividends from its subsidiaries RB Asset Management, Westtransinvest and InCredit GROUP in the amount of EUR 2,156 thousand (2013: EUR 753 thousand).

40 / Fair value of financial instruments

(A) Financial instruments measured at fair value

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

The Group

31 Dec 2014	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	99,573	-	619	100,192
Financial assets at fair value through profit or loss	10,819	739	-	11,558
Financial liabilities				
Financial investments at fair value through profit or loss	-	161	-	161

31 Dec 2013	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	44,278	32,984	-	77,262
Financial assets at fair value through profit or loss	17,118	1,532	-	18,650
Financial liabilities				
Financial investments at fair value through profit or loss	-	615	-	615

The Bank

31 Dec 2014	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	112,002	-	32,664	144,666
Financial assets at fair value through profit or loss	4,402	739	-	5,141
Financial liabilities				
Financial investments at fair value through profit or loss	-	161	-	161

31 Dec 2013	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	44,278	66,924	-	111,202
Financial assets at fair value through profit or loss	17,117	716	-	17,833
Financial liabilities				
Financial investments at fair value through profit or loss	-	615	-	615

40 / Fair value of financial instruments

The following table shows the valuation techniques used in measuring Level 2 and 3 fair values:

Type	Valuation technique
Financial assets and liabilities at fair value through profit or loss	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
Available for sale assets	Unit funds value calculation: The fair value of units in funds is calculated based on fair value of underlying assets that is based on either quoted prices in active market when underlying assets are securities or comparable deals with real estate when underlying assets are real estate properties.

Under Level 3 of fair value hierarchy were classified unites of RB Opportunity fund and certain shares, the fair value of which is measured based estimated fair value of underlying assets.

40 / Fair value of financial instruments

(B) Financial instruments not measured at fair value

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

The Group

31 December 2014	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances with central banks	-	-	158,574	158,574	158,574
Loans and receivables from banks	-	-	1,771,391	1,771,391	1,771,391
Loans and receivables from customers	-	-	1,041,444	1,041,444	1,041,444
Reverse repo	-	-	153,235	153,235	153,235
Held to maturity instruments	91,277	-	-	91,277	92,825
Financial liabilities					
Deposits and balances due to banks	-	-	13,196	13,196	13,196
Deposits and balances due to customers	-	-	3,082,706	3,082,706	3,082,706
Issued debt securities	-	-	19,498	19,498	19,498
31 December 2013					
Financial assets					
Cash and balances with central banks	-	-	522,601	522,601	522,601
Loans and receivables from banks	-	-	856,437	856,437	856,437
Loans and receivables from customers	-	-	1,125,278	1,125,278	1,125,278
Reverse repo	-	-	150,308	150,308	150,308
Held to maturity instruments	28,640	-	-	28,640	28,578
Financial liabilities					
Deposits and balances due to banks	-	-	34,499	34,499	34,499
Deposits and balances due to customers	-	-	2,564,705	2,564,705	2,564,705
Issued debt securities	-	-	18,474	18,474	18,474

40 / Fair value of financial instruments

The Bank

31 December 2014	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances with central banks	-	-	158,552	158,552	158,552
Loans and receivables from banks	-	-	1,770,718	1,770,718	1,770,718
Loans and receivables from customers	-	-	1,087,989	1,087,989	1,087,989
Reverse repo	-	-	153,235	153,235	153,235
Held to maturity instruments	88,268	-	-	88,268	89,808
Financial liabilities					
Deposits and balances due to banks	-	-	11,738	11,738	11,738
Deposits and balances due to customers	-	-	3,107,957	3,107,957	3,107,957
Issued debt securities	-	-	19,498	19,498	19,498
31 December 2013					
Financial assets					
Cash and balances with central banks	-	-	522,565	522,565	522,565
Loans and receivables from banks	-	-	853,612	853,612	853,612
Loans and receivables from customers	-	-	1,175,947	1,175,947	1,175,947
Reverse repo	-	-	150,308	150,308	150,308
Held to maturity instruments	28,640	-	-	28,640	28,578
Financial liabilities					
Deposits and balances due to banks	-	-	32,016	32,016	32,016
Deposits and balances due to customers	-	-	2,579,621	2,579,621	2,579,621
Issued debt securities	-	-	18,474	18,474	18,474

