Baltic International Bank

JSC "Baltic International Bank"

2015 Annual Report

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Report of the Chairperson of the Supervisory Council and the Chairperson of the Management Board

Dear Ladies and Gentlemen,

In these 2015 Financial Statements of JSC Baltic International Bank (further referred to as the Bank; the Bank together with subsidiaries referred to as the Group; the Group's financials are enclosed within the parentheses), we provide our financial results and wish to inform you of our main business priorities and achievements. In accordance with its strategy, the Bank continued to gradually rebuild its business model to ensure its sustainability while taking into account the current challenges and factors influencing the future development. In addition to scheduled tasks, the Bank ought to make non-standard decisions nearly across all of its business areas. In 2015, the focus was placed primarily on profitability of financial performance. Risk management was a special focus area. The Bank's liquidity position remained stable; as at 31 December 2015, the liquidity ratio was 91.96 percent and significantly exceeded the minimum internal and external threshold of 60 percent. The Bank's liquidity coverage ratio (LCR) reached a record high of 531.11 percent (530.80 percent). The Bank continued to maintain strong capital adequacy ratios: common equity tier 1 (CET1) ratio of 12.41 percent (12.16 percent) and total capital ratio of 17.38 percent (17.15 percent). The leverage ratio was 4.75 percent (4.69 percent).

As far as business profitability is concerned, it should be emphasised that the Bank saw an increase in non-interest income, namely, the net fee and commission income and income from forex transactions. The aforesaid income, as a percentage of the operating income, made up 79.9 percent (79.7 percent). Income from assets under management increased by 65 percent and reached EUR 1.14 million. Income from servicing customer accounts, including the execution of transactions, increased by +25.6 percent and reached EUR 4.95 million. According to the 2015 results, the Bank's operating income increased by 35.6 percent (34.6 percent) and reached EUR 19.78 (19.81) million.

The key ratios of the Bank's balance sheet showed stable growth: the Bank's assets grew by 3.7 percent (3.6 percent) to reach EUR 550.43 (550.11) million. The volume of customers' funds (including assets under management, brokerage portfolio, debt securities issued, deposits, and subordinated deposits) increased by 7.5 percent to reach EUR 728.19 (728.17) million.

The Bank's loan portfolio and securities portfolio are fully financed through customers' funds. The total deposits accounted for EUR 473.26 (473.25) million or 91.2 percent of the total liabilities as at 31 December 2015. The Bank continued to actively boost its securities portfolio; over the year, the investments increased by EUR 135.40 million or 140.2 percent. As at 31 December 2015, the Bank's securities portfolio totalled EUR 231.96 million or 42.1 percent of the total assets. Practically the whole portfolio consists of fixed-income debt securities issued by the issuers carrying high credit ratings. As a result, the portfolio generates a stable rate of return. Bonds of multilateral development banks (MDBs) and government bonds make up 53.8 percent of the portfolio. Sovereign bonds make up 38.5 percent of the total portfolio.

The volume of the loan portfolio totalled EUR 70.32 (68.49) million or 12.8 percent (12.4 percent) of the total assets as at 31 December 2015. The volume of the loan portfolio decreased by 28.1 percent (28.7 percent) as a result of repayment of the outstanding loans and because the Bank has shifted its geographical priorities towards financing projects in Western Europe.

Throughout the entire year, the Bank continued to issue bonds which proved conducive to the diversification of sources of business financing. The customers viewed the bonds as an attractive long-term investment vehicle. On 31 July 2015, for the first time in its history, the Bank carried out the public issue of its own bonds. On 12 August 2015, the Bank's bonds were for the first time admitted to official stock-exchange listing on Nasdaq Riga and quoted on the Nasdaq Baltic Bond List. The official listing on Nasdaq Riga presents strong evidence of the Bank's overall stability and openness to investors, significantly boosts the Bank's brand awareness and visibility internationally, and enables the Bank to take advantage of the vast benefits offered by public market. In December 2015, the Bank successfully completed its Bond Offering Programme No 2 EUR 10 million worth. Under the Programme, the Bank launched 5 issues of EUR- and USD-denominated fixed-income bonds. The volume of bonds in public circulation totalled EUR 10.01 million as at 31 December 2015. The total volume of bonds issued by the Bank made up EUR 16.43 million.

The Bank continued to develop investment business by launching projects to be co-financed by customers and by diversifying the offered wealth management strategies. While keeping focus on alternative investments, Banka embarked on selecting the respective projects, enhancing the area-related competencies, and engaging business partners. The Bank's management believes that the alternative investments, especially those associated with alternative energy and responsible use of natural resources, provide additional diversification opportunities and promise income to the investors. The alternative investments also have positive effects on the environment wherein we live and work. The Bank is guided by the principle of responsibility while developing its strategy until 2030 which encompasses not only investments but also all areas of banking business.

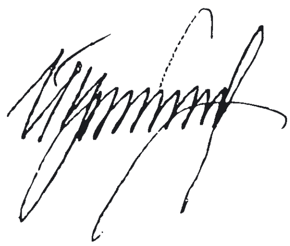
The Bank continued to make allowances for loans while being guided by prudence and evaluating situation on markets where the Bank has expositions. The volume of loan loss allowances totalled EUR 13.501 million by the end of 2015. This factor coupled with the fine imposed on the Bank by the Financial and Capital Market Commission (FCMC) based on the deficiencies of the Bank's internal control system, as identified during the previous years, has affected the financial results and prevented the Bank from gaining the anticipated profit. As a result, the loss totalled EUR 1.797 million, regardless of a significant increase in the operating income.

In 2015, the Bank continued to implement serious measures aimed at improving the Bank's internal control system, and particularly in respect of money laundering and terrorist financing (ML/TF) risks. The Bank expanded its staff specifically charged with supervising customers' activities and ensuring AML/CFT compliance. The Bank reinforced its control functions in the respective business areas, formulated relevant policies and procedures, and streamlined technologies. The Bank devoted a lot of effort to boost the effectiveness and raise professional competences. The Bank believes that its established system is quite efficient to enable the Bank to appropriately manage risks inherent in the Bank's business model. The FCMC has confirmed that the Bank's internal control system is compliant with the applicable laws and regulatory requirements. The FCMC supports the Bank's AML/CFT-specific measures, both already taken and scheduled.

As a socially responsible entity, Bank not only pays attention to its employees but also supports cultural initiatives. At the end of October, a presentation of the ninth novel included within the series of Latvian historical novels "Mēs. Latvija, XX gadsimts" (We. Latvia, 20th century) was held. The ninth novel titled "Mātes piens" (Mother's Milk) was written by Nora Ikstena. The National Culture Capital Foundation (Valsts kultūrkapitāla fonds) of the Republic of Latvia, a patron of arts Valeri Belokon, and Baltic International Bank cosponsored the publication of the novel. In October, the international tournament Baltic International Bank Tennis Cup 2015 for U14 age group was arranged. Baltic International Bank is striving for and pursuing operational excellence. The Bank therefore supports excellent events geared towards spurring future growth.

Statement on Corporate Governance published on Bank's website www.bib.eu

29 March 2016



Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

Supervisory Council and Management Board

Supervisory Council (as of 31 December 2015)

Name	Position held	Appointed	Re-appointed
Valeri Belokon	Chairperson of the Supervisory Council	15/09/2010	27/11/2015
Albert Reznik	Deputy Chairperson of the Supervisory Council	15/09/2010	19/08/2011
	Member of the Supervisory Council	09/08/2010	19/08/2011
Vlada Belokon	Member of the Supervisory Council	19/08/2011	27/11/2015

Management Board (as of 31 December 2015)

Name	Position held	Appointed	Re-appointed
Ilona Gulchak	Chairperson of the Board	25/01/2008	03/02/2011
Natalya Tkachenko	Deputy Chairperson of the Board	26/02/2008	13/08/2015
	Member of the Board	01/08/2007	13/08/2015
Alon Nodelman	Member of the Board	15/08/2003	13/08/2015
Dinars Kolpakovs	Member of the Board	13/09/2005	13/08/2015
Inese Lazdovska	Member of the Board	17/10/2014	—
Martins Neibergs	Member of the Board	24/04/2015	—

In the year ended 31 December 2015, no changes have been made in the Supervisory Council membership.

During the year ended 31 December 2015 the following changes were made in the composition of JSC "Baltic International Bank" Management Board:

According to the Supervisory Council's resolution of 24 April 2015, Martinsh Neibergs was elected as a member of the Board.

During the period from 1 January 2016 to the date of the approval of these financial statements the following changes were made in the composition of JSC "Baltic International Bank" Council and Management Board:

Supervisory Council
In January 2016, a newly-composed Council of JSC "Baltic International Bank" started its operation. The three-member Council comprises Valeri Belokon and Vlada Belokon, the both re-elected for a further term of office, and the newly-elected Andris Ozolins. The newly-composed Council was elected on 27 November 2015 by the extraordinary general meeting of the shareholders. The members of the Council will each serve a 5-year term starting from 4 January 2016.

Management Board
According to the Council's resolution of 12 January 2016, Bogdan Andrushchenko was elected as a member of the Board. According to the Council's resolution of 12 January 2016, Dace Duklava-Kokina and Albert Reznik were elected as nominee members of the Board.

Statement of Management's Responsibility

Riga 29 March 2016

The management of JSC "Baltic International 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 financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statements.

The Financial Statements on pages 10 to 108 are prepared in accordance with the source documents and fairly present the financial position of the Group and Bank as at 31 December 2015 and the results of their performance and cash flows for the year ended 31 December 2015.

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

On behalf of the Management of the Bank and Group:

Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

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Independent Auditors' Report

To the shareholders of JSC "Baltic International Bank"

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of JSC "Baltic International Bank" ("the Bank"), which comprise the separate statement of financial position as at 31 December 2015, the separate statements of comprehensive income, changes in shareholders' 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 10 to 108. We have also audited the accompanying consolidated financial statements of JSC "Baltic International Bank" and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in shareholders' 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 10 to 108.

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 Bank'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 Bank'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 Bank'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.

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

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

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 53 of the separate and consolidated financial statements which describes the Bank's and Group's capital adequacy position, regulatory fine impact on the Bank's and Group's business operations, and the Bank's and Group's long term profitabilty perspectives in light of recent losses, and management's assessment of these. The note further describes the management assumptions and actions as to the material uncertainty resulting from these events and future prospects in relation to the Bank's and Group's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements
In addition, our responsibility is to assess whether the accounting information included in the Report of the Chairperson of the Supervisory Council and the Chairperson of the Management board, as set out on pages 3 to 5, the preparation of which is the responsibility of management, is consistent with the consolidated financial statements. Our work with respect to the Report of the Chairperson of the Supervisory Council and the Chairperson of the Management Board 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 Report of the Chairperson of the Supervisory Council and the Chairperson of the Management board is consistent with the consolidated financial statements.
Furthermore, we have received the statement of corporate governance prepared by the Bank for the year ended 31 December 2015. In our opinion, the statement of corporate governance entails the information required by section 56.2 third paragraph clause 1 of the Financial Instruments Market Law.

KPMG Baltics SIA
Licence No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
29 March 2016

Rainers Vilāns
Sworn Auditor
Certificate No 200

Group Consolidated and Bank Separate Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Interest income	6	6 332 606	6 400 073	7 337 472	7 397 759
Interest expense	7	(2 968 185)	(2 889 376)	(2 694 816)	(2 694 651)
Net interest income		**3 364 421**	**3 510 697**	**4 642 656**	**4 703 108**
Fee and commission income	8	11 107 012	11 108 358	7 681 208	7 682 384
Fee and commission expense	9	(3 881 062)	(3 881 002)	(1 704 521)	(1 704 207)
Net fee and commission income		**7 225 950**	**7 227 356**	**5 976 687**	**5 978 177**
Dividend income		2 345	2 345	6 614	6 614
Net trading profit/(loss)	10	31 067	31 067	(326 964)	(326 964)
Net foreign exchange income	10	8 559 109	8 572 829	3 902 339	3 913 340
Other operating income		628 781	431 199	518 231	309 251
Total operating income		**19 811 673**	**19 775 493**	**14 719 563**	**14 583 526**
Administrative expenses	11	(13 848 683)	(13 706 342)	(13 021 025)	(12 843 185)
Other operating expenses	12	(1 392 023)	(1 383 215)	(184 177)	(181 499)
Net impairment loss	13	(5 558 088)	(5 715 209)	(2 921 920)	(2 921 920)
Loss on revaluation of investment property	25	(1 057 560)	(948 765)	(279 329)	(242 482)
Loss before income tax		**(2 044 681)**	**(1 978 038)**	**(1 686 888)**	**(1 605 560)**
Income tax benefit	14	180 416	180 854	130 253	131 079
Loss for the period		**(1 864 265)**	**(1 797 184)**	**(1 556 635)**	**(1 474 481)**
Other comprehensive income/(loss)					
Items that are or may be reclassified to profit or loss					
Available for sale financial assets – net change in fair value		1 625 691	1 625 691	33 283	33 283
Available for sale financial assets, reclassified to profit or loss		(9 889)	(9 889)	(217 177)	(217 177)
Total comprehensive loss for the period		**(248 463)**	**(181 382)**	**(1 740 529)**	**(1 658 375)**

The accompanying notes on pages 18 to 108 are an integral part of these Financial Statements.

The Financial Statements on pages 10 to 108 have been authorised for issue by the Council and the Board on 29 March 2016, and signed on their behalf by:

Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

Group Consolidated and Bank Separate Statement of Financial Position

as at 31 December 2015

Assets	Notes	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Cash and due from central banks	15	48 927 561	48 925 707	23 529 755	23 525 223
Financial assets held-for-trading		581 338	581 338	2 881 851	2 881 851
Securities held-for-trading	*17*	*553 657*	*553 657*	*476 839*	*476 839*
Derivative financial instruments	*18*	*27 681*	*27 681*	*2 405 012*	*2 405 012*
Due from credit institutions	19	165 943 153	165 943 153	277 591 255	277 591 255
Loans	20	68 487 551	70 316 285	96 086 863	97 753 368
Available for sale instruments	21	221 783 703	221 783 703	87 357 267	87 357 267
Securities held-to-maturity	22	9 623 763	9 623 763	8 730 659	8 730 659
Investments in equity accounted investees	23	1 144 547	1 144 547	1 144 547	1 144 547
Investments in subsidiaries	24	—	1 943 074	—	1 943 074
Investment property	25	6 461 188	2 969 088	7 475 877	3 917 853
Property and equipment	26	17 324 928	17 324 901	17 401 095	17 401 002
Intangible assets	27	3 881 712	3 881 712	4 321 276	4 321 276
Current income tax assets		17 497	17 497	285 301	285 301
Deferred expenses and accrued income	28	2 565 415	2 564 851	2 386 334	2 388 376
Other assets	29	3 369 895	3 406 959	1 768 433	1 626 388
Total assets		**550 112 251**	**550 426 578**	**530 960 513**	**530 867 440**

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Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

Group Consolidated and Bank Separate Statement of Financial Position

as at 31 December 2015

Liabilities and Shareholders' Equity Liabilities	Notes	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Derivative financial instruments	18	3 056	3 056	1 965 060	1 965 060
Due to credit institutions	30	6 479 755	6 479 755	10 236 079	10 236 079
Deposits	31	473 245 931	473 262 367	448 233 466	448 244 286
Debt securities in issue	32	16 429 701	16 429 701	18 241 785	18 241 785
Accrued expenses, provisions and deferred income	33	3 012 928	3 011 598	1 488 662	1 483 680
Deferred tax liabilities	14	958 462	958 462	1 139 316	1 139 316
Other liabilities	34	2 177 855	2 069 959	1 616 660	1 177 713
Subordinated liabilities	35	16 715 268	16 715 268	16 701 727	16 701 727
Total liabilities		**519 022 956**	**518 930 166**	**499 622 755**	**499 189 646**
Shareholders' equity					
Share capital	36	29 496 389	29 496 389	29 496 389	29 496 389
Reserve capital	36	835 152	835 152	835 152	835 152
Property revaluation reserve	26	34 900	34 900	34 900	34 900
Available for sale instruments revaluation reserve	21	1 431 908	1 431 908	(183 894)	(183 894)
(Accumulated losses)/retained earnings		(709 054)	(301 937)	1 155 211	1 495 247
Retained earnings for the previous years		*1 155 211*	*1 495 247*	*2 711 846*	*2 969 728*
Loss for the period		*(1 864 265)*	*(1 797 184)*	*(1 556 635)*	*(1 474 481)*
Total shareholders' equity		**31 089 295**	**31 496 412**	**31 337 758**	**31 677 794**
Total liabilities and shareholders' equity		**550 112 251**	**550 426 578**	**530 960 513**	**530 867 440**
Commitments and contingencies					
Sureties (guarantees)	37	3 827 416	3 827 416	2 961 317	2 961 317
Commitments to customers	37	5 000 762	5 082 647	12 040 035	12 134 805
Total commitments and contingencies		**8 828 178**	**8 910 063**	**15 001 352**	**15 096 122**

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Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

Group Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2015

	Share capital EUR	Reserve capital EUR	Property revaluation reserve EUR	Available for sale instru-ments revalua-tion reserve EUR	Retained earnings/ (accumu-lated losses) EUR	TOTAL EUR
Balance as of 31 December 2013	**29 556 042**	**775 499**	**34 900**	—	**2 711 846**	**33 078 287**
Total comprehensive loss						
Net loss for the period	—	—	—	—	(1 556 635)	(1 556 635)
Other comprehensive loss	—	—	—	(183 894)	—	(183 894)
Total comprehensive loss	—	—	—	**(183 894)**	**(1 556 635)**	**(1 740 529)**
Transactions with owners, recorded directly in equity						
Transfer to reserve capital	(59 653)	59 653	—	—	—	—
Total transactions with owners, recorded directly in equity	**(59 653)**	**59 653**	—	—	—	—
Balance as of 31 December 2014	**29 496 389**	**835 152**	**34 900**	**(183 894)**	**1 155 211**	**31 337 758**
Total comprehensive loss						
Net loss for the period	—	—	—	—	(1 864 265)	(1 864 265)
Other comprehensive income	—	—	—	1 615 802	—	1 615 802
Total comprehensive loss	—	—	—	**1 615 802**	**(1 864 265)**	**(248 463)**
Balance as of 31 December 2015	**29 496 389**	**835 152**	**34 900**	**1 431 908**	**(709 054)**	**31 089 295**

The accompanying notes on pages 18 to 108 are an integral part of these Financial Statements.

The Financial Statements on pages 10 to 108 have been authorised for issue by the Council and the Board on 29 March 2016, and signed on their behalf by:

Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

Bank Separate Statement of Changes in Shareholders' Equity

for the year ended 31 December 2015

	Share capital EUR	Reserve capital EUR	Property revaluation reserve EUR	Available for sale instruments revaluation reserve EUR	Retained earnings/ (accumulated losses) EUR	TOTAL EUR
Balance as of 31 December 2013	**29 556 042**	**775 499**	**34 900**	**—**	**2 969 728**	**33 336 169**
Total comprehensive loss						
Net loss for the period	—	—	—	—	(1 474 481)	(1 474 481)
Other comprehensive loss	—	—	—	(183 894)	—	(183 894)
Total comprehensive loss	**—**	**—**	**—**	**(183 894)**	**(1 474 481)**	**(1 658 375)**
Transactions with owners, recorded directly in equity						
Transfer to reserve capital	(59 653)	59 653	—	—	—	—
Total transactions with owners, recorded directly in equity	**(59 653)**	**59 653**	**—**	**—**	**—**	**—**
Balance as of 31 December 2014	**29 496 389**	**835 152**	**34 900**	**(183 894)**	**1 495 247**	**31 677 794**
Total comprehensive loss						
Net loss for the period	—	—	—	—	(1 797 184)	(1 797 184)
Other comprehensive income	—	—	—	1 615 802	—	1 615 802
Total comprehensive loss	**—**	**—**	**—**	**1 615 802**	**(1 797 184)**	**(181 382)**
Balance as of 31 December 2015	**29 496 389**	**835 152**	**34 900**	**1 431 908**	**(301 937)**	**31 496 412**

The accompanying notes on pages 18 to 108 are an integral part of these Financial Statements.

The Financial Statements on pages 10 to 108 have been authorised for issue by the Council and the Board on 29 March 2016, and signed on their behalf by:

Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

Group Consolidated and Bank Separate Statement of Cash Flows

for the year ended 31 December 2015

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Cash flows from operating activities				
Loss before income tax	(2 044 681)	(1 978 038)	(1 686 888)	(1 605 560)
Amortisation and depreciation	1 362 101	1 362 035	1 261 683	1 261 357
Impairment loss	5 558 088	5 715 209	2 921 920	2 921 920
Unrealised loss on revaluation of investment property	1 057 560	948 765	279 329	242 482
Profit on disposal of property and equipment and investment property	(601)	(601)	(39 102)	—
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities	**5 932 467**	**6 047 370**	**2 736 942**	**2 820 199**
Decrease in loans	21 959 728	21 763 279	2 567 258	2 920 777
Decrease in due from credit institutions	3 623 685	3 623 685	4 886 343	4 886 343
Decrease in financial assets held-for-trading	2 300 513	2 300 513	253 511	253 511
Increase in deferred expenses and accrued income	(179 081)	(176 475)	(124 073)	(126 959)
Increase in other assets/(decrease)	(1 529 775)	(1 812 087)	124 988	(211 541)
Increase in term deposits placed by central banks	—	—	3 781 559	3 781 559
Increase in due to credit institutions	5 405	5 405	263	263
Increase in deposits	25 012 465	25 018 081	172 952 939	172 955 675
(Decrease)/increase in derivative liabilities	(1 962 004)	(1 962 004)	1 342 384	1 342 384
Increase in accrued expenses, provisions and deferred income	1 524 266	1 527 918	319 379	317 080
Increase/(decrease) in other liabilities	561 195	892 246	(75 075)	(12 939)
Increase in cash and cash equivalents resulting from operating activities	**57 248 864**	**57 227 931**	**188 766 418**	**188 926 352**

The accompanying notes on pages 18 to 108 are an integral part of these Financial Statements.

Group Consolidated and Bank Separate Statement of Cash Flows

for the year ended 31 December 2015

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Corporate income tax paid	267 366	267 804	(58 260)	(57 434)
Increase in cash and cash equivalents from operating activities	**57 516 230**	**57 495 735**	**188 708 158**	**188 868 918**
Cash flow from investing activities				
Acquisition of property and equipment, intangible assets and investment property	(869 543)	(846 370)	(918 306)	(913 336)
Proceeds from sale of property and equipment and investment property	601	601	179 594	10 695
Purchase of available-for-sale instruments	(173 499 775)	(173 499 775)	(82 974 995)	(82 974 995)
Proceeds from available-for-sale instruments	40 679 252	40 679 252	—	—
Purchase of securities held-to-maturity	(893 104)	(893 104)	(5 910 326)	(5 910 326)
Redemption of held-to-maturity investments	—	—	2 892 780	2 892 780
Decrease in cash and cash equivalents as a result of investing activities	**(134 582 569)**	**(134 559 396)**	**(86 731 253)**	**(86 895 182)**

The accompanying notes on pages 18 to 108 are an integral part of these Financial Statements.

Group Consolidated and Bank Separate Statement of Cash Flows

for the year ended 31 December 2015

	Notes	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Cash flows from financing activities					
Subordinated liabilities		2 241 612	2 241 612	5 600 090	5 600 090
Cash paid out to repay subordinated debt		(2 228 071)	(2 228 071)	—	—
Issuance of debt securities		10 009 332	10 009 332	13 394 014	13 394 014
Buyback of debt securities		(11 821 416)	(11 821 416)	(205 547)	(205 547)
(Decrease)/increase in cash and cash equivalents as a result of financing activities		**(1 798 543)**	**(1 798 543)**	**18 788 557**	**18 788 557**
(Decrease)/increase in cash and cash equivalents		**(78 864 882)**	**(78 862 204)**	**120 765 462**	**120 762 293**
Cash and cash equivalents at the beginning of the period	16	288 265 155	288 260 623	167 499 693	167 498 330
Cash and cash equivalents at the end of the period	16	**209 400 273**	**209 398 419**	**288 265 155**	**288 260 623**

The accompanying notes on pages 18 to 108 are an integral part of these Financial Statements.

The Financial Statements on pages 10 to 108 have been authorised for issue by the Council and the Board on 29 March 2016, and signed on their behalf by:

Valeri Belokon
Chairperson of the Supervisory Council

Ilona Gulchak
Chairperson of the Board

1. General Information

These Consolidated Financial Statements comprise the financial statements of JSC "Baltic International Bank" (hereinafter referred to as the "Bank") and its subsidiaries (hereinafter together with the Bank referred to as the "Group"). The subsidiaries are as follows: real estate company "BIB Real Estate" SIA (acquired on 11 June 2009) that in turn owns several subsidiaries, and "BIB Consulting" SIA (registered on 9 September 2011) which provides legal advice, asset protection services and advice and guidance on taxation and tax planning.

JSC "Baltic International Bank" is a joint stock company registered in the Republic of Latvia. The registered office address is: Kalēju iela 43, Riga, LV-1050, Latvia. On 8 April 1993, the Bank of Latvia approved JSC "Baltic International Bank" as a credit institution and issued Banking Licence No. 103. The activities of the Bank are regulated by the Bank of Latvia and the Financial and Capital Market Commission of the Republic of Latvia ("FCMC").

Established to cater to the needs of both individuals and corporate customers, JSC "Baltic International Bank" provides a comprehensive range of financial services: personal and corporate loans, acceptance of money deposits and other funds, funds transfers, treasury and capital market services carried out according to customer instructions and for the Bank's own trading purposes.

2. Basis of Preparation

Statement of Compliance
The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with the requirements of the Latvian Financial and Capital Market Commission in force as at the reporting date. The local accounting legislation requires the preparation of the Group consolidated and Bank separate financial statements in accordance with IFRS as adopted by the European Union.

The Financial Statements were authorised for issue by the Management Board on 29 March 2016. The financial statements may be amended by the shareholders and re-issue of the statements may be required.

The Financial Statements for the years ended 31 December 2015 and 31 December 2014 are available at the Bank's website (www.bib.eu).

Functional and Presentation Currency
These Group consolidated and Bank separate financial statements are presented in euro. Subsidiaries of the Group and the Bank operate in the functional currency of euro.

Basis of measurement

The Financial Statements are prepared on the historical cost basis except for the following:

- financial instruments held-for-trading are stated at fair value;
- derivative instruments are stated at fair value;
- available-for-sale assets are stated at fair value, except for those whose fair value cannot be determined reliably and derivative instruments linked to such available-for sale assets;
- investment property is measured at fair value;
- part of property and equipment – motor vehicles – that is measured using a revaluation model.

Use of estimates and judgements

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

Judgements:

Consolidation

These consolidated financial statements include financial information of subsidiaries. The annual evaluation of the Group structure and identification of entities in which the Group has control as defined in Note 3 requires judgement to be made by the Group management.

Going concern

These financial statements have been prepared on a going concern basis. Uncertainty in relation to ability to continue as a going concern is disclosed in Note 53.

Key sources of estimation uncertainty

The key sources of estimation uncertainty are as follows: allowances for credit losses, valuation and impairment of financial instruments, valuation of investment property, recognition of deferred tax asset.

Allowances for credit losses
The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a 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 Loans and Documentary Operations Department, see also Notes 13, 20 and 39.

Impairment of other financial instruments
The Bank has investments in Available for sale equity instruments whose fair value cannot be assessed reasonably. The Bank management follows these exposures closely and assesses if there is any information indicating that fair value can be determined reliably or that there are any impairment indicators. Please refer to Note 21 for more detail.

For the purposes of impairment loss measurement, the Bank's management makes estimates of any expected changes in future cash flows from a specific financial instrument based on analysis of financial position of the issuer of the financial instrument.

Valuation of investment property
Investment property is stated at its fair value with all changes in fair value recorded to profit or loss. When measuring the fair value of the investment property, the management relies on external valuations and assesses the reliability of such valuation in light of the current market situation. Please refer to Note 25 for more detail.

Recognition of deferred tax asset
A deferred tax asset from carry forward of tax losses and other temprorary differences is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Management has to make judgements about amounts of taxable profits in the future that will be available for asset utilization.

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, 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 applicable, the Group measures the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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 accounting policy. 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 (see Notes 17, 21, 49).

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

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

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Finance Director assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS as adopted by EU. This includes:
- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial or non-financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;

When measuring the fair value of an asset or a liability, the Group 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 Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about fair value analysis is disclosed in note 48.

Further information about the assumptions made in measuring fair values see Notes 17, 18, 21, 25, 49.

3. Significant Accounting Policies

Changes in accounting policies

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

Adoption of new and/ or changed IFRS and IFRIC interpretations in the reporting year

The Group and the Bank have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

The following guidance with effective date of 1 January 2015 did not have any impact on these consolidated financial statements:

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

When the adoption of the standard or interpretation is deemed to have an impact on the consolidated and separate financial statements or performance of the Group/Bank, its impact is described below.

Standards issued but not yet effective and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements.

Those which may be relevant to the Group are set out below. The Group and the Bank do not plan to adopt these standards early.

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

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be re-measured. It is expected that the Amendments, when initially applied, will not have a material impact on the Bank's and the Group's financial statements because the Bank and the Group do not have participation in joint operations.

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

The Amendments include five, narrow-focus improvements to the disclosure requirements contained in the standard. The Group and the Bank expect that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements, separate financial statements or performance of the Group/Bank.

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

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. It is expected that the Amendments, when initially applied, will not have material impact on the Group's and the Bank's financial statements, as the Group and the Bank do not apply revenue-based methods of amortisation/depreciation.

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

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing. The Group and the Bank do not expect that the amendments, when initially applied, will have material impact on the financial statements as the Group and the Bank have no bearer plants.

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 and the Bank do not expect the amendment to have any impact on the consolidated financial statements since they do not have any defined benefit plans that involve contributions from employees or third parties.

IAS 27 – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures. The Bank does not expect that the amendments, when initially applied, will have a material impact on the financial statements as the Bank intends to continue to carry its investments in subsidiaries at cost.

Annual Improvements to IFRSs
The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted. None of these amendments are expected to have a significant impact on the consolidated financial statements of the Group and the Bank.

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

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 Bank's interest in the enterprise. 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.

Related parties
Related parties represent both legal entities and private individuals related to the company in accordance with the following rules:

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
   i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   iii. both entities are joint ventures of the same third party;
   iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   vi. the entity is controlled, or jointly controlled by a person identified in (a);
   vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Foreign currency translation
Transactions denominated in foreign currencies are translated into the functional currency (euro) at the European Central Bank's official exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the European Central Bank's official exchange rate prevailing at the end of the period. 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 cost and fair value are retranslated at the exchange rate at the date that the cost or fair value was determined. Foreign currency differences arising on retranslation are recognised in statement of comprehensive income, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

Currency name			31.12.2015		31.12.2014
1 GBP	=	EUR	0.7339500	EUR	0.7789000
1 RUB	=	EUR	80.673600	EUR	72.3370000
1 USD	=	EUR	1.0887000	EUR	1.2141000

Income and expense recognition

With the exception of financial assets held-for-trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in the profit or loss using the effective interest rate method. Interest income on financial assets held-for-trading and on other financial instruments at fair value through profit or loss comprises coupon interest received.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. When calculating the effective interest rate, the Group and Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan origination fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

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

Dividend income is recognised in the profit or loss on the date that the dividend is declared.

Financial instruments

Securities acquired by the Bank are categorised into portfolios in accordance with the Bank's intent at the time of the acquisition of the securities and pursuant to the Bank's investment strategy. The Bank developed a security investment strategy and, reflecting the intent of the acquisition, allocated securities to "Securities held-to-maturity", "Financial assets at fair value through profit or loss" and "Securities available-for-sale".

All financial instruments held by the Bank are recognised at trade date and are initially measured at fair value plus for instruments not at fair value through profit or loss any directly attributable transaction cost. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that used only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Loans and receivables are recognised on drawdown. From the date of signing a contractual agreement till drawdown they are accounted for as loan commitments off balance sheet.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include those that are classified as held-for-trading (including derivative financial instruments) and those that are originally designated in this category.

Held-for-trading instruments are securities and shares that the Bank principally holds for the purpose of reselling and generating a profit from short-term fluctuations in the prices of the instruments. Securities held-for-trading are subsequently re-measured to fair value based on market prices. Realised and unrealised gains or losses are recorded as net trading income or net trading loss, respectively.

Derivative financial instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

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.

Changes in the fair value of derivatives are recognised immediately in the profit or loss.