41 / Currency analysis

The following table shows the currency structure of financial assets and liabilities of the Group as at 31 December 2014:

The Group

	EUR '000 EUR	USD '000 EUR	BYR '000 EUR	Other currencies '000 EUR	Total '000 EUR
Financial assets					
Cash and balances with central bank	156,713	1,515	-	346	**158,574**
Financial instruments at fair value through profit or loss	851	9,358	-	1,349	**11,558**
Loans and receivables due from banks	639,667	1,012,099	250	119,375	**1,771,391**
Loans and receivables due from customers	410,374	624,539	-	6,531	**1,041,444**
Reverse repo	76,790	76,445	-	-	**153,235**
Available-for-sale assets	18,715	81,439	-	38	**100,192**
Held-to-maturity investments	4,625	88,200	-	-	**92,825**
Total financial assets	**1,307,735**	**1,893,595**	**250**	**127,639**	**3,329,219**
Financial liabilities					
Financial instruments at fair value through profit or loss	161	-	-	-	**161**
Deposits and balances from banks	4,691	7,496	-	1,009	**13,196**
Current accounts and deposits from customers	1,067,923	1,883,569	95	131,119	**3,082,706**
Issued debt securities	10,222	9,276	-	-	**19,498**
Total financial liabilities	**1,082,997**	**1,900,341**	**95**	**132,128**	**3,115,561**
Net position as of 31 December 2014	**224,738**	**(6,746)**	**155**	**(4,488)**	
Net off balance sheet position as of 31 December 2014	**(3,290)**	**5,826**	**-**	**(2,536)**	
Net total positions as of 31 December 2014	**221,448**	**(920)**	**155**	**(7,024)**	
Net total positions as of 31 December 2013	**110,362**	**43,961**	**2,192**	**4,306**	

41 / Currency analysis

The following table shows the currency structure of financial assets and liabilities of the Group as at 31 December 2013:

The Group

	EUR '000 EUR	USD '000 EUR	BYR '000 EUR	Other currencies '000 EUR	Total '000 EUR	Kopā '000 EUR
Financial assets						
Cash and balances with central bank	177,014	730	344,622	-	235	**522,601**
Financial instruments at fair value through profit or loss	885	5,696	3,273	-	8,796	**18,650**
Loans and receivables due from banks	980	709,100	54,249	2,322	89,786	**856,437**
Loans and receivables due from customers	50,523	706,049	358,527	-	10,179	**1,125,278**
Reverse repo	-	115,307	35,001	-	-	**150,308**
Available-for-sale assets	253	75,172	1,836	-	1	**77,262**
Held-to-maturity investments	-	11,149	17,429	-	-	**28,578**
Total financial assets	**229,655**	**1,623,203**	**814,937**	**2,322**	**108,997**	**2,779,114**
Financial liabilities						
Financial instruments at fair value through profit or loss	615	-	-	-	-	**615**
Deposits and balances from banks	683	24,963	3,974	-	4,879	**34,499**
Current accounts and deposits from customers	31,347	1,577,656	849,642	177	105,883	**2,564,705**
Issued debt securities	-	8,252	10,222	-	-	**18,474**
Total financial liabilities	**32,645**	**1,610,871**	**863,838**	**177**	**110,762**	**2,618,293**
Net position as of 31 December 2013	**197,010**	**12,332**	**(48,901)**	**2,145**	**(1,765)**	
Net off balance sheet position as of 31 December 2013	**(41,323)**	**31,629**	**3,576**	**47**	**6,071**	
Net total positions as of 31 December 2013	**155,687**	**43,961**	**(45,325)**	**2,192**	**4,306**	
Net total positions as of 31 December 2012	**132,758**	**(23,402)**	**(28,406)**	**697**	**(77)**	

41 / Currency analysis

The following table shows the currency structure of financial assets and liabilities of the Bank as at 31 December 2014:

The Bank

	EUR '000 EUR	USD '000 EUR	BYR '000 EUR	Other currencies '000 EUR	Total '000 EUR
Financial assets					
Cash and balances with central bank	156,691	1,515	-	346	**158,552**
Financial instruments at fair value through profit or loss	851	2,941	-	1,349	**5,141**
Loans and receivables from banks	639,307	1,011,960	84	119,367	**1,770,718**
Loans and receivables from customers	456,517	624,941	-	6,531	**1,087,989**
Reverse repo	76,790	76,445	-	-	**153,235**
Available-for-sale assets	50,762	93,844	-	60	**144,666**
Held-to-maturity investments	4,625	85,183	-	-	**89,808**
Total financial assets	**1,385,543**	**1,896,829**	**84**	**127,653**	**3,410,109**
Financial liabilities					
Financial instruments at fair value through profit or loss	161	-	-	-	**161**
Deposits and balances from banks	4,691	6,039	-	1,008	**11,738**
Current accounts and deposits from customers	1,084,776	1,891,916	95	131,170	**3,107,957**
Issued debt securities	10,222	9,276	-	-	**19,498**
Total financial liabilities	**1,099,850**	**1,907,231**	**95**	**132,178**	**3,139,354**
Net position as of 31 December 2014	**285,693**	**(10,402)**	**(11)**	**(4,525)**	
Net off balance sheet position as of 31 December 2014	**(3,290)**	**5,826**	**-**	**(2,536)**	
Net total positions as of 31 December 2014	**282,403**	**(4,576)**	**(11)**	**(7,061)**	
Net total positions as of 31 December 2013	**178,861**	**44,227**	**92**	**6,139**	

41 / Currency analysis

The following table shows the currency structure of financial assets and liabilities of the Bank as at 31 December 2013:

The Bank

	EUR '000 EUR	USD '000 EUR	BYR '000 EUR	Other currencies '000 EUR	Total '000 EUR	Kopā '000 EUR
Financial assets						
Cash and balances with central bank	177,001	730	344,622	-	212	**522,565**
Financial instruments at fair value through profit or loss	885	4,879	3,273	-	8,796	**17,833**
Loans and receivables from banks	764	708,963	53,884	221	89,780	**853,612**
Loans and receivables from customers	83,750	707,301	373,235	-	11,661	**1,175,947**
Reverse repo	-	115,307	35,001	-	-	**150,308**
Available-for-sale assets	63	75,172	35,967	-	-	**111,202**
Held-to-maturity investments	-	11,149	17,429	-	-	**28,578**
Total financial assets	**262,463**	**1,623,501**	**863,411**	**221**	**110,449**	**2,860,045**
Financial liabilities						
Financial instruments at fair value through profit or loss	615	-	-	-	-	**615**
Deposits and balances from banks	683	23,972	2,772	-	4,589	**32,016**
Current accounts and deposits from customers	33,856	1,578,679	861,118	176	105,792	**2,579,621**
Issued debt securities	-	8,252	10,222	-	-	**18,474**
Total financial liabilities	**35,154**	**1,610,903**	**874,112**	**176**	**110,381**	**2,630,726**
Net position as of 31 December 2013	**227,309**	**12,598**	**(10,701)**	**45**	**68**	
Net off balance sheet position as of 31 December 2013	**(41,323)**	**31,629**	**3,576**	**47**	**6,071**	
Net total positions as of 31 December 2013	**185,986**	**44,227**	**(7,125)**	**92**	**6,139**	
Net total positions as of 31 December 2012	**166,877**	**(11,841)**	**13,010**	**108**	**(57)**	