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in the profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

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

Securities available-for-sale

Securities available-for-sale are acquired to be held for an indefinite period of time. Securities, whose quoted market value is not determined in an active market and whose fair value cannot be reliably measured, are carried at acquisition cost. All other securities available-for-sale are carried at fair value. Gains or losses resulting from the change in fair value of available-for-sale securities, except for impairment losses, are recognised in other comprehensive income until the financial asset is derecognised; thereafter, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Securities available-for-sale are initially measured at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Securities held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. Securities held-to-maturity include government securities and corporate bonds which after initial recognition at fair value plus transaction costs that are directly attributable to its acquisition, are recognised at amortised cost and are securities with respect to which the Bank has a positive intent and ability to hold to maturity. Securities held-to-maturity are accounted at trade date. Subsequently the effective interest rate method is applied for amortising discounts over the term to maturity.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Bank intends to sell immediately or in the short-term, (b) those that the Bank upon initial recognition designates as at the fair value through profit or loss or as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investments, other than because of credit deterioration.

After initial recognition at fair value less transaction costs that are directly attributable to its acquisition, loans are measured at amortised cost using the effective interest rate method.

When a loan is considered to be uncollectible it is written off against the related allowance for credit losses; subsequent recoveries are credited to the impairment loss expense in the profit or loss.

Due to credit institutions
Due to credit institutions comprise all liabilities resulting from transactions with domestic and foreign credit institutions as well as liabilities to the Bank of Latvia and other central banks, including vostro balances due to credit institutions, due to credit institutions for outstanding foreign exchange deals and interbank loans.

Due to credit institutions are initially measured at fair value and subsequently are carried at amortised cost using the effective interest rate method.

Deposits
Deposits are liabilities carried at amortised cost and include current accounts and deposits from customers and deposits and balances from credit institutions.

Issued debt securities
The Group and the Bank recognise issued debt securities at the date when the respective funds are sold. After initial recognition when these financial liabilities are stated at fair value, including direct transaction costs, those are subsequently carried at amortised cost using the effective interest method. When issued debt securities are sold at a discount, the difference is amortised applying the effective interest method until the debt matures and charged to the profit or loss as interest expense.

Derecognition
A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

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

Fair value measurement of financial assets and financial liabilities

A number of the Bank's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The methods described below have been used for the determination of fair values. When applicable, further information about the assumptions made in determining fair values is disclosed in the respective notes.

Due from credit institutions

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

Loans to customers

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

Shares and other securities with non-fixed income

The fair value of shares and other securities with non-fixed income is determined by reference to their quoted bid price at the reporting date, if available. For non-listed shares, where disposal is limited, the assumption was made that the reliable estimate of fair value is not possible; such items are carried at cost less impairment.

Derivative financial instruments

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

Due to credit institutions and customers

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

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

All loans and receivables from customers and held-to-maturity and available-for-sale investment securities are assessed for specific impairment. Accordingly, the Bank does not set aside a collective impairment allowance on loans and receivables due from customers and held-to-maturity investment securities.

Loans and receivables are stated in the statement of financial position at amortised cost, less any allowances for credit losses. Impairment losses and recoveries are recognised monthly based on regular loan reviews. Allowances during the period are reflected in the 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.

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

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

Non-financial assets

The carrying amounts of the Bank'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.

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.

Assumed collateral
As part of the normal course of business the Group and the Bank occasionally take possession of property that originally was pledged as security for a loan. When the Group or the Bank acquires (i.e. gains a full title to) a property in this way, the property's classification follows the nature of its intended use by the Group or the Bank. When the Group or the Bank is uncertain of its intentions with respect to land and buildings that it has repossessed, those properties are classified as investment property. Other types of collateral are classified as other assets.

Intangible assets
The Bank's intangible assets comprise software licences. The intangible assets are accounted for at their historical cost less amortisation and impairment, if any. The intangible asset's amortisation term of two to twenty years is determined by the Bank based on the intangible asset's useful life, if any; in the event that such a term is not stated, the Bank amortises the intangible asset over a period of 5 years. The Bank applies the straight-line method of amortisation of intangible assets.

Property and equipment
Property and equipment, exept for motor vehicles, are recorded in the Financial Statements at their historical cost less accumulated depreciation and impairment, if any.

Depreciation periods for individual categories of assets	
Buildings	50 years
Machinery	5 years
Motor vehicles	5 years
Other tangible fixed assets	10 years
Computers	5 years

Land and assets under construction are not depreciated. Costs relating to the maintenance and repair of the Group`s and Bank's property and equipment are included in the profit or loss when they arise. Whenever a complete repair and renovation prolong the asset's useful life (change the value of the asset), then the repair and renovation expenditure amount is added to the fixed asset's carrying amount.

Depreciation methods, useful lives and residual values are reviewed annually.

Items of property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, except for motor vehicles 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.

Motor vehicles are subject to revaluation on a regular basis, at least every 5 years. The frequency of revaluation depends upon the extent of the estimated movements in the fair values of the vehicles being revalued. A revaluation increase on a vehicle is recognised in other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in the income statement, in which case it is recognised in the income statement.

A revaluation decrease on a vehicle is recognised in the income statement 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.

Fair value of vehicles is determined using the comparative method, which is based on recent market transactions with comparable vehicles. For valuation of selected vehicles, for which there are no observable data on recent market transactions, management relies on external valuations based on comparative valuation method and assesses the reliability of such valuation in light of the current market situation.

Investment property
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Some investment property has been acquired through the enforcement of security over loans and advances.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclasiffication becomes its deemed cost for subsequent accounting.

Investment property is initially recognised in the statement of financial position at its acquisition cost. Subsequently, the investment property is revalued and accounted for at its fair value based on its market price. Fair market value for land plots, buildings and other real property items is determined on the basis of annual property appraisals from certified appraisers. Gain or loss from the change in the value is recorded in the profit or loss and reported under the item "Gain or loss on revaluation of investment property".

Lease
Operating lease(The Group and the Bank as the lessees)
Operating lease payments are recognised in the income statement over the lease term on a straight-line basis.

Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in associates and a joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. When the Group's share of losses exceeds its interest in the equity accounted investees, 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 equity accounted investees.

Repo operations (repos)

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 the profit or loss over the term of the repo agreement using the effective interest rate method.

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

If assets 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.

Cash and cash equivalents

Cash and cash equivalents comprises cash and deposits with the Bank of Latvia and other credit institutions with an original maturity of less than 3 months, less balances due to the Bank of Latvia and credit institutions with an original maturity of less than 3 months.

Taxation

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for 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. 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.

Provisions

A provision is recognised in the statement of financial position when the Group or Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits 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.

Short-term employee benefits

Short-term employee benefits like salaries, social benefit payments, bonuses and vacation pay are measured on an undiscounted basis and are expensed as the related service is provided in accordance with accrual principle.

A provision is recognised for the amount expected to be paid under short-term cash bonus of profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The provision for employee holiday pay is calculated for each Group and Bank employee based on the total number of holidays earned but not taken, multiplied by the average daily remuneration expense for the preceding six months, to which the relevant social security expense is added.

Credit related commitments

In the normal course of business, the Bank enters 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 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 commitment are included within other liabilities.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Latvian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Presentation of segment information

Segment is the Group's or the Bank's identifiable component which:

- can be identified by types of products offered or types of services provided (business segment), or by types of products offered or types of services provided in a specific economic environment (geographical segment) and
- is exposed to risks and derives benefits which are different from those peculiar to other segments.

Information about business segment is used as the basic format whereby the Bank and the Group present segment information.

The Bank's Board is the chief operating decision maker.

The Group and the Bank specify that, according to certain requirements of IFRS 8: Operating Segments, the Group's sole business segment is the entire Bank and its operating results are reviewed regularly by the Group's and the Bank's Board to make decisions about resources to be allocated to the segment and assess its performance. Any other level if itemisation does not meet the quantitative thresholds set out by IFRS (adopted in the EU).

4. Risk Management

The Bank's activities expose it to a variety of financial and non-financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the financial business, and these risks are an inevitable consequence of being in business. The Bank's strategic aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Bank's financial performance.

The risk management system, being an integral part of internal control system of the Bank, is based on the principal requirements of effective supervision of banks by Financial and the Capital Market Commission and the Basel Committee on Banking Supervision.

The most important types of risk are compliance and reputational risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management in the Bank is centralised and is carried out by the Management Board under policies approved by Supervisory Council. Risk management polices are subject to yearly review. There are three committees in the Bank responsible for risk management – the Credit Committee, the Resources Supervision Committee and Customer Due Diligence Committee. In addition, internal audit is responsible for the independent review of risk management and control environment.

The Management Board of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of Risk Department 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.

The Bank's risk management policies are designed to identify, analyse, and measure significant risks, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date management information system. Since 2014, the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 has been applied on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and the 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.

Compliance risk

The Bank is committed to maintaining a robust compliance-risk management framework, which makes it possible to:

- prevent losses or imposition of legal obligations or legal/regulatory sanctions or deterioration of the Bank's reputation;
- ensure that the Bank adheres to compliance laws, rules and standards.

The Bank regularly evaluates the level of compliance risk and ensures minimisation of the risk level by setting forth risk mitigation measures and taking preventive action to ensure compliance.

The Bank has formulated and approved its policy whose purpose is to establish an effective Bank-wide framework for managing compliance risk in order to prevent losses or imposition of legal obligations or legal/regulatory sanctions or deterioration of the Bank's reputation and to ensure that the Bank adheres to compliance laws, rules and standards.

The policy sets forth the basic principles of managing and monitoring compliance risk, establishes for the Bank's senior management and functional units clear lines of roles / responsibilities and authority for managing compliance risk, the core principles for identifying, measuring and assessing compliance risk, prescribes risk mitigation measures, provides for employee compliance training, and the manner for submitting relevant reports and information.

According to the requirements of the policy, the Bank draws up and regularly updates its internal regulatory documents required to ensure a proper management of compliance risk.

The Bank manages compliance risk in accordance with annual action plans approved by the Bank's Board. The action plans prescribe compliance risk management-specific measures: revision and improvement of the compliance-risk management framework to align it with the changes in the Bank's business activities and external conditions that affect the activities.

The Bank identifies compliance risk in order to measure the overall level of compliance risk, carries out the risk assessment and documentation and to ensure as follows: before launching new products and embarking on new activities, the Bank identifies compliance risk associated with a particular activity and evaluates whether the Bank will Bank adhere to compliance laws, rules and standards when carrying out the activity.

To be able to assess compliance risk and measure the overall level of compliance risk, the Bank has developed a technique used to assess compliance risk. Under the technique, the Bank regularly measures the level of compliance risk and submits reports which contain proposals on how to improve the Bank's work.

At least once every year, the Bank carries out the assessment of compliance risk associated with all areas of the Bank's business and lines of business. Depending on the results obtained, the Bank undertakes (if necessary) compliance risk mitigation-specific measures, such as improvement of the internal regulatory and guidance documents, establishing more stringent controls (random checks/spot audits), employee training, and other relevant activities.

Bank's money laundering and terrorist financing risk (ML/TF risk)

The Bank has implemented and consistently adheres to epy requirements and principles of the AML/CFT regime, as set forth by:

1. the applicable laws and regulations of the Republic of Latvia;
2. the Financial and Capital Market Commission's (FCMC) regulations and recommendations;
3. the international AML/CFT regulatory framework (legal instruments and recommendations) 4. international best practices.

The Bank has formulated and adopted the Anti-Money Laundering and Counter-Terrorist Financing Policy in order to establish and have in place an effective and efficient ML/TF risk management system designed to prevent the Bank's involvement in money laundering and terrorist financing. The Policy sets forth the Bank's strategy, the tasks and responsibilities of the Bank's senior management and functional units while managing ML/TF risk, the process of identifying, evaluating and monitoring ML/TF risk, risk mitigation measures, training Bank's staff on AML/CFT matters, manner of submitting relevant reports and information, the basic principles and elements of the Bank's Internal Control System specifically intended to ensure the Bank's AML/CFT compliance.

To reduce ML/TF risk, the Bank has established the Internal Control System (ICS) whose purpose is to ensure the Bank's compliance with the AML/CFT laws and to document internal control review processes. The Bank allocates sufficient resources to operate the ICS effectively.

The Bank's ICS specifically provides for:

- initial customer due diligence (CDD) before establishing a business relationship with a customer;
- identification of customers and their authorised representatives;
- initial (primary) enhanced due diligence (EDD) applied to customers posing high risk;
- assessment of customer's ML/TF risk profile;
- enhanced due diligence (EDD) applied to customers during the course of the existing business relationship;
- supervision and monitoring of customers' transactions;
- identification (detection) of unusual and suspicious transactions;
- discontinuance of the existing business relationship with customer if the Banka cannot obtain the information required for enhanced die diligence (EDD);
- retaining of the information, documents and results obtained during customer identification, customer due diligence and supervision (monitoring) of customers' transactions;
- the rights, duties and responsibility of Bank's staff while fulfilling the requirements of the Bank's ICS.

The Bank does not commence a business relationship with a non-identified customer if the customer's identity has not been verified and if customer due diligence has not been carried out in accordance with the applicable laws and the Bank's internal regulatory and guidance documents. The Bank does not open anonymous or numbered accounts and does not establish a business relationship with customers of doubtful reputation or customers whose economic (business) activity is not acceptable for the Bank.

AML/CFT training is an important measure for mitigating ML/TF risk. The Bank holds regular employee training sessions to ensure that its employees charged with preventing ML/TF risks have practical working knowledge of AML/CFT legislation, both at the national and international levels, and of all relevant documents and industry best practices and standards, and know how to carry customer due diligence, identify unusual and suspicious transactions, file SARs (Suspicious Activity Reports) or STRs (Suspicious Transaction Reports) and refrain from suspicious transactions.

Explanation concerning fine imposed on the Bank is presented in Note 12.

Credit risk

The Bank takes on exposures to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge a contractual obligation. Credit risk is the most significant risk for the Bank's business and therefore exposures to credit risk are subject to careful management.

Sources of credit risk

Credit risk of the Bank arises principally from the placements with credit institutions as well as from lending and investment activities and transactions in derivative financial instruments. There is also credit risk in financial instruments such as letters of credit, guarantees and payment cards' overdraft commitments. There is a delivery risk in relation to foreign exchange transactions.

For the Bank as a payment bank, exposure to credit risk may interfere with liquidity management activities as the Bank should maintain sufficient funds on accounts with principal correspondents to provide necessary customers' payments, which sometimes causes significant concentrations with particular counterparties.

Management and control of credit exposures

The Bank manages, limits and controls concentrations of credit risk whenever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

The Group and Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty, or group of counterparties, and to geographical and industry segments. Such limits are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposures to credit risk are managed through regular analysis of the ability of the existing and potential borrowers and counterparties to meet interest and principal repayment obligations and by changing lending limits where appropriate. The financial analysis, the analysis of external ratings and analysis of business environment of borrowers and counterparties is taken into consideration for such decision-making.

The Group and Bank uses different credit risk management techniques for credit institutions and non-banks, but techniques are applied consistently to all financial instruments used, including sureties and commitments exposures with particular counterparty or group of related counterparties, as well as delivery risk in relation to foreign exchange transactions.

Limits on exposures to credit institutions are set by Resources Supervision Committee and approved by the Management Board. Limits on exposures to non-banks are considered by Credit Committee and approved by the Management Board or Supervisory Council according to the approval authorities.

Exposures to related groups of counterparties and counterparties related to the Group and Bank are also subject to regulatory requirements.

According to regulations, any credit risk exposure to a non-related counterparty may not exceed 25% of the Bank's equity. Regulation states though that some exposures, such as due from credit institutions with maturity up to 1 year, are not considered to be credit risk exposures for regulatory requirements noted above.

According to regulations the total credit risk exposures to parties related to Bank shall not exceed 15% of the Bank's equity.

Credit risk mitigation policies

The Bank employs a range of credit risk mitigation techniques. The most traditional of these is taking security for funds disbursements, which is common practice. The Bank implements guidelines on the criteria for specific classes of collateral taken.

The amount of collateral required may vary depending on the type of exposure but usually it is set at least to cover principal amount of the outstanding debt.

The Bank's exposures to credit institutions are usually unsecured.

Quantitative disclosures

Further quantitative disclosures in respect of credit risk are presented in Notes 17, 19, 20, 21, 22, 47.

Liquidity risk

Liquidity risk is the risk that the Bank 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. 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.

Liquidity risk management process

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The Bank seeks 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 Bank's liquidity policy is reviewed and approved by the Management Board. The policy states that the Bank is obliged to hold sufficient liquid assets reserve to meet its financial commitments, however not less than 60% of the Bank's total current liabilities.

The Bank calculates the mandatory liquidity ratio on a daily basis in accordance with the requirements of the Financial and Capital Market Commission.

The Bank's liquidity ratio as at 31 December 2015 was 91.96%, compared to 87.16% as at 31 December 2014.

The liquidity management policy of the Bank requires:

- 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 liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring statement of financial position liquidity ratios against regulatory requirements.

Monitoring and reporting take the form of cash flow measurement and projections for the next day and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection data of the financial assets.

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 to banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Daily projections are based on assets and liabilities contractual maturities monitoring and analysis of information concerning customers' incoming and outgoing payments. Monthly projections are based on assets and liabilities term structure analysis.

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 the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the Bank's liquidity management are made by the Treasury Committee and implemented by the Treasury Department.

Quantitative disclosures

Further quantitative disclosures in respect of liquidity risk are presented in Notes 42 and 43.

Currency (foreign exchange) risk
Foreign exchange risk relates to the effects of fluctuations in the prevailing foreign currency exchange rates on the Bank's financial position and cash flows.

The Bank has 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 exposure to currency risk at year end refer to Note 44 and Note 45.

An analysis of sensitivity of the Bank's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 10% drop in the value of the euro versus other currencies is shown in Note 45.

Foreign exchange risk management process
Currency risk management policy determines and regulates risk control and regulatory principles related to the currency exchange transactions that help the Bank in controlling its foreign currency open positions.

Limits on open foreign currency positions in a single currency and aggregate open foreign currency position are set for both overnight and intra-day positions, which are monitored daily.

The Credit Institution Law states that the open position in each separate currency must not exceed 10% of the Bank's equity and the aggregate open position in all foreign currencies must not exceed 20% of the Bank's equity.

Quantitative disclosures
Further quantitative disclosures in respect of foreign exchange risk are presented in Note 44 and Note 45.

Interest rate risk
Interest rate risk represents the risk that there may be changes in the future cash flows connected with financial instruments (cash flow interest rate risk) or fair value of financial instruments (fair value interest rate risk) resulting from changes in the interest rates on the market. The period when interest rate of the financial instruments is constant determines how it is exposed to the interest rate risk.

Sources of interest rate risk
Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

The Bank is exposed to the cash flow interest rate risk which represents the effect of changes in the interest rates on the Bank's net interest margin and the amount of net interest income due to an inadequate term structure of interest rate sensitive assets and liabilities. The Bank is not exposed to significant interest rate risk of the fair value of financial instruments.

Interest risk management process

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

The Group is 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.

Quantitative disclosures

An analysis of sensitivity of the net income for the year and equity as a result of changes in fair value of held-for-trading and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is shown in Note 46.

Market risk

The Bank devotes close attention to managing and analysing market risk. Bank has adopted the Financial Instruments Portfolio Management Policy that sets forth:

- the objectives and targets of Financial Instruments Portfolio management;
- the core principles of Financial Instruments Portfolio management;
- procedure for conducting portfolio-level stress testing (to stress-test Financial Instruments Portfolio);
- authority and responsibility concerning the management of Financial Instruments Portfolio.

The Bank's Securities Division is responsible for implementing the Financial Instruments Portfolio Management Policy. The Bank's Internal Audit Function regularly verifies whether the Policy is followed daily. The Bank has adopted the Securities Portfolio Risk Management Procedure, which at sets forth the criteria for evaluating risks inherent in securities held in the portfolio, in order to prevent the adverse effects of market risk and credit risk on the Bank's financial condition.

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 takes a long or short position in a financial instrument.

Operational risk

An analysis of sensitivity of the Bank's net income for the year and equity to changes in securities prices based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 5% change in all securities prices is as follows:

	Net income 31.12.2015 EUR	Equity 31.12.2015 EUR	Net income 31.12.2014 EUR	Equity 31.12.2014 EUR
5% increase in securities prices	27 683	11 116 868	23 842	4 391 705
5% decrease in securities prices	(27 683)	(11 116 868)	(23 842)	(4 391 705)

The sensitivity analyses of the Group's and the Bank's net income for the year and equity to changes in securities prices do not vary significantly.

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events – various types of human (staff members) or technical (software and hardware failures) errors, contingencies, fire and other factors of this sort. To prevent losses caused by operational risk, the Bank has adopted internal guidance documents, such as the internal by-law, fire safety regulations, technical system and facility safety regulations, information classification rules and other rules, regulations and directives. The Bank's Board has appointed a task force whose task is to ensure the implementation of the regulatory requirements set forth in the aforesaid internal guidance documents.

5. Capital Management

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

The Bank defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by Financial and Capital Market Commission, banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level of 8%.

The Bank's risk based capital adequacy ratio, as at 31 December 2015, was 17.38% (31 December 2014: 15.12%).

According to the specific requirement of the FCMC, the Bank should maintain a capital adequacy ratio above minimum level – 16.4% for the period starting from 1 October 2015 to 30 September 2016. As at 31 December 2015, the Bank and the Group were in compliance with the requirements of the FCMC for capital adequacy and minimum equity, as well as satisfied the higher ratio as requested by the FCMC.

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of statement of financial position, are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community directives, as implemented by the Financial and Capital Market Commission. The required information is filed with the Financial and Capital Market Commission on a monthly basis.

The Credit Institution Law and regulations developed by the Financial and Capital Market Commission for the application of the norms of this law, require Latvian banks to maintain a capital adequacy ratio of 8%, i.e., the Bank's capital ratio against the risk weighted assets and memorandum items and the sum of notional risk weighted assets and memorandum items. The sum of notional risk weighted assets and memorandum items is determined as the sum of capital requirements of market risks, multiplied by 12.5.

The guidelines of the Financial and Capital Market Commission for calculation of capital adequacy basically agree with the recommendations under the Basle Capital Accord and amendments thereto. According to the Basle Capital Accord, the capital adequacy ratio should be at least 8%.

Quantitative disclosures

Further quantitative disclosures in respect of capital management are presented in Note 41.

6. Interest Income

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Loans	4 732 914	4 805 119	6 358 326	6 423 299
Loans,	*4 687 468*	*4 759 673*	*6 313 546*	*6 378 519*
including interest income on impaired loans	*679 840*	*679 840*	*1 033 166*	*1 033 166*
Payment cards	*45 446*	*45 446*	*44 780*	*44 780*
Available for sale instruments	714 427	714 427	212 262	212 262
Securities held-to-maturity	395 740	395 740	334 416	334 416
Due from credit institutions	366 476	366 476	302 759	302 759
Interest income for negative interest rate applied to current account balances	38 782	38 782	—	—
Securities held-for-trading	34 273	34 273	119 477	119 477
Due from Bank of Latvia	2 331	2 331	5 546	5 546
Other interest income	47 663	42 925	4 686	—
	6 332 606	**6 400 073**	**7 337 472**	**7 397 759**

7. Interest Expense

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Liabilities at amortised cost	1 991 785	1 991 785	1 905 481	1 905 481
Deposits	*876 745*	*876 745*	*1 074 627*	*1 074 627*
Subordinated liabilities	*630 799*	*630 799*	*513 102*	*513 102*
Debt securities	*477 631*	*477 631*	*314 961*	*314 961*
Due to credit institutions	*6 610*	*6 610*	*2 791*	*2 791*
Contributions to Deposit Guarantee Fund	610 773	610 773	775 048	775 048
	286 725	286 725	14 122	14 122
Financial stability fee	**78 902**	**93**	**165**	**—**
Other interest expense	**2 968 185**	**2 889 376**	**2 694 816**	**2 694 651**

8. Fee and Commission Income

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Servicing of transactions	3 616 118	3 616 118	2 825 347	2 826 523
Payment cards	3 528 209	3 528 209	895 864	895 864
Accounts administration charges	1 331 099	1 332 445	1 113 938	1 113 938
Trust operations	1 135 410	1 135 410	688 023	688 023
Securities accounts administration charges	757 767	757 767	1 194 731	1 194 731
Forex transactions	253 134	253 134	404 680	404 680
Fees and commissions from banks	226 839	226 839	232 831	232 831
Letters of credit and guarantees	200 505	200 505	288 395	288 395
Transactions in precious metals	18 556	18 556	11 059	11 059
Cash operations	15 370	15 370	16 138	16 138
Other	24 005	24 005	10 202	10 202
	11 107 012	**11 108 358**	**7 681 208**	**7 682 384**

9. Fee and Commission Expense

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Payment cards	2 683 129	2 683 129	560 360	560 360
Services of correspondent banks	544 354	544 354	408 793	408 793
Services of agents and brokers	461 397	461 397	460 540	460 540
Securities-based transactions	177 722	177 722	261 264	261 264
Foreign exchange operations	2 232	2 232	1 266	1 266
Other	12 228	12 168	12 298	11 984
	3 881 062	**3 881 002**	**1 704 521**	**1 704 207**

10. Net Trading Income

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Gain on foreign exchange operations	17 866 916	17 880 636	6 839 632	6 850 633
Loss on revaluation of positions in foreign currency	(9 307 807)	(9 307 807)	(2 937 293)	(2 937 293)
	8 559 109	**8 572 829**	**3 902 339**	**3 913 340**
Profit/(loss) from trading in held-for-trading securities	34 016	34 016	(529 962)	(529 962)
Profit from trading in available-for-sale financial instruments	9 889	9 889	217 177	217 177
Profit/(loss) on revaluation of held-for-trading securities	17 760	17 760	(1 854)	(1 854)
Loss on revaluation of available-for-sale financial instruments	(30 598)	(30 598)	(12 325)	(12 325)
	31 067	**31 067**	**(326 964)**	**(326 964)**
	8 590 176	**8 603 896**	**3 575 375**	**3 586 376**

11. Administrative Expenses

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Staff salaries	5 947 269	5 859 871	5 486 968	5 404 061
Professional services	1 793 092	1 786 400	726 440	707 222
Amortisation and depreciation (Notes 26, 27)	1 362 101	1 362 035	1 261 683	1 261 357
Social insurance payments	1 232 392	1 211 774	1 127 753	1 108 195
Representation expenses	811 909	811 909	918 524	918 524
Renovation and maintenance of property and equipment	726 281	719 394	613 351	603 700
Business trips	374 991	374 991	404 446	404 446
Taxes	264 562	251 040	453 806	415 096
Event organisation	258 634	258 634	149 812	149 812
Communication	194 361	194 127	187 518	186 864
Advertising and publicity	139 469	139 469	188 415	188 415
Stationary goods and household equipment	115 745	115 745	123 671	123 671
Charity and sponsorship	101 276	101 276	169 028	169 028
Motor vehicles	86 797	82 236	120 181	114 591
Security	41 103	41 103	37 655	37 655
Insurance	13 593	13 186	11 806	11 175
Other	385 108	383 152	1 039 968	1 039 373
	13 848 683	**13 706 342**	**13 021 025**	**12 843 185**

The Group and Bank leases a number of offices and land plots under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are increased every three to five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

The amount of lease expenses is included within representation expenses and expenses associated with repairs and maintenance of fixed assets and motor vehicles.

Operating lease payments recognised in the income statement during 2015:

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Operating lease expenses	269 277	269 277	185 847	185 847
	269 277	**269 277**	**185 847**	**185 847**

At 31 December 2015, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Less than one year	127 148	127 148	69 231	69 231
Between one and five years	5 069	5 069	136 682	136 682
	132 217	**132 217**	**205 913**	**205 913**

12. Other Operating Expenses

	Group 2015 EUR	Bank 2015 EUR	Group 2014 EUR	Bank 2014 EUR
Penalties paid to the FCMC	1 172 000	1 172 000	—	—
Association membership fees	169 974	169 974	123 844	123 844
Negative interest income from placement of funds with banks	12 833	12 833	2 257	2 257
Services of agents and brokers	6 237	6 237	9 869	9 869
Other	30 979	22 171	48 207	45 529
	1 392 023	**1 383 215**	**184 177**	**181 499**

Explanation concerning fine imposed on the Bank

The Board of the Financial and Capital Market Commission (FCMC) made the decision to impose a fine of EUR 1 100 000 (one million one hundred thousand euros) on JSC "Baltic International Bank".

The fine was imposed based on the results of the inspection carried out from the end of 2014 to the beginning of 2015. The inspection results are attributable to the years before the reporting period. The inspection did not detect any unlawful transactions. The inspection arrived at the conclusion that the Bank had not paid sufficient attention to individual customers' transactions characterised as complicated (intricate) explicitly interlinked transactions, including the lack of identification of the source and origin of the customers' funds. Based on this, the FCMC concluded that the Bank has breached the requirements of the Money Laundering and Terrorist Financing Prevention Act (AML/CFT Act) of the Republic of Latvia and the FCMC's Regulations for Enhanced Customer Due Diligence.

The Bank has eliminated all of the detected shortcomings. In 2014 and during the reporting period (in 2015) the Bank embarked on improving its internal control system. When making the decision on sanctions to be applied to the Bank, the FCMC has taken into account the following aspects: at the time of making the decision (9 March 2016), the Bank is fully compliant with all of the regulatory requirements and has committed to continue improving its internal control system. Therefore, the FCMC has decided not to impose the maximum fine and has imposed the fine totalling EUR 1 100 000 (one million one hundred thousand euros).

13. Analysis of Changes in Impairment Loss Allowance for Asset Exposures

Group	Allowances for claims on the credit institutions EUR	Allowances for loans EUR	Allowances for accrued income EUR	Allowances for other assets EUR	Recovery of written-off assets EUR	Total EUR
Allowances as of 31 December 2013	**26**	**5 589 751**	**5 601**	**365 729**	**—**	**5 961 107**
Increase in allowances	108	2 927 809	—	20 115	—	2 948 032
Reversal of allowances	(134)	(21 377)	—	—	—	(21 511)
Recovery of written-off assets	—	—	—	—	(4 601)	(4 601)
Net impairment loss for the period	**(26)**	**2 906 432**	**—**	**20 115**	**(4 601)**	**2 921 920**
Amounts written-off	—	(2 685)	—	(20 393)	—	(23 078)
Difference due to fluctuations in foreign currency exchange rates	—	312 641	695	304	—	313 640
Allowances as of 31 December 2014	**—**	**8 806 139**	**6 296**	**365 755**	**(4 601)**	**9 173 589**
Increase in allowances	1 122	7 293 441	—	42 783	—	7 337 346
Reversal of allowances	—	(1 673 555)	—	(103 203)	—	(1 776 758)
Recovery of written-off assets	—	—	—	—	(2 500)	(2 500)
Net impairment loss for the period	**1 122**	**5 619 886**	**—**	**(60 420)**	**(2 500)**	**5 558 088**
Amounts written-off	—	(1 774 098)	—	(18 391)	—	(1 792 489)
Difference due to fluctuations in foreign currency exchange rates	(10)	398 565	725	(582)	—	398 698
Allowances as of 31 December 2015	**1 112**	**13 050 492**	**7 021**	**286 362**	**(7 101)**	**13 337 886**

Bank	Allowances for claims on the credit institutions EUR	Allowances for loans EUR	Allowances for accrued income EUR	Allowances for other assets EUR	Recovery of written-off assets EUR	Total EUR
Allowances as of 31 December 2013	**26**	**5 985 990**	**5 601**	**144 357**	**—**	**6 135 974**
Increase in allowances	108	2 927 809	—	20 115	—	2 948 032
Reversal of allowances	(134)	(21 377)	—	—	—	(21 511)
Recovery of written-off assets	—	—	—	—	(4 601)	(4 601)
Net impairment loss for the period	**(26)**	**2 906 432**	**—**	**20 115**	**(4 601)**	**2 921 920**
Amounts written-off	—	(2 685)	—	(20 393)	—	(23 078)
Difference due to fluctuations in foreign currency exchange rates	—	312 641	695	304	—	313 640
Allowances as of 31 December 2014	**—**	**9 202 378**	**6 296**	**144 383**	**(4 601)**	**9 348 456**
Increase in allowances	1 122	7 347 359	—	42 783	—	7 391 264
Reversal of allowances	—	(1 673 555)	—	—	—	(1 673 555)
Recovery of written-off assets	—	—	—	—	(2 500)	(2 500)
Net impairment loss for the period	**1 122**	**5 673 804**	**—**	**42 783**	**(2 500)**	**5 715 209**
Amounts written-off	—	(1 774 098)	—	(18 391)	—	(1 792 489)
Difference due to fluctuations in foreign currency exchange rates	(10)	398 565	725	(582)	—	398 698
Allowances as of 31 December 2015	**1 112**	**13 500 649**	**7 021**	**168 193**	**(7 101)**	**13 669 874**

In light of stagnation witnessed in the real estate market and the impact of external economic factors on Latvia's entire economy and individual sectors in particular, the Bank exercised vigilance and more conservatively evaluated the loans and applied larger-volume impairment allowances.