42 / Interest rate risk analysis

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Group as at December 31, 2014, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances with central bank	-	-	-	-	-	158,574	**158,574**
Financial instruments at fair value through profit or loss	40	20	3,843	-	-	7,655	**11,558**
Loans and receivables from banks	168,934	-	-	-	-	1,602,457	**1,771,391**
Loans and receivables from customers	141,669	478,253	89,155	114,079	6,751	211,537	**1,041,444**
Reverse repo	50,010	-	-	-	-	103,225	**153,235**
Available-for-sale assets	1,836	2,265	3,709	63,408	27,831	1,143	**100,192**
Held-to-maturity investments	16,949	222	261	47,271	25,105	3,017	**92,825**
Total financial assets	**379,438**	**480,760**	**96,968**	**224,758**	**59,687**	**2,087,608**	**3,329,219**
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	161	**161**
Deposits and balances from banks	152	132	531	1,157	-	11,224	**13,196**
Current accounts and deposits from customers	9,551	11,396	145,522	234,245	21,601	2,660,391	**3,082,706**
Issued debt securities	-	-	-	19,498	-	-	**19,498**
Total financial liabilities	**9,703**	**11,528**	**146,053**	**254,900**	**21,601**	**2,671,776**	**3,115,561**
Net position as at 31 December 2014	**369,735**	**469,232**	**(49,085)**	**(30,142)**	**38,086**	**(584,168)**	
Net position as at 31 December 2013	**442,380**	**433,126**	**69,645**	**(18,772)**	**(19,487)**	**(746,071)**	

42 / Interest rate risk analysis

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Group as at December 31, 2013, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances with central bank	-	-	-	-	-	522,601	**522,601**
Financial instruments at fair value through profit or loss	-	4,582	11,241	781	-	2,046	**18,650**
Loans and receivables from banks	124,260	976	1,343	-	-	729,858	**856,437**
Loans and receivables from customers	172,640	436,971	108,141	158,817	22,097	226,612	**1,125,278**
Reverse repo	136,971	13,337	-	-	-	-	**150,308**
Available-for-sale assets	12,002	87	30,412	1,550	-	33,211	**77,262**
Held-to-maturity investments	3,660	5,999	11,575	7,327	17	-	**28,578**
Total financial assets	**449,533**	**461,952**	**162,712**	**168,475**	**22,114**	**1,514,328**	**2,779,114**
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	615	**615**
Deposits and balances from banks	172	716	1,514	875	-	31,222	**34,499**
Current accounts and deposits from customers	6,981	28,110	91,553	186,372	23,127	2,228,562	**2,564,705**
Issued debt securities	-	-	-	-	18,474	-	**18,474**
Total financial liabilities	**7,153**	**28,826**	**93,067**	**187,247**	**41,601**	**2,260,399**	**2,618,293**
Net position as at 31 December 2013	**442,380**	**433,126**	**69,645**	**(18,772)**	**(19,487)**	**(746,071)**	
Net position as at 31 December 2012	**725,845**	**310,511**	**7,793**	**28,830**	**(2,863)**	**(988,545)**	

42 / Interest rate risk analysis

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Bank as at December 31, 2014, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances with central bank	-	-	-	-	-	158,552	**158,552**
Financial instruments at fair value through profit or loss	40	20	3,843	-	-	1,238	**5,141**
Loans and receivables from banks	168,934	-	-	-	-	1,601,784	**1,770,718**
Loans and receivables from customers	138,141	474,664	92,291	164,605	6,751	211,537	**1,087,989**
Reverse repo	50,010	-	-	-	-	103,225	**153,235**
Available-for-sale assets	1,836	2,265	3,709	63,408	27,831	45,617	**144,666**
Held-to-maturity investments	16,949	222	261	47,271	25,105	-	**89,808**
Total financial assets	**375,910**	**477,171**	**100,104**	**275,284**	**59,687**	**2,121,953**	**3,410,109**
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	161	**161**
Deposits and balances from banks	-	-	-	515	-	11,223	**11,738**
Current accounts and deposits from customers	9,254	11,396	145,484	233,233	21,549	2,687,041	**3,107,957**
Issued debt securities	**-**	**-**	**-**	**19,498**	**-**	**-**	**19,498**
Total financial liabilities	**9,254**	**11,396**	**145,484**	**253,246**	**21,549**	**2,698,425**	**3,139,354**
Net position as at 31 December 2014	**366,656**	**465,775**	**(45,380)**	**22,038**	**38,138**	**(576,472)**	
Net position as at 31 December 2013	**451,259**	**478,000**	**63,568**	**(20,160)**	**(9,805)**	**(733,543)**	