In respect of both natural persons and companies, the Bank very strictly adheres to its policy and internal regulatory documents relating to the evaluation of the allowances. The Bank also follows the relevant recommendations from the FCMC. The Bank therefore more thoroughly analyses a borrower's income and expenses for the then-current period and the potential dynamics thereof as a whole. In addition, the Bank places an enhanced focus on evaluation and determination of the value of the property offered as the security. The Bank regularly re-evaluates the value to keep it up-to-date in accordance with the internal regulatory documents. This enables the Bank to track the dynamics of the value, adjust it where necessary, and make allowances.

14. Income Tax

(a) Income tax charge

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Current income tax expense	438	—	826	—
Deferred income tax benefit	(180 854)	(180 854)	(131 079)	(131 079)
	(180 416)	**(180 854)**	**(130 253)**	**(131 079)**

The Group's and the Bank's applicable tax rate is 15% (2014: 15%).

(b) Reconciliation between tax benefit and accounting profit

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Loss before income tax	**(2 044 681)**	**(1 978 038)**	**(1 686 888)**	**(1 605 560)**
Theoretically calculated tax at tax rate of 15%	(306 702)	(296 706)	(253 033)	(240 834)
Effect of non-deductible expenses	533 444	523 010	272 620	259 595
Effect of non-taxable income	(407 158)	(407 158)	(149 840)	(149 840)
	(180 416)	**(180 854)**	**(130 253)**	**(131 079)**

(c) Deferred taxes

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

Group and Bank	Assets 31.12.2015 EUR	Assets 31.12.2014 EUR	Liabilities 31.12.2015 EUR	Liabilities 31.12.2014 EUR	Deferred tax assets/ (liabilities) 31.12.2015 EUR	Deferred tax assets/ (liabilities) 31.12.2014 EUR
Financial instruments at fair value through profit or loss	17 023	17 541	—	—	17 023	17 541
Property and equipment	—	—	(1 051 869)	(1 001 668)	(1 051 869)	(1 001 668)
Intangible assets	—	—	(546 856)	(563 177)	(546 856)	(563 177)
Investment property	98 438	—	—	(43 877)	98 438	(43 877)
Other assets	58 254	41 156	—	—	58 254	41 156
Other liabilities	—	—	—	(1 051)	—	(1 051)
Tax loss carry-forwards	466 548	411 760	—	—	466 548	411 760
Recognised net deferred tax assets/(liabilities)	**640 263**	**470 457**	**(1 598 725)**	**(1 609 773)**	**(958 462)**	**(1 139 316)**

(d) Movement in temporary differences

Group and Bank	Carrying amount 31.12.2014 EUR	Recognised in income statement 2015 EUR	Carrying amount 31.12.2015 EUR
Financial instruments at fair value through profit or loss	17 541	(518)	17 023
Property and equipment	(1 001 668)	(50 201)	(1 051 869)
Intangible assets	(563 177)	16 321	(546 856)
Investment property	(43 877)	142 315	98 438
Other assets	41 156	17 098	58 254
Other liabilities	(1 051)	1 051	—
Tax loss carry-forwards	411 760	54 788	466 548
	(1 139 316)	**180 854**	**(958 462)**

The Group's and the Bank's unused tax losses totalled EUR 3 110 321 as at 31 December 2015 (31 December 2014: EUR 2 745 066). Under the applicable laws of the Republic of Latvia, the timeframe for tax loss carry-forwards is not limited.

15. Cash and Balances with Bank of Latvia

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Cash	1 904 116	1 902 262	1 353 263	1 348 731
Balance with the Bank of Latvia	47 023 445	47 023 445	22 176 492	22 176 492
	48 927 561	**48 925 707**	**23 529 755**	**23 525 223**

The Bank is required to ensure that the monthly average balance with the Bank of Latvia exceeds the statutory reserve requirement ratio for commercial banks. During 2015 and 2014 the Bank complied with the reserve requirements.

16. Cash and Cash Equivalents

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Cash	1 904 116	1 902 262	1 353 263	1 348 731
Balance with the Bank of Latvia	47 023 445	47 023 445	22 176 492	22 176 492
	48 927 561	**48 925 707**	**23 529 755**	**23 525 223**
Due from other credit institutions with up to 3 months original maturity	163 166 271	163 166 271	271 189 576	271 189 576
Due to other credit institutions with up to 3 months original maturity	(2 692 447)	(2 692 447)	(6 454 176)	(6 454 176)
	209 401 385	**209 399 531**	**288 265 155**	**288 260 623**
Allowances (Note 13)	(1 112)	(1 112)	—	—
	209 400 273	**209 398 419**	**288 265 155**	**288 260 623**

17. Securities-Held-for Trading

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Debt securities		
Government treasury bills rated Aaa	*27 555*	—
Government treasury bills rated Ba	*31 012*	—
Government treasury bills rated Baa	—	*29 291*
Bonds of other issuers and other fixed-income securities rated Ba	*478 897*	*420 876*
Shares and other variable income securities	16 193	26 672
	553 657	**476 839**

The table below shows the securities recorded by issuer profile:

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Debt securities of credit institutions	478 897	420 876
Debt securities of central governments	27 555	—
Debt securities of municipal authorities	31 012	29 291
Total debt securities	**537 464**	**450 167**
State-owned companies enterprises	5 963	8 763
Shares of private enterprises	10 230	17 909
Total shares	**16 193**	**26 672**
	553 657	**476 839**

The table below shows the geographical concentration of securities:

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Debt securities of entities registered in EU countries	—	—
Debt securities of entities registered in OECD countries	27 555	29 291
Debt securities of entities registered in CIS countries	509 909	420 876
Total debt securities	**537 464**	**450 167**
Shares of entities registered in the Republic of Latvia	1 664	1 495
Shares of entities registered in OECD countries	2 903	2 697
Shares of entities registered in CIS countries	11 626	22 480
Total shares	**16 193**	**26 672**
	553 657	**476 839**

As of 31 December 2015 and 31 December 2014, the Bank did not possess any debt securities serving as collateral for repo transactions.

18. Derivative Financial Instruments

The table below summarises the contractual amounts of the Group's and the Bank's forward foreign exchange contracts outstanding at 31 December 2015 and 31 December 2014. The foreign currency amounts presented below are translated at rates prevalent at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the profit or loss.

	Group and Bank		Group and Bank	
	Assets 31.12.2015 EUR	Liabilities 31.12.2015 EUR	Assets 31.12.2014 EUR	Liabilities 31.12.2014 EUR
Notional amount				
Currency SWAPS	—	—	212 685 377	212 240 485
Foreign currency FORWARD contracts	1 956 708	1 935 567	11 276 883	11 286 435
FUTURES contracts (gold)	250 725	—	394 729	—
	2 207 433	**1 935 567**	**224 356 989**	**223 526 920**
Fair value				
Currency SWAPS	—	—	2 385 700	1 940 808
Foreign currency FORWARD contracts	24 197	3 056	14 700	24 252
FUTURES contracts (gold)	3 484	—	4 612	—
	27 681	**3 056**	**2 405 012**	**1 965 060**

19. Due from Credit Institutions

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Receivable on demand	153 511 915	263 142 081
Amounts with no stated maturity or serving as collateral and security deposits	11 685 178	8 051 338
Other deposits	747 172	6 397 836
	165 944 265	**277 591 255**
Allowances (Note 13)	(1 112)	—
	165 943 153	**277 591 255**

The table below shows the geographical concentration of due from credit institutions:

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Due from credit institutions incorporated in the Republic of Latvia (Moody's ratings):	2 594 538	127 525
not rated	*2 594 538*	*127 525*
Due from credit institutions incorporated in other EU countries (Moody's ratings):	104 622 573	209 718 823
rated A	*15 415 641*	*25 205 579*
rated Baa	*60 383 888*	*179 265 885*
not rated	*28 823 044*	*5 247 359*
Due from credit institutions incorporated in OECD countries outside the EU (Moody's ratings):	56 408 632	64 402 135
rated A	*56 408 632*	*64 402 135*
Due from credit institutions incorporated in other countries (Moody's ratings):	2 318 522	3 338 508
rated A	*1 520 636*	*139 635*
rated Ba	*451 408*	*2 772 817*
rated B	*342 024*	*419 261*
rated Caa	*8*	*11*
rated Ca	*66*	—
not rated	*4 380*	*6 784*
	165 944 265	**277 591 255**
Allowances (Note 13)	(1 112)	—
	165 943 153	**277 591 255**

Concentration of placements with banks and other financial institutions

As at 31 December 2015 and 31 December 2014, the Group and the Bank had four banks and financial institutions, whose balances exceeded 10% of total placements with banks and other financial institutions. The gross value of these balances as of 31 December 2015 and 31 December 2014 were EUR 137 041 667 and EUR 243 665 835, respectively.

20. Loans

(a) Loans by type

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Commercial loans	42 509 274	42 617 039	30 702 749	30 806 550
Mortgage loans	28 819 918	30 744 762	29 509 030	31 384 137
Trade finance	2 680 533	2 680 533	12 857 224	12 857 224
Overdrafts	1 413 574	1 659 856	2 384 104	2 467 940
Industrial loans	1 284 789	1 284 789	1 008 537	1 008 537
Consumer loans	219 162	219 162	223 245	223 245
Payment cards	137 363	137 363	253 063	253 063
Other	2 447 852	2 447 852	23 692 441	23 692 441
	79 512 465	**81 791 356**	**100 630 393**	**102 693 137**
Reverse repos	2 025 578	2 025 578	4 262 609	4 262 609
	81 538 043	**83 816 934**	**104 893 002**	**106 955 746**
Allowances (Note 13)	(13 050 492)	(13 500 649)	(8 806 139)	(9 202 378)
	68 487 551	**70 316 285**	**96 086 863**	**97 753 368**

(b) Loan profile by country of risk

Group	Gross loans 31.12.2015 EUR	Allowances 31.12.2015 EUR	Net loans 31.12.2015 EUR
Republic of Latvia	35 713 163	(6 982 194)	28 730 969
Other EU countries	23 467 694	(992 417)	22 475 277
Non-EU OECD countries	5 332 267	(702 418)	4 629 849
Ukraine	10 300 889	(2 043 249)	8 257 640
Other CIS countries	*6 722 511*	*(2 329 914)*	*4 392 597*
Other countries	1 519	(300)	1 219
	81 538 043	**(13 050 492)**	**68 487 551**

Bank	Gross loans 31.12.2015 EUR	Allowances 31.12.2015 EUR	Net loans 31.12.2015 EUR
Republic of Latvia	37 992 054	(7 432 351)	30 559 703
Other EU countries	23 467 694	(992 417)	22 475 277
Non-EU OECD countries	5 332 267	(702 418)	4 629 849
Ukraine	10 300 889	(2 043 249)	8 257 640
Other CIS countries	*6 722 511*	*(2 329 914)*	*4 392 597*
Other countries	1 519	(300)	1 219
	83 816 934	**(13 500 649)**	**70 316 285**

Group	Gross loans 31.12.2014 EUR	Allowances 31.12.2014 EUR	Net loans 31.12.2014 EUR
Republic of Latvia	41 014 781	(4 628 167)	36 386 614
Other EU countries	20 440 177	(588 402)	19 851 775
Non-EU OECD countries	6 821 868	(247 422)	6 574 446
Ukraine	32 224 001	(3 016 390)	29 207 611
Other CIS countries	*4 389 932*	*(325 754)*	*4 064 178*
Other countries	2 243	(4)	2 239
	104 893 002	**(8 806 139)**	**96 086 863**

Bank	Gross loans 31.12.2014 EUR	Allowances 31.12.2014 EUR	Net loans 31.12.2014 EUR
Republic of Latvia	43 077 525	(5 024 406)	38 053 119
Other EU countries	20 440 177	(588 402)	19 851 775
Non-EU OECD countries	6 821 868	(247 422)	6 574 446
Ukraine	32 224 001	(3 016 390)	29 207 611
Other CIS countries	*4 389 932*	*(325 754)*	*4 064 178*
Other countries	2 243	(4)	2 239
	106 955 746	**(9 202 378)**	**97 753 368**

(c) Loans by customer profile

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Loans to corporate clients	54 900 349	57 179 240	83 751 058	85 813 802
Loans to financial institutions	10 536 875	10 536 875	6 113 298	6 113 298
Loans to individuals	14 685 477	14 685 477	13 643 472	13 643 472
Loans to senior management and staff members of the Bank	1 415 342	1 415 342	1 385 174	1 385 174
	81 538 043	**83 816 934**	**104 893 002**	**106 955 746**
Allowances (Note 13)	(13 050 492)	(13 500 649)	(8 806 139)	(9 202 378)
	68 487 551	**70 316 285**	**96 086 863**	**97 753 368**

(d) Industry analysis of the loan portfolio

Group	Gross loans 31.12.2015 EUR	Allowances 31.12.2015 EUR	Net loans 31.12.2015 EUR
Real estate	22 658 815	(6 125 215)	16 533 600
Finance	11 676 758	(1 846 930)	9 829 828
Trade	11 444 352	(3 403 099)	8 041 253
Information and communication services	2 999 373	(32 453)	2 966 920
Manufacturing	2 405 290	—	2 405 290
Energy	1 510 648	—	1 510 648
Other services	12 549 265	(1 536 722)	11 012 543
Other	192 723	(47 757)	144 966
Loans to individuals	16 100 819	(58 316)	16 042 503
	81 538 043	**(13 050 492)**	**68 487 551**

Bank	Gross loans 31.12.2015 EUR	Allowances 31.12.2015 EUR	Net loans 31.12.2015 EUR
Real estate	24 937 706	(6 575 372)	18 362 334
Finance	11 676 758	(1 846 930)	9 829 828
Trade	11 444 352	(3 403 099)	8 041 253
Information and communication services	2 999 373	(32 453)	2 966 920
Manufacturing	2 405 290	—	2 405 290
Energy	1 510 648	—	1 510 648
Other services	12 549 265	(1 536 722)	11 012 543
Other	192 723	(47 757)	144 966
Loans to individuals	16 100 819	(58 316)	16 042 503
	83 816 934	**(13 500 649)**	**70 316 285**

Group	Gross loans 31.12.2014 EUR	Allowances 31.12.2014 EUR	Net loans 31.12.2014 EUR
Trade	33 527 235	(3 493 188)	30 034 047
Real estate	24 117 146	(4 481 880)	19 635 266
Finance	18 821 217	(312 604)	18 508 613
Manufacturing	2 003 823	—	2 003 823
Energy	1 646 325	—	1 646 325
Information and communication services	1 162 971	(806)	1 162 165
Agriculture, forestry and timber	6 503 347	(20 225)	6 483 122
Other services	163 587	(3 456)	160 131
Other	1 918 705	(66 530)	1 852 175
Loans to individuals	15 028 646	(427 450)	14 601 196
	104 893 002	**(8 806 139)**	**96 086 863**

Bank	Gross loans 31.12.2014 EUR	Allowances 31.12.2014 EUR	Net loans 31.12.2014 EUR
Trade	33 527 235	(3 493 188)	30 034 047
Real estate	26 179 890	(4 878 119)	21 301 771
Finance	18 821 217	(312 604)	18 508 613
Manufacturing	2 003 823	—	2 003 823
Energy	1 646 325	—	1 646 325
Information and communication services	1 162 971	(806)	1 162 165
Agriculture, forestry and timber	163 587	(3 456)	160 131
Other services	6 503 347	(20 225)	6 483 122
Other	1 918 705	(66 530)	1 852 175
Loans to individuals	15 028 646	(427 450)	14 601 196
	106 955 746	**(9 202 378)**	**97 753 368**

(e) Breakdown of loans by groups of delayed payments and non-delinquent loans
The following table provides information on the credit quality of the loan portfolio:

Group	Gross loans 31.12.2015 EUR	Allowances 31.12.2015 EUR	Net loans 31.12.2015 EUR
Non-delinquent loans	53 798 073	(4 332 595)	49 465 478
Up to 1 month (inclusive)	72 723	—	72 723
1 to 3 months	362 599	(362 268)	331
3 to 6 months	4 448 976	(308)	4 448 668
More than 6 months	22 855 672	(8 355 321)	14 500 351
	81 538 043	**(13 050 492)**	**68 487 551**

Bank	Gross loans 31.12.2015 EUR	Allowances 31.12.2015 EUR	Net loans 31.12.2015 EUR
Non-delinquent loans	56 076 964	(4 782 752)	51 294 212
Up to 1 month (inclusive)	72 723	—	72 723
1 to 3 months	362 599	(362 268)	331
3 to 6 months	4 448 976	(308)	4 448 668
More than 6 months	22 855 672	(8 355 321)	14 500 351
	83 816 934	**(13 500 649)**	**70 316 285**

Group	Gross loans 31.12.2014 EUR	Allowances 31.12.2014 EUR	Net loans 31.12.2014 EUR
Non-delinquent loans	74 496 181	(2 958 541)	71 537 640
Up to 1 month (inclusive)	373 967	(124 556)	249 411
1 to 3 months	150 046	(2 239)	147 807
3 to 6 months	10 278 606	(964 402)	9 314 204
More than 6 months	19 594 202	(4 756 401)	14 837 801
	104 893 002	**(8 806 139)**	**96 086 863**

Bank	Gross loans 31.12.2014 EUR	Allowances 31.12.2014 EUR	Net loans 31.12.2014 EUR
Non-delinquent loans	76 558 925	(3 354 780)	73 204 145
Up to 1 month (inclusive)	373 967	(124 556)	249 411
1 to 3 months	150 046	(2 239)	147 807
3 to 6 months	10 278 606	(964 402)	9 314 204
More than 6 months	19 594 202	(4 756 401)	14 837 801
	106 955 746	**(9 202 378)**	**97 753 368**

Movements in the loan impairment allowance for the years ended 31 December 2015 and 31 December 2014 are disclosed in Note 13.