42 / Interest rate risk analysis

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Bank as at December 31, 2013, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances with central bank	-	-	-	-	-	522,565	**522,565**
Financial instruments at fair value through profit or loss	-	4,582	11,241	781	-	1,229	**17,833**
Loans and receivables from banks	124,259	976	-	-	-	728,377	**853,612**
Loans and receivables from customers	181,385	481,535	102,078	154,992	31,780	224,177	**1,175,947**
Reverse repo	136,971	13,337	-	-	-	-	**150,308**
Available-for-sale assets	12,002	87	30,412	1,550	-	67,151	**111,202**
Held-to-maturity investments	3,660	5,999	11,575	7,327	17	-	**28,578**
Total financial assets	**458,277**	**506,516**	**155,306**	**164,650**	**31,797**	**1,543,499**	**2,860,045**
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	615	**615**
Deposits and balances from banks	-	424	370	-	-	31,222	**32,016**
Current accounts and deposits from customers	7,018	28,092	91,368	184,810	23,128	2,245,205	**2,579,621**
Issued debt securities	**-**	**-**	**-**	**-**	**18,474**	**-**	**18,474**
Total financial liabilities	**7,018**	**28,516**	**91,738**	**184,810**	**41,602**	**2,277,042**	**2,630,726**
Net position as at 31 December 2013	**451,259**	**478,000**	**63,568**	**(20,160)**	**(9,805)**	**(733,543)**	
Net position as at 31 December 2012	**730,392**	**358,064**	**(1,893)**	**46,382**	**4,824**	**(969,673)**	

43 / Operating segments

The Group has four reportable segments, as described below, which are the Group`s strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

For each of the strategic business units, the Group upper level management reviews internal management reports on at least monthly basis.

The following summary describes the operations in each of the Group`s reportable segments:

Lending & Investment	Includes commercial loans to customers, trade finance, private mortgages and other financing products and investments.
Customer services	Includes general banking operations, customer payments, credit card transactions and other transactions with all customers.
Financial markets & Treasury	Includes customer asset management products such as funds as well as customer securities brokerage, customer repurchase financing and includes funding of the bank's activities though customer deposits, liquidity management, foreign exchange, issues of debt securities, investing in liquid assets such as short term placements and corporate and government securities.
Investments and non-banking segments	Includes business activities of Group subsidiaries and non-banking income including real estate rental and leasing businesses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group upper level management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is based on resources cost compensation, calculation based on management`s assessment of the level of risk.

The following table shows the operating segment structure of gross revenue and financial assets and liabilities of the Group as at 31 December 2014:

`000 EUR	**Lending &investment**	**Customer services**	**Financial markets & Treasury**	**Investment and non-banking segments**	**Total**
External revenue					
Net interest income	70,077	231	(7,306)	13,934	**76,936**
Net fee and commission income	215	43,027	2,345	135	**45,722**
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	250	(335)	**(85)**
Net foreign exchange income	-	4,407	19,005	(1,335)	**22,077**
Net recognised gain on available-for-sale assets	-	-	762	-	**762**
Share of profit of equity accounted investees (net of income tax)	-	-	-	(19)	**(19)**
Other income/(expense)	2,419	16	89	6,636	**9,160**
Inter segment revenue	**(36,767)**	**9,059**	**27,708**	**-**	**-**
Total segment revenue	**35,944**	**56,740**	**42,853**	**19,016**	**154,553**
Impairment losses on financial assets	(17,540)	(22)	(1,885)	(586)	**(20,033)**
Reportable segment profit before income tax	**11,814**	**35,730**	**35,559**	**3,918**	**87,021**
Reportable segment assets	**905,714**	**141,339**	**2,065,059**	**140,401**	**3,252,513**
Reportable segment liabilities	**-**	**2,516,661**	**595,918**	**2,982**	**3,115,561**

43 / Operating segments

The following table shows the operating segment structure of gross revenue and financial assets and liabilities of the Group as at 31 December 2013:

`000 EUR	Lending &investment	Customer services	Financial markets & Treasury	Investment and non-banking segments	Total
External revenue					
Net interest income	59,908	(63)	(6,972)	13,636	**66,509**
Net fee and commission income	320	34,387	1,989	785	**37,481**
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	1,517	(66)	**1,451**
Net foreign exchange income	-	4,946	18,052	(611)	**22,387**
Net gain/(loss) on the net monetary position	-	-	-	(310)	**(310)**
Net recognised gain on available-for-sale assets	-	-	1,044	893	**1,937**
Share of profit of equity accounted investees (net of income tax)	-	-	-	(44)	**(44)**
Other income/(expense)	1,801	313	(883)	9,532	**10,763**
Inter segment revenue	**(33,286)**	**7,551**	**25,735**	**-**	**-**
Total segment revenue	**28,743**	**47,134**	**40,482**	**23,813**	**140,174**
Impairment losses on financial assets	(15 018)	(6)	(77)	(1,033)	**(16,134)**
Reportable segment profit before income tax	**42,634**	**21,769**	**6,206**	**964**	**71,573**
Reportable segment assets	**918,395**	**65,452**	**1,776,140**	**90,001**	**2,849,988**
Reportable segment liabilities	**-**	**2,026,814**	**586,919**	**4,560**	**2,618,293**

43 / Operating segments

	2014 '000 EUR	2013 '000 EUR
Revenues		
Total revenue for reportable segments	154,553	104,174
Unallocated amounts	-	-
Consolidated revenue	154,553	104,174
Profit or loss		
Total profit or loss for reportable segments	87,021	71,573
Unallocated amounts	**-**	**-**
Consolidates profit before income tax	**87,021**	**71,573**
Assets		
Total assets for reportable segments	**3,252,513**	**2,849,988**
Other unallocated amounts	**225,250**	**77,791**
Consolidated total amounts	**3,477,763**	**2,927,779**

Other unallocated amounts to assets: Property and equipment, Intangible assets, Non-current assets held for sale, Current tax asset, Deferred tax asset and Other assets (excluding collateral assumed on non-performing loans).

Liabilities		
Total liabilities for reportable segments	3,115,561	2,618,293
Other unallocated amounts	20,299	26,616
Consolidated total amounts	3,135,860	2,644,909

Other unallocated amounts to liabilities: Current tax liability, Deferred tax liability and Other liabilities.

44 / Non-controlling interest in subsidiaries

The following table summarises the information relating to each of the Group`s subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2014 and for the year then ended:

`000 EUR	InCredit Group SIA	RAM Fund-FI Investment grade USD	Other subsidiaries	Total
Percentage of Non-controlling interest	**49%**	**31,32%**		
Financial instruments at fair value through profit or loss	-	3,129		
Loans and advances due from customers	28,023	-		
Other assets	934	2,811		
Deposits and balances due to financial institutions	(21,554)	-		
Current accounts and deposits due to customers	(1,004)	-		
Other liabilities	(2,422)	(13)		
Net assets	**3,977**	**5,926**		
Carrying amount of Non-controlling interest	**1,949**	**1,857**	**470**	**4,275**
Revenue	8,322	(40)		
Profit after tax	2,099	58		
Total comprehensive income	**2,099**	**58**		
Profit/(loss) allocated to Non-controlling interest	**1,028**	**18**	**(41)**	**1,005**
Cash flows from operating activities	(3,611)	(3,112)		
Cash flows from investment activities	(93)	-		
Cash flows from financing activities, before dividends to NCI	4,492	5,869		
Cash flows from financing activities - cash dividends to NCI	(1,000)	-		
Net increase (decrease) in cash and cash equivalents	**(212)**	**2,757**		

44 / Non-controlling interest in subsidiaries

The following table summarises the information relating to each of the Group`s subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2013 and for the year then ended:

`000 EUR	InCredit Group SIA	Other subsidiaries	Total
Percentage of Non-controlling interest	**49%**		
Loans and advances due from customers	22,101		
Other assets	1,046		
Deposits and balances due to financial institutions	(17,652)		
Current accounts and deposits due to customers	(401)		
Other liabilities	(2,216)		
Net assets	**2,878**		
Carrying amount of Non-controlling interest as at 31 Dec 2013	**1,410**	**614**	**2,024**
Revenue	6,905		
Profit	1,805		
Total comprehensive income	**1,805**		
Profit/(loss) allocated to Non-controlling interest	**884**	**506**	**1,390**
Cash flows from operating activities	(3,954)		
Cash flows from investment activities	(114)		
Cash flows from financing activities, before dividends to NCI	4,226		
Cash flows from financing activities - cash dividends to NCI	-		
Net increase (decrease) in cash and cash equivalents	**158**		

A part of profit of subsidiary Westtransinvest Ltd earned in period ended 31 December 2013 was allocated to non-controlling interest. The non-controlling interest was subsequently purchased by the Group by the end of the same period.