(f) Restructured loans

During the year ended 31 December 2015, the Bank restructured loans by changing the terms of the loan agreement as follows:

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Principal grace	6 384 148	7 278 714	136 914	136 914
Extension of the loan maturity date	1 058 868	1 248 245	1 128 934	1 128 934
Interest capitalised	—	—	6 776 835	6 776 835
Interest rate change	—	—	2 537 093	2 537 093
	7 443 016	**8 526 959**	**10 579 776**	**10 579 776**

During the period from 1 January 2016 to the date of signing these financial statements, the restructured loans have seen a well-respected payment discipline.

(g) Analysis of collateral

The following table provides the analysis by collateral type of the loan portfolio:

	Net loans 31.12.2015 EUR	Group % of loan portfolio 31.12.2015 EUR	Net loans 31.12.2015 EUR	Bank % of loan portfolio 31.12.2015 EUR
Real estate	50 757 602	74.11%	52 340 054	74.44%
Commercial pledge	6 214 871	9.07%	6 214 871	8.84%
Traded securities	2 025 578	2.96%	2 025 578	2.88%
Deposits	321 131	0.47%	321 131	0.45%
Other collateral	414 439	0.61%	414 439	0.59%
No collateral	8 753 930	12.78%	9 000 212	12.80%
	68 487 551	**100%**	**70 316 285**	**100%**

	Net loans 31.12.2014 EUR	Group % of loan portfolio 31.12.2014 EUR	Net loans 31.12.2014 EUR	Bank % of loan portfolio 31.12.2014 EUR
Real estate	68 835 091	71.64%	70 501 596	72.12%
Commercial pledge	15 302 202	15.92%	15 302 202	15.65%
Traded securities	4 262 609	4.44%	4 262 609	4.36%
Deposits	1 297 543	1.35%	1 297 543	1.33%
Other collateral	163 359	0.17%	163 359	0.17%
No collateral	6 226 059	6.48%	6 226 059	6.37%
	96 086 863	**100%**	**97 753 368**	**100%**

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

Mortgage loans are secured by underlying housing real estate. Payment cards overdrafts are secured by deposits and guarantees. Consumer loans are secured by other types of collateral.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

Brokerage account balances and security deposits paid to the counterparties are classified as unsecured loans. The gross value of these balances as of 31 December 2015 and 31 December 2014 were EUR 8 428 343 and EUR 4 777 420, respectively.

During the year ended 31 December 2015, the Group has obtained ownership of the assets by taking over control of collateral accepted as security for commercial loans. During the year ended 31 December 2015, the Bank has not obtained ownership of assets through acquiring control over the property serving as collateral for commercial loans. During the year ended 31 December 2014, the Group and Bank have not obtained ownership of assets through acquiring control over the property serving as collateral for commercial loans.

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Land plots	19 698	—	—	—
	19 698	—	—	—

(h) Significant credit exposures

As at 31 December 2015 and 31 December 2014 the Bank had no borrowers, including related parties whose outstanding loan balances exceed 10% of loans to customers.

According to regulatory requirements, the Bank is not allowed to have a credit exposure to one client or a group of related clients of more than 25% of its equity. The Bank was in compliance with this requirement during the years ended 31 December 2015 and 31 December 2014.

(i) Breakdown of loans with inherent country risk (Ukraine) by groups of delayed payments and non-delinquent loans

The following table provides information on the credit quality of the loan portfolio:

Group and Bank	Gross loans 31.12.2015 EUR	Allowances 31.12.2015 EUR	Net loans 31.12.2015 EUR
Non-delinquent loans	2 621 304	—	2 621 304
Up to 1 month (inclusive)	259	—	259
1 to 3 months	42	—	42
3 to 6 months	305	(305)	—
More than 6 months	7 678 979	(2 042 944)	5 636 035
	10 300 889	**(2 043 249)**	**8 257 640**

Group and Bank	Gross loans 31.12.2014 EUR	Allowances 31.12.2014 EUR	Net loans 31.12.2014 EUR
Non-delinquent loans	6 520 303	(404 109)	6 116 194
1 to 3 months	1 085	—	1 085
3 to 6 months	10 277 928	(964 000)	9 313 928
More than 6 months	15 424 685	(1 648 281)	13 776 404
	32 224 001	**(3 016 390)**	**29 207 611**

Ukraine's economic situation has further deteriorated significantly during 2015. The effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

The Bank is following closely the economic and political developments in Ukraine in relation to the Bank's exposures in this country.

The following is an overview of the Bank's and the Group's exposure to Ukraine (as of December 31, 2015):

- Loans – 8 257 640 EUR;
- Contingent liabilities and commitments to customers – 183 048 EUR.

A sensitivity analysis to change in collateral's fair value by 15% implies additional impairment allowances for loans in the amount of EUR 165 thousand (2014: EUR 1 733 thousand). This in turn would decrease the capital adequacy by 0.06 percentage (2014: 0.51 percentage) point to 17.32% (2014: 13.63%) which would not significantly affect the ratio in question.

Sensitivity analysis to change in collateral was not conducted for contingent liabilities and commitments since these relate to performing clients of the Bank without any amounts overdue or other customer specific impairment triggers.

As a result of actions taken by the Bank's management, the volume of the Bank's and the Group's exposures in Ukraine was reduced significantly during 2015. This tendency will continue into 2016. During 2015 were established provisions on exposure to Ukraine in the amount of 498 687 EUR.

21. Available for Sale Instruments

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Debt securities of central governments (Moody's ratings)	82 769 787	7 245 936
Debt securities of central governments rated Aaa	*27 554 595*	—
Debt securities of central governments rated A	*8 881 237*	—
Debt securities of central governments rated Baa	*25 582 571*	*7 245 936*
Debt securities of central governments rated Bbb	*20 751 384*	—
Debt securities of credit institutions (Moody's ratings)	37 747 455	20 686 540
Debt securities of credit institutions rated Aaa	*36 824 486*	*20 686 540*
Debt securities of credit institutions rated Baa	*922 969*	—
Debt securities of financial institutions (Moody's ratings)	87 892 181	50 039 584
Debt securities of financial institutions rated Aaa	*87 892 181*	*50 039 584*
Debt securities of public non-financial Corporations (Moody's ratings)	4 452 392	2 371 655
Public non-financial Corporations rated Baa	—	*2 371 655*
Public non-financial Corporations rated Ba	*4 452 392*	—
Shares and other variable income securities	8 921 888	7 013 552
Tamar Energy, Ltd	*6 419 309*	*6 419 309*
Visa Europe	*1 816 207*	—
Imprimatur Capital Technology Venture Fund, LP	*468 589*	*359 420*
Capital, JSC	*180 863*	*180 863*
S.W.I.F.T., SCRL	*36 920*	*53 960*
	221 783 703	**87 357 267**

Tamar Energy is a renewable energy business focusing entirely on anaerobic digestion. Investment Tamar Energy is measured at cost as there is no readily available active market to detemine the fair value. The entity is still in its start up phase and is expanding operations as per its operational plans. Management has assessed the investment and no impairment was identified.

The fair value of Visa Europe is reported according to a certain withdrawal price as of 31 December 2015 (Note 49).

Imprimatur Capital Technology Venture Fund makes seed investments in SMEs which become its portfolio companies. The Fund's purpose is to invest in technology-related SMEs, develop their business potential and then sell its ownership interests in such SMEs at a profit and for the benefit of the Fund and its Investors. Please refer to note 48 on sensitivity analysis of the fair value of this exposure.

Investment in Capital is measured at cost less impairment as the Bank believes there is no readily available active market to detemine the fair value.

The fair value of S.W.I.F.T. SCRL is reported according to a certain withdrawal price as of 31 December 2015 and 31 December 2014.

Below is a summary of Tamar Energy audited financial information for the years ended 31 March 2015 and 31 March 2014:

	Tamar Energy, Ltd 31.03.2015 EUR	**Tamar Energy, Ltd 31.04.2014 EUR**
Current assets	8 842 100	29 139 967
Non-current assets	108 062 383	53 760 810
Total assets	**116 904 483**	**82 900 777**
Current liabilities	865 063	3 277 301
Non-current liabilities	8 824 711	6 658 556
Total liabilities	**9 689 774**	**9 935 857**
Net assets	**107 214 709**	**72 964 920**
Income	11 900 434	7 955 943
Expenses	(19 267 771)	(17 524 776)
Loss	**(7 367 337)**	**(9 568 833)**
Group share in net assets	**5 360 735**	**3 648 246**
Group share in loss	**(368 367)**	**(478 442)**

On 31 December 2015, debt securities with carrying amount of EUR 4 966 945 (2014: EUR 4 541 482) were pledged to secure the obtained long-term refinancing from central bank disclosed in Note 30.

22. Securities Held-to-Maturity

	Group and Bank 31.12.2015 EUR	**Group and Bank 31.12.2014 EUR**
Government bonds	6 490 840	5 910 325
Bonds and other fixed-income securities	3 132 923	2 820 334
	9 623 763	**8 730 659**

The following table shows the distribution of securities held-to-maturity by issuer profile:

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Debt securities of central governments (Moody's ratings)	6 490 840	5 910 326
Debt securities of central governments rated A	*6 490 840*	*986 830*
Debt securities of central governments rated Baa	—	*4 923 496*
Debt securities of credit institutions (Moody's ratings)	568 912	517 298
Debt securities of credit institutions rated Baa	—	*84 206*
Debt securities of credit institutions rated Ba	*568 912*	*433 092*
Debt securities of private enterprises (Moody's ratings)	2 564 011	2 303 035
Debt securities of private enterprises rated Baa	—	*1 226 825*
Debt securities of private enterprises rated Ba	*2 564 011*	*871 495*
Debt securities of private enterprises rated BB	—	*204 715*
	9 623 763	**8 730 659**

23. Investments in Equity Accounted Investees

	Ownership (%)	Country of incorporation	Purpose	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
LLC “Komunikācijas un projekti”	50	Latvia	Investments	1 144 547	1 144 547
				1 144 547	**1 144 547**

The management assessed future cash flows to be generated by the investee and as a result of this assessment concluded that there is no objective evidence of impairment of the investment.

	LLC "Komunikācijas un projekti" 31.12.2015 EUR	31.12.2014 EUR
Current assets	1 938	1 500
Non-current assets	2 336 502	2 326 730
Total assets	**2 338 440**	**2 328 230**
Current liabilities	13 741	26 223
Non-current liabilities	78 702	61 170
Total liabilities	**92 443**	**87 393**
Net assets	**2 245 997**	**2 240 837**
Income	19 773	—
Expenses	(14 613)	(12 587)
Profit/(loss)	**5 160**	**(12 587)**
Group share in net assets	**1 122 999**	**1 120 419**
Group share in profit/(loss)	**2 580**	**(6 294)**

24. Investments in Subsidiaries

The subsidiaries of the Bank are as follows:

Name	Country of incorporation	Principal Activities	Carrying amount of investment EUR	Ownership 31.12.2015 %	Ownership 31.12.2014 %
"BIB Real Estate" LLC	Latvia	Real estate	1 940 228	100	100
"Gaujas Īpašumi" LLC (through BIB Real Estate)	Latvia	Real estate	—	100	100
"Global Investments" LLC (through BIB Real Estate)	Latvia	Real estate	—	100	100
"BIB Consulting" LLC	Latvia	Legal advice, asset protection services and advice and guidance on taxation and tax planning	2 846	100	100
Investments in subsidiaries			**1 943 074**		

The management assessed future cash flows to be generated by the investee and as a result of this assessments concluded that there is no objective evidence of impairment of the investment.

	"BIB Real Estate" LLC (consolidated)	
	31.12.2015 EUR	31.12.2014 EUR
Current assets	53 244	420 001
Non-current assets	3 492 100	3 558 024
Total assets	**3 545 344**	**3 978 025**
Current liabilities	189 836	494 322
Non-current liabilities	2 278 891	2 284 116
Total liabilities	**2 468 727**	**2 778 438**
Net assets	**1 076 617**	**1 199 587**
Income	224 709	173 193
Expenses	(347 689)	(256 942)
Loss	**(122 980)**	**(83 749)**
Group share in net assets	**1 076 617**	**1 199 587**
Group share in loss	**(122 980)**	**(83 749)**

	"BIB Consulting" LLC	
	31.12.2015 EUR	31.12.2014 EUR
Current assets	13 829	13 360
Non-current assets	27	93
Total assets	**13 856**	**13 453**
Current liabilities	4 665	6 242
Non-current liabilities	—	—
Total liabilities	**4 665**	**6 242**
Net assets	**9 191**	**7 211**
Income	107 701	83 714
Expenses	(105 720)	(82 119)
Profit	**1 981**	**1 595**
Group share in net assets	**9 191**	**7 211**
Group share in profit	**1 981**	**1 595**

25. Investment Property

For investment property, the Bank applies a fair-value-based accounting model. The fair value of the investment property item is based on the appraisals from independent appraisers who hold a recognised and relevant professional qualification and have recent experience in appraising similar property.

Investment property	**Group EUR**	**Bank EUR**
As of 31 December 2013	**7 919 135**	**4 160 335**
Additions	4 970	—
Revaluation	(279 329)	(242 482)
Sale	(168 899)	—
As of 31 December 2014	**7 475 877**	**3 917 853**
Additions	42 871	—
Revaluation	(1 057 560)	(948 765)
As of 31 December 2015	**6 461 188**	**2 969 088**

Amounts recognised in the profit or loss (apart from revaluation and disposal result)	**Group EUR**	**Bank EUR**
Rental income earned on investment property	77 651	61 330
Direct operating expenses (including repairs and maintenance costs) incurred in connection with the investment property which has earned a rental income during the reporting year	(51 278)	(51 278)
Direct operating expenses (including repairs and maintenance costs) incurred in connection with the investment property which has not earned a rental income during the reporting year	(24 477)	(4 948)

The fair value of investment property was 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 Group's investment property portfolio every year.

The investment property 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 investment property, as well as the significant unobservable inputs used:

The Group's investment

Type	EUR	Valuation technique	Significant unobservable inputs	31.12.2015	31.12.2014	Inter-relation between significant unobservable inputs and fair value measurement
Construction objects and related land plots in Latvia	1 144 500	Comparable transaction method	Sales price varies from EUR to EUR per m^2	133–452	133–452	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
	(2014: 1 145 800)	Discounted cash flows technique: the model is based on discounted cash flows from rental income	Rental income per m^2 of EUR	0.38–6.19	0.38–6.19	• Rental income per m^2 was higher (lower)
			Discount rate of %	6.63–9.75	6.63–9.75	• The discount rate was lower (higher)
			Occupancy rate of %	90	90	• The occupancy rate was higher (lower)
Land plots in Riga	1 145 315	Comparable transaction method	Sales price varies from EUR to EUR per m^2	38	69	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
	(2014: 2 088 700)	Discounted cash flows technique: the model is based on discounted cash flows from rental income	Discount rate of %	15.00	12.25	• The discount rate was lower (higher)
			Construction costs EUR per m^2	600–900	777	• Construction costs per m^2 would be less (greater)
			The final sale price EUR per m^2	950–1300	1350	• The final sale price per m^2 was higher (lower)
Land plots in Latvia	1 317 000	Comparable transaction method	Sales price varies from EUR to EUR per m^2	14.00	14.00	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
	(2014: 1 324 000)	Discounted cash flows technique: the model is based on discounted cash flows from rental income	Discount rate of %	11.75	11.75	• The discount rate was lower (higher)
			Construction costs EUR per m^2	683	683	• Construction costs per m^2 would be less (greater)
			The final sale price EUR per m^2	785	785	• The final sale price per m^2 was higher (lower)
Premises in Riga	369 000	Comparable transaction method	Sales price varies from EUR to EUR per m^2	1706–1839	2121–2128	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
	(2014: 443 000)	Discounted cash flows technique: the model is based on discounted cash flows from rental income	Rental income per m^2 of EUR	4	4	• Rental income per m^2 was higher (lower)
			Discount rate of %	12.75	12.75	• The discount rate was lower (higher)
			Occupancy rate of %	50	50	• The occupancy rate was higher (lower)

Type	EUR	Valuation technique	Significant unobservable inputs	31.12.2015	31.12.2014	Inter-relation between significant unobservable inputs and fair value measurement
Construction objects and related land plots in Latvia	521 500 (2014: 515 700)	Comparable transaction method	Sales price varies from EUR to EUR per m^2	755	87–665	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
The balks and land plot in Riga	455 000 (2014: 448 000)	Comparable transaction method	Sales price varies from EUR to EUR per m^2	1431	1409	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
Land plots in Jurmala	553 900 (2014: 558 400)	Comparable transaction method	Sales price varies from EUR to EUR per m^2	39–69	40–69	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
Apartments in Latvia	256 000 (2014: 268 924)	Comparable transaction method	Sales price varies from EUR to EUR per m^2	3529–4022	3926	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower)
Construction objects and related land plots in Belarus	354 034 (2014: 356 632)	Comparable transaction method	Sales price varies from EUR to EUR per m^2	914	921	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower) • Rental income per m^2 was higher (lower) • The occupancy rate was higher (lower)
		Discounted cash flows technique: the model is based on discounted cash flows from rental income	Rental income per m^2 of EUR	0.26	0.26	
			Occupancy rate of %	100	100	
Premises in Belarus	325 239 (2014: 326 721)	Comparable transaction method	Sales price varies from EUR to EUR per m^2	842	846	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower) • Rental income per m^2 was higher (lower) • The occupancy rate was higher (lower)
		Discounted cash flows technique: the model is based on discounted cash flows from rental income	Rental income per m^2 of EUR	0.26	0.26	
			Discount rate of %	13.94	13.94	
			Occupancy rate of %	100	100	
Land plots in Latvia	19 700 (2014: 0)	Income approach	Sales price varies from EUR to EUR per m^2	1	—	The estimated fair value would increase (decrease) if: • Sales price per m^2 was higher (lower) • The discount rate was lower (higher) • Construction costs per m^2 would be less (greater) • The final sale price per m^2 was higher (lower)
			Discount rate of %	5.12	—	
			Construction costs EUR per m^2	1	—	
Investment property	**6 461 188**					

Sensitivity analyses
During 2015 the Bank has revised valuation approach for one of its investment properties: a land plot in Riga. Since 2015 the Group and the Bank have started using a comparable transaction method in addition to the income method, and have revised assumptions for the income method. This has had a negative impact on the fair value estimate which decreased from EUR 2 088 700 to EUR 1 145 315. At the end of 2015, using alternative assumptions, if the price per square meter is reduced by 10% in the comparable transaction method and the discount rate used increases by 250 basis points in the income method, this would result in decrease in the fair value by EUR 269 thousand. In 2014, only the income method was used, and sensitivity to alternative assumptions described below in the table:

	31.12.2015 EUR	31.12.2014 EUR
Land plots in Riga	1 145 315	2 088 700
comparable transaction method: 10-percent price change:	(206 522)	(675 192)
the discount-rate change by 250 basis points:	(268 922)	(367 639)

26. Property and Equipment

Group	Buildings and land (own use) EUR	Motor vehicles EUR	Office equipment EUR	Construction in progress EUR	Total EUR
Acquisition cost					
As of 31 December 2013	**16 682 359**	**193 584**	**3 489 755**	**186 386**	**20 552 084**
Additions	—	122 162	514 910	31 987	669 059
Disposals	—	(36 054)	(497 924)	—	(533 978)
As of 31 December 2014	**16 682 359**	**279 692**	**3 506 741**	**218 373**	**20 687 165**
Additions	—	80 268	546 231	105 171	731 670
Disposals	—	(8 500)	(233 261)	—	(241 761)
As of 31 December 2015	**16 682 359**	**351 460**	**3 819 711**	**323 544**	**21 177 074**
Depreciation					
As of 31 December 2013	**(1 327 730)**	**(120 737)**	**(1 600 497)**	**—**	**(3 048 964)**
Depreciation	(287 220)	(35 897)	(447 967)	—	(771 084)
Disposals	—	36 054	497 924	—	533 978
As of 31 December 2014	**(1 614 950)**	**(120 580)**	**(1 550 540)**	**—**	**(3 286 070)**
Depreciation	(287 220)	(51 109)	(469 508)	—	(807 837)
Disposals	—	8 500	233 261	—	241 761
As of 31 December 2015	**(1 902 170)**	**(163 189)**	**(1 786 787)**	**—**	**(3 852 146)**
Net book value					
As of 31 December 2013	**15 354 629**	**72 847**	**1 889 258**	**186 386**	**17 503 120**
As of 31 December 2014	**15 067 409**	**159 112**	**1 956 201**	**218 373**	**17 401 095**
As of 31 December 2015	**14 780 189**	**188 271**	**2 032 924**	**323 544**	**17 324 928**

Bank	Buildings and land (own use) EUR	Motor vehicles EUR	Office equipment EUR	Construction in progress EUR	Total EUR
Acquisition cost					
As of 31 December 2013	**16 682 359**	**193 584**	**3 486 247**	**186 386**	**20 548 576**
Additions	—	122 162	514 910	31 987	669 059
Disposals	—	(36 054)	(497 924)	—	(533 978)
As of 31 December 2014	**16 682 359**	**279 692**	**3 503 233**	**218 373**	**20 683 657**
Additions	—	80 268	546 231	105 171	731 670
Disposals	—	(8 500)	(233 261)	—	(241 761)
As of 31 December 2015	**16 682 359**	**351 460**	**3 816 203**	**323 544**	**21 173 566**
Depreciation					
As of 31 December 2013	**(1 327 730)**	**(120 737)**	**(1 597 408)**	**—**	**(3 045 875)**
Depreciation	(287 220)	(35 897)	(447 641)	—	(770 758)
Disposals	—	36 054	497 924	—	533 978
As of 31 December 2014	**(1 614 950)**	**(120 580)**	**(1 547 125)**	**—**	**(3 282 655)**
Depreciation	(287 220)	(51 109)	(469 442)	—	(807 771)
Disposals	—	8 500	233 261	—	241 761
As of 31 December 2015	**(1 902 170)**	**(163 189)**	**(1 783 306)**	**—**	**(3 848 665)**
Net book value					
As of 31 December 2013	**15 354 629**	**72 847**	**1 888 839**	**186 386**	**17 502 701**
As of 31 December 2014	**15 067 409**	**159 112**	**1 956 108**	**218 373**	**17 401 002**
As of 31 December 2015	**14 780 189**	**188 271**	**2 032 897**	**323 544**	**17 324 901**

The fair value of motor vehicles was determined by an independent appraiser by using the comparable transaction method based on recent market transactions with similar vehicles between independent parties. The evaluation of motor vehicles was carried out in 2015.

The fair value of motor vehicles, taking into account their evaluation carried out in 2015 and the accumulated depreciation, is not significantly different from the carrying amount. The revaluated property and equipment fall within Level 3 of the fair value hierarchy. The management believes that any fair value sensitivity is not material to the financial statements.

27. Intangible Assets

	Group Software EUR	Bank Software EUR
Acquisition cost		
As of 31 December 2013	**5 669 289**	**5 668 629**
Additions	244 277	244 277
Disposals	(75 512)	(75 512)
As of 31 December 2014	**5 838 054**	**5 837 394**
Additions	114 700	114 700
Disposals	(13 062)	(13 062)
As of 31 December 2015	**5 939 692**	**5 939 032**
Amortisation		
As of 31 December 2013	**(1 101 691)**	**(1 101 031)**
Amortisation	(490 599)	(490 599)
Disposals	75 512	75 512
As of 31 December 2014	**(1 516 778)**	**(1 516 118)**
Amortisation	(554 264)	(554 264)
Disposals	13 062	13 062
As of 31 December 2015	**(2 057 980)**	**(2 057 320)**
Net book value		
As of 31 December 2013	**4 567 598**	**4 567 598**
As of 31 December 2014	**4 321 276**	**4 321 276**
As of 31 December 2015	**3 881 712**	**3 881 712**

28. Deferred Expenses and Accrued Income

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Deferred expenses	1 261 429	1 260 315	1 484 960	1 484 502
Accrued income	1 311 007	1 311 557	907 670	910 170
	2 572 436	**2 571 872**	**2 392 630**	**2 394 672**
Allowances (Note 13)	(7 021)	(7 021)	(6 296)	(6 296)
	2 565 415	**2 564 851**	**2 386 334**	**2 388 376**

Additional information about uncertainty in relation to certain part of accrued income is disclosed in Note 39.

29. Other Assets

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Financial assest				
Accounts receivable	461 999	382 602	621 351	267 367
Money in transit (replenishment of a correspondent account)	228 018	228 018	91 439	91 439
Unsettled spot forex transactions	1 242 289	1 242 289	231 984	231 984
Funds placed in guarantee funds	176 177	176 177	137 053	137 053
Others	4 386	4 386	95 840	95 840
Non financial assest				
Precious metals	980 660	980 660	510 098	510 098
Prepayments	384 279	384 279	309 853	301 575
Prepaid taxes	178 449	176 741	136 570	135 415
	3 656 257	**3 575 152**	**2 134 188**	**1 770 771**
Allowances (Note 13)	(286 362)	(168 193)	(365 755)	(144 383)
	3 369 895	**3 406 959**	**1 768 433**	**1 626 388**

Precious metals are stated at fair value.

The impairment allowance was made for accounts receivable.

30. Due to Credit Institutions

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Repayable on demand	2 692 447	276 761
Term balances	3 787 308	9 959 318
	6 479 755	**10 236 079**

The table below shows geographical concentration:

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Due to central banks	3 787 308	3 781 559
Credit institutions incorporated in the Republic of Latvia	2 437 749	32 594
Credit institutions incorporated in other non-OECD countries	254 698	6 421 926
	6 479 755	**10 236 079**

Concentration of due to credit institutions
As at 31 December 2015 and 31 December 2014, the Group and Bank had balances with three and two credit institutions, which exceeded 10% of total placements by credit institutions. The gross values of these balances as of 31 December 2015 and 31 December 2014 were EUR 6 168 076 and EUR 9 957 415, respectively.

31. Deposits

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Repayable on demand				
Corporate customers	348 867 690	348 884 126	346 324 419	346 335 239
Financial institutions	6 883 091	6 883 091	2 638 049	2 638 049
Public organisations	—	—	509	509
State-owned companies	23 759	23 759	39 861	39 861
Individuals	68 094 195	68 094 195	41 547 887	41 547 887
	423 868 735	**423 885 171**	**390 550 725**	**390 561 545**
Term deposits				
Corporate customers	32 861 129	32 861 129	34 479 446	34 479 446
Financial institutions	617 780	617 780	—	—
Individuals	15 898 287	15 898 287	23 203 295	23 203 295
	49 377 196	**49 377 196**	**57 682 741**	**57 682 741**
Total deposits	**473 245 931**	**473 262 367**	**448 233 466**	**448 244 286**

Blocked accounts
As at 31 December 2015, the Bank maintained customer deposit balances of EUR 11 666 992 (as at 31 December 2014: EUR 8 925 151) which were blocked by the Bank as collateral for loans and commitments and sureties granted by the Bank.

Concentrations of current accounts and customer deposits
As of 31 December 2015 and 31 December 2014, the Bank had no clients whose account balance exceeded 10% of the total of all customer account balances.

32. Debt Securities in Issue

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Bonds in issue	16 429 701	18 241 785
	16 429 701	**18 241 785**

During the year ended 31 December 2015, the issued debt securities of par value EUR 12 383 650 were redeemed.

During the year ended 31 December 2015, an average annual interest rate of 2.34% was applied to the debt securities in issue. During the year ended 31 December 2014, an average annual interest rate of 2.64% was applied to the debt securities in issue. The securities issued in 2015 are publicly traded.

Notional amount	Coupon Rate	Issuance Date	Maturity Date	Group and Bank 31.12.2015 Book value, EUR
EUR 400 000	2.85%	12.03.2014	12.03.2016	403 258
EUR 2 250 000	1.80%	31.07.2015	31.07.2017	2 266 988
EUR 1 000 000	1.80%	04.12.2015	04.12.2017	1 001 350
USD 2 500 000	2.88%	12.03.2014	12.03.2016	2 317 801
USD 2 000 000	3.21%	16.06.2014	16.03.2016	1 839 510
USD 1 000 000	3.21%	02.07.2014	02.04.2016	933 187
USD 1 000 000	2.78%	15.09.2014	15.09.2016	926 613
USD 2 100 000	1.60%	31.07.2015	31.07.2016	1 941 851
USD 2 300 000	2.10%	31.07.2015	31.07.2017	2 131 220
USD 2 900 000	2.10%	04.12.2015	04.12.2017	2 667 923
				16 429 701

Notional amount	Coupon Rate	Issuance Date	Maturity Date	Group and Bank 31.12.2014 Book value, EUR
EUR 2 900 000	2.83%	21.11.2013	21.11.2015	2 909 119
EUR 400 000	2.85%	12.03.2014	12.03.2016	403 452
EUR 1 000 000	2.30%	22.09.2014	22.09.2015	1 006 325
USD 2 150 000	2.88%	21.11.2013	21.11.2015	1 776 525
USD1 300 000	2.30%	26.02.2014	26.02.2015	1 079 303
USD 2 500 000	2.88%	12.03.2014	12.03.2016	2 077 095
USD1 300 000	2.30%	09.05.2014	09.05.2015	1 074 309
USD 2 000 000	3.21%	16.06.2014	16.03.2016	1 649 514
USD 1 000 000	3.21%	02.07.2014	02.04.2016	836 801
USD 1 000 000	2.78%	15.09.2014	15.09.2016	830 397
USD 5 550 000	2.20%	22.09.2014	22.09.2015	4 598 945
				18 241 785

33. Accrued Expenses, Provisions and Deferred Income

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Penalties paid to the FCMC	1 172 000	1 172 000	—	—
Accruals for other payments	1 197 969	1 197 545	647 139	642 157
Provision for unused vacation	312 818	312 818	274 371	274 371
Accrued payable to the Deposit Guarantee Scheme (DGS)	69 572	69 572	232 667	232 667
Other accrued expense	35 868	35 868	37 747	37 747
Deferred income	224 701	223 795	296 738	296 738
	3 012 928	**3 011 598**	**1 488 662**	**1 483 680**

Explanation concerning fine imposed on the Bank is presented in Note 12.

34. Other Liabilities

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Unsettled spot forex transactions	320 933	320 933	49 193	49 193
Money in transit	1 171 205	1 171 205	598 933	598 933
Staff salaries	202 056	202 056	166 367	166 367
Collateral securing the obligations	4 743	4 743	5 271	5 271
Other accounts payable	478 918	371 022	796 896	357 949
	2 177 855	**2 069 959**	**1 616 660**	**1 177 713**

35. Subordinated Liabilities

Subordinated deposits 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.

As at 31 December 2015, the Bank had one customer whose deposit exceeded 10% of the total volume of subordinated deposits.

Depositor	Currency	Amount in currency	Interest rate	The date of conclusion of the loan agreement	Repayment date	Group and Bank Amount 31.12.2015 EUR	Group and Bank Amount 31.12.2014 EUR
Diana Belokon	GBP	2 500 608	7.00%	30.04.2013	14.01.2021	3 406 889	3 210 279
Total						**3 406 889**	**3 210 279**

	Group and Bank 31.12.2015 EUR	Group and Bank 31.12.2014 EUR
Residents of the Republic of Latvia		
Corporate customers	*—*	*19 074*
Individuals	*5 265 163*	*5 372 961*
Residents of other countries		
Individuals	*11 450 105*	*11 309 692*
	16 715 268	**16 701 727**

36. Shareholders' Equity

The Bank's share capital totals EUR 29 496 389 and is divided into 4 154 421 ordinary shares carrying identical voting rights (on 31 December 2014: 29 496 389 and 4 154 421, respectively). The nominal value of one share is EUR 7.10.