As at 31 December 2013, a non-controlling interest of EUR 499 thousand related to RB Asset Management JSC IPS included in Other subsidiaries. The subsidiary was disposed off in 2014 and the financial information as at the date of disposal is presented in Note 45.

45 / Disposal of subsidiaries

The disposal of the subsidiaries had the following effect on the Group`s assets and liabilities at the date of disposal:

	"Armitana property" Ltd	"Aquarium investments" JSC IPS (former "RB Asset management" JSC IPS)	OAO "RB Securities"	"Mezvidi AT" Ltd	"West-leasing-M" Ltd	V7 Holding	B54 Holding Group	Total
Disposed shares %	**100%**	**65.10%**	**100%**	**100%**	**100%**	**100%**	**100%**	
Assets	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Loans and advances due from banks	1	1,161	1,429	3	228	156	116	**3,094**
Loans and receivables due from customers	-	-	1	-	-	-	-	**1**
Property and equipment	6	15	1	-	1,094	-	-	**1,116**
Investment property	1,850	-	-	391	-	-	-	**2,241**
Other assets	76	73	55	-	696	-	-	**900**
Deferred tax asset	104	-	-	-	-	-	-	**104**
Liabilities								
Deposits and balances due to banks	(758)	-	-	-	(2,682)	-	-	**(3,440)**
Current accounts and deposits due to customers	(1,275)	-		(48)	-	-	-	**(1,323)**
Current tax liability	(38)	(30)		-	-	-	-	**(68)**
Deferred tax liability					(62)		-	**(62)**
Other liabilities	(367)	(59)	(22)	-	(87)	-	(15)	**(550)**
Net identifiable assets and liabilities	**(401)**	**1,160**	**1,464**	**346**	**(813)**	**156**	**101**	**2,013**
Attributable to equity holders of the Bank	**(401)**	**755**	**1,464**	**346**	**(813)**	**156**	**101**	**1,608**
Consideration received	**-**	**648**	**1,647**	**354**	**-**	**145**	**90**	**2,884**

46 / Transactions with non-controlling interest without impact on control

In 2014, the Group invested into open ended funds, for which the Group is asset manager and in which the Group holds majority shares. Units of the funds are traded on regular basis, and for the year ended on 31 December 2014 the trades resulted in net increase in non-controlling interest amounting to EUR 2,310 thousands.

During the year 2013, the Group entered into several transactions with shareholders of non-controlling interests of the Group's subsidiaries. The result of the transactions is summarized below:

'000	Westtransinvest Ltd	Westleasing Ltd	Westleasing-M Ltd	RB Asset Management AS	SBD Ltd
Non-controlling interest purchased / (sold)	**50%**	**50%**	**50%**	**(34,9%)**	**(33,1%)**
Net assets at the date of the purchase / (sale)	**2,061**	**33**	**70**	**(281)**	**(152)**
Consideration (paid) / received	**(1,817)**	**(28)**	**(80)**	**270**	**2**
Impact on individual items of equity					
Increase in revaluation reserve	32	-	369	-	-
Increase / (decrease) in foreign currency translation reserve	(225)	(112)	(216)	-	-
Increase / (decrease) in retained earnings	437	117	(166)	(11)	(151)

47 / Subsequent events

In February 2015 the legal form of shareholding of L. Esterkin and A. Suharenko was restructured. The private shareholding was replaced by two Latvian registered holding companies which are in turn fully owned by L. Esterkin and A. Suharenko.

After reporting period the Bank increased its capital on January 2015 by issuing 1.92 million preference shares with value of 1.40 EUR and share premium of 3.03 EUR.

On March 2015 the Bank increased its capital by issuing 0.84 million preference shares with value 1.40 EUR and share premium of 3.16 EUR.

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