All shares are registered. Each share carries the right to one vote at the meetings of shareholders, a right to receive dividends as declared from time to time and a right to residual assets. Of the Bank's 93 shareholders, 28 are legal entities and 65 are individuals.

Reserve capital in the amount of EUR 835 152 (31 December 2014: EUR 835 152) is formed from the contributions made by the Bank's shareholders. The Bank's General Meeting of Shareholders makes the decision concerning further usage of reserve capital. Reserve capital can be used to:

- cover losses;
- increase the share capital;
- pay dividends.

	Quantity	Amount EUR
Total paid-in share capital 31 December 2013	**4 154 421**	**29 556 042**
Transfer to reserve capital	—	(59 653)
Total paid-in share capital 31 December 2014	**4 154 421**	**29 496 389**
Total paid-in share capital 31 December 2015	**4 154 421**	**29 496 389**

Listed below are the shareholders who control more than 10 percent of the shares in the shareholders' equity:

	31.12.2015	31.12.2014
Valeri Belokon	69.89%	69.89%
Vilori Belokon	30.01%	30.01%

37. Sureties and Commitments

Sureties and guarantees, which represent irrevocable assurances and promise that the Bank will make payments to the beneficiary (third party) in the event that the obligor (customer) fails to honor his/her obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit and liabilities for credit cards represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments.

	Group 31.12.2015 EUR	Bank 31.12.2015 EUR	Group 31.12.2014 EUR	Bank 31.12.2014 EUR
Sureties and guarantees	**3 827 416**	**3 827 416**	**2 961 317**	**2 961 317**
Commitments to customers	**5 000 762**	**5 082 647**	**12 040 035**	**12 134 805**
Commitments to extend credit	1 421 649	1 503 534	8 037 128	8 131 898
Unused creditcard limits	760 236	760 236	715 047	715 047
Other commitments	2 818 877	2 818 877	3 287 860	3 287 860
	8 828 178	**8 910 063**	**15 001 352**	**15 096 122**

38. Trust Agreements

The Bank enters into trust agreements with individuals and legal entities, residents and non-residents of the Republic of Latvia. The Bank accepts no risk for its trust operations; all risks are retained by its clients.

As of 31 December 2015, assets administered by the Bank totaled EUR 110 590 970. As of 31 December 2014, the Bank's administered assets stood at EUR 129 476 720.

39. Litigation

As part of fiduciary management (trust), the Bank carries out activities whereby the Bank uses customers' money transferred for fiduciary management (trust) for recovering the outstanding loans. One of the loans (a mortgage loan, secured by real property, the unpaid principal totals USD 35 000 thousand) involves debt recovery measures and litigation proceedings abroad. The recover process lasts from 2013 and has dragged on for years. However, the Bank anticipates that the loan will be recovered through enforcement of the mortgage rights. The Bank also takes steps to ensure the opportunity to recover the loan or any portion thereof from the deceased debtor's estate of inheritance. In connection with this trust management arrangement, the Bank has recognised accrued income totalling USD 1 004 thousand. The Bank believes that the accumulated income will be received.

One of the most significant loan-recovery processes initiated by the Bank in 2015 relates to a loan whose outstanding principal totals EUR 1 988 thousand. In the beginning of 2016, the Bank received the court of arbitration's ruling stating that the aforesaid principal and related ancillary claims must be recovered in the Bank's favour. The Bank continues the debt recovery process to get the judgment enforced. The recovery of the debt largely depends on whether the judgment will be successfully recognised and complied with in foreign jurisdictions The Bank's loan loss allowances for the loan amounted to EUR 1 300 thousand.

40. Related Party Transactions

The outstanding balances as of 31 December 2015 and related income statement amounts of transactions for the year ended 31 December 2015 with related parties (subsidiary transactions are eliminated at Group level and represent related party transactions at Bank level only) are as follows:

Group and Bank **31 December 2015**	**Subsidiary EUR**	**Associate EUR**	**Shareholders, Members of the Supervisory Council and Management Board EUR**	**Other senior executives EUR**	**Related to shareholders and management EUR**	**Total EUR**
Loans						
Net impairment difference	(53 918)	—	—	—	—	(53 918)
At the end of the period	1 828 734	92 213	245 020	—	1 241 898	3 407 865
Gross Loans	*2 278 891*	*92 213*	*245 020*	—	*1 241 898*	*3 858 022*
Allowances	*(450 157)*	—	—	—	—	*(450 157)*
Interest income	72 205	7 289	4 544	—	63 092	147 130
Other assets						
At the end of the period	82 035	—	—	—	—	82 035
Deposits						
At the end of the period	16 437	612	565 678	—	590 166	1 172 893
Interest expense	—	—	11 469	—	2 388	13 857
Subordinated liabilities						
At the end of the period	—	—	10 066	—	4 907 181	4 917 247
Interest expense	—	—	800	—	346 773	347 573

All related party transactions are at arm's length.

Group and Bank 31 December 2014	Subsidiary EUR	Associate EUR	Shareholders, Members of the Supervisory Council and Management Board EUR	Other senior executives EUR	Related to shareholders and management EUR	Total EUR
Due from credit institutions						
At the end of the period	—	—	—	—	65	65
Loans						
At the end of the period	1 666 505	67 392	258 148	—	1 283 329	3 275 374
Gross Loans	*2 062 744*	*67 392*	*258 148*	—	*1 283 329*	*3 671 613*
Allowances	*(396 239)*	—	—	—	—	*(396 239)*
Interest income	64 973	5 638	7 795	—	126 664	205 070
Other assets						
At the end of the period	54 289	—	—	—	—	54 289
Due to credit institutions						
At the end of the period	—	—	—	—	243 946	243 946
Deposits						
At the end of the period	10 822	108	318 459	—	473 480	802 869
Interest expense	—	—	11 032	5 432	1 564	18 028
Subordinated liabilities						
At the end of the period	—	—	10 064	—	4 729 644	4 739 708
Interest expense	—	—	800	—	324 661	325 461

All related party transactions are at arm's length.

41. Capital Adequacy Calculation

The Financial and Capital Market Commission sets forth capital requirements for the Bank as a whole and supervises the adherence to the requirements.

According to the specific requirement of the FCMC, the Bank should maintain a capital adequacy ratio above minimum level – 16.4% for the period starting from 1 October 2015 till 30 September 2016 (from 1 October 2014 till 30 September 2015: 13.7%).

As at 31 December 2015, the Bank and the Group were in compliance with the requirements of the FCMC for capital adequacy and minimum equity, as well as satisfied the higher ratio as requested by the FCMC. Further disclosures are presented in Note 53.

The Bank also monitors its capital adequacy levels calculated in accordance with the requirements of the New Basel Capital Accord, commonly known as Basel III.

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of the Basle Accord, as at 31 December 2015:

Total equity capital	**Group EUR**	**Bank EUR**
Paid-in share capital	29 496 389	29 496 389
Reserve capital and other reserves	835 152	835 152
Retained earnings	1 155 211	1 495 247
Loss for the period	(1 864 265)	(1 797 184)
Intangible assets	(3 881 712)	(3 881 712)
Deferred tax related to the intangible asset	546 856	546 856
Specific decline in Tier 1 capital, as stipulated by the applicable law	(1 409 119)	(1 409 119)
Available for sale instruments revaluation reserve	572 763	572 763
Less revaluation of investment property	(433 702)	(170 320)
Tier 1 Core Capital	**25 017 573**	**25 688 072**
Subordinated liabilities	11 686 155	11 686 155
Specific decline in Tier 2 capital, as stipulated by the applicable law	(1 409 119)	(1 409 119)
Tier 2 Supplementary Capital	**10 277 036**	**10 277 036**
TOTAL CAPITAL	**35 294 609**	**35 965 108**
Capital charge for credit risk inherent in the Bank's book, including the breakdown of exposures by categories:	13 947 585	14 050 942
Central governments or central banks	*408 411*	*408 411*
Public entities	*2 832 196*	*2 832 196*
Commercial companies	*2 721 967*	*2 721 967*
Overdue (delinquent) exposures	*1 765 869*	*1 765 869*
High-risk exposures	*2 824 442*	*3 048 803*
Shares and other variable income securities	*767 828*	*923 274*
Other items	*2 626 872*	*2 350 422*
The total capital charge for market risks	124 257	124 257
Capital charge for operational risk	2 392 776	2 384 258
Total capital charge	**16 464 618**	**16 559 457**
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 capital ratio	12.16%	12.41%
Tier 1 capital ratio	12.16%	12.41%
CAPITAL ADEQUACY RATIOS		
31 December 2015	**17.15%**	**17.38%**
CAPITAL ADEQUACY RATIOS		
31 December 2014	**14.85%**	**15.12%**

**Past due exposures: exposures that are 90 days or more past due.*

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 sureties and commitments, with some adjustments to reflect the more contingent nature of the potential losses.

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

To calculate the required capital charge in accordance with the minimum regulatory capital requirements, Bank applies the following approaches:

- capital charge for credit risk – the Standardised Approach;
- capital charge for market risk –the Standardised Approach;
- capital charge for operational risk – the Basic Indicator Approach.

42. Term Structure of Assets and Liabilities

The following tables are based on regulatory instructions of the Financial and Capital Market Commission and show the term structure of assets and liabilities. This term structure will not necessarily coincide with discounted cash flows.

Group	Demand EUR	Less than 1 month EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	1 to 5 years EUR	5 years and more EUR	With no stated maturity or pledged as collateral EUR	TOTAL EUR
As of 31 December 2015									
ASSETS									
Cash and due from central banks	48 927 561	—	—	—	—	—	—	—	**48 927 561**
Due from credit institutions	153 509 205	1 527	—	—	747 172	—	71	11 685 178	**165 943 153**
Financial assets held-for-trading	547 200	27 681	—	—	—	—	6 457	—	**581 338**
Securities held-for-trading	*547 200*	—	—	—	—	—	*6 457*	—	***553 657***
Derivative financial instruments	—	*27 681*	—	—	—	—	—	—	***27 681***
Available for sale instruments	208 067 038	910 288	670 915	115 827	16 967	—	7 105 681	4 896 987	**221 783 703**
Securities held-to-maturity	—	30 770	72 277	25 483	—	5 056 003	4 439 230	—	**9 623 763**
Loans	11 069 723	3 692 069	4 761 216	3 930 574	15 151 625	22 060 042	137 289	7 685 013	**68 487 551**
Other financial assets	1 200 165	1 258 607	537 723	106 935	91 466	821 615	—	3 080 843	**7 097 354**
Non-financial assets	—	—	—	—	—	—	—	27 667 828	**27 667 828**
Total assets	**423 320 892**	**5 920 942**	**6 042 131**	**4 178 819**	**16 007 230**	**27 937 660**	**11 688 728**	**55 015 849**	**550 112 251**
LIABILITIES AND SHAREHOLDERS' EQUITY									
Due to credit institutions	2 692 447	—	—	—	—	7 308	—	3 780 000	**6 479 755**
Deposits	425 679 036	3 314 122	19 729 985	7 727 388	5 446 374	3 803 363	107 848	7 437 815	**473 245 931**
Debt securities in issue		63 202	4 568 656	924 072	2 847 433	8 026 338	—	—	**16 429 701**
Derivative financial instruments	—	3 056	—	—	—	—	—	—	**3 056**
Subordinated liabilities	—	23 270	33 030	14 898	1 204 156	11 333 687	4 106 227	—	**16 715 268**
Non-financial liabilities	4 552 437	471 985	1 005 796	6 694	25 599	86 734	—	—	**6 149 245**
Shareholders' equity	—	—	—	—	—	—	—	31 089 295	**31 089 295**
Total liabilities and shareholders' equity	**432 923 920**	**3 875 635**	**25 337 467**	**8 673 052**	**9 523 562**	**23 257 430**	**4 214 075**	**42 307 110**	**550 112 251**
Sureties and commitments *	5 403 562	—	—	—	—	—	—	1 430 590	**6 834 152**
Maturity gap	**(15 006 590)**	**2 045 307**	**(19 295 336)**	**(4 494 233)**	**6 483 668**	**4 680 230**	**7 474 653**	**x**	**x**

**Sureties and commitments are diminished by the amount of the issued guarantees and loans secured by the deposits placed with the Bank and totaling EUR 1 459 795. The value of vaulted gold (deposited under the Bank's custody) is EUR 534 231.*

Group	Demand EUR	Less than 1 month EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	1 to 5 years EUR	5 years and more EUR	With no stated maturity or pledged as collateral EUR	TOTAL EUR
As of 31 December 2014									
Assets	383 927 369	8 699 297	11 470 391	9 690 754	16 431 712	37 176 891	14 324 500	49 239 599	**530 960 513**
Liabilities and equity	394 764 667	16 006 105	21 895 904	6 997 350	23 084 953	21 939 289	3 800 228	42 472 017	**530 960 513**
Sureties and commitments *	10 266 143	—	—	—	—	—	—	2 349 876	**12 616 019**
Maturity gap	**(21 103 441)**	**(7 306 808)**	**(10 425 513)**	**2 693 404**	**(6 653 241)**	**15 237 602**	**10 524 272**	**x**	**x**

**Sureties and commitments are diminished by the amount of the issued guarantees and loans secured by the deposits placed with the Bank and totaling EUR 1 566 977. The value of vaulted gold (deposited under the Bank's custody) is EUR 818 356.*

Bank	Demand EUR	Less than 1 month EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	1 to 5 years EUR	5 years and more EUR	With no stated maturity or pledged as collateral EUR	TOTAL EUR
As of 31 December 2015									
ASSETS									
Cash and due from central banks	48 925 707	—	—	—	—	—	—	—	**48 925 707**
Due from credit institutions	153 509 205	1 527	—	—	747 172	—	71	11 685 178	**165 943 153**
Financial assets held-for-trading	547 200	27 681	—	—	—	—	6 457	—	**581 338**
Securities held-for-trading	*547 200*	—	—	—	—	—	*6 457*	—	***553 657***
Derivative financial instruments	—	*27 681*	—	—	—	—	—	—	***27 681***
Available for sale instruments	208 067 038	910 288	670 915	115 827	16 967	—	7 105 681	4 896 987	**221 783 703**
Securities held-to-maturity	—	30 770	72 277	25 483	—	5 056 003	4 439 230	—	**9 623 763**
Loans	11 069 723	4 454 678	4 761 216	4 280 643	15 867 681	22 060 042	137 289	7 685 013	**70 316 285**
Other financial assets	1 236 665	1 258 607	537 723	106 935	91 466	821 615	—	5 023 917	**9 076 928**
Non-financial assets	—	—	—	—	—	—	—	24 175 701	**24 175 701**
Total assets	**423 355 538**	**6 683 551**	**6 042 131**	**4 528 888**	**16 723 286**	**27 937 660**	**11 688 728**	**53 466 796**	**550 426 578**
LIABILITIES AND SHAREHOLDERS' EQUITY									
Due to credit institutions	2 692 447	—	—	—	—	7 308	—	3 780 000	**6 479 755**
Deposits	425 695 472	3 314 122	19 729 985	7 727 388	5 446 374	3 803 363	107 848	7 437 815	**473 262 367**
Debt securities in issue		63 202	4 568 656	924 072	2 847 433	8 026 338	—	—	**16 429 701**
Derivative financial instruments	—	3 056	—	—	—	—	—	—	**3 056**
Subordinated liabilities	—	23 270	33 030	14 898	1 204 156	11 333 687	4 106 227	—	**16 715 268**
Non-financial liabilities	4 443 211	471 985	1 005 796	6 694	25 599	86 734	—	—	**6 040 019**
Shareholders' equity	—	—	—	—	—	—	—	31 496 412	**31 496 412**
Total liabilities and shareholders' equity	**432 831 130**	**3 875 635**	**25 337 467**	**8 673 052**	**9 523 562**	**23 257 430**	**4 214 075**	**42 714 227**	**550 426 578**
Sureties and commitments *	5 485 447	—	—	—	—	—	—	1 430 590	**6 916 037**
Maturity gap	**(14 961 039)**	**2 807 916**	**(19 295 336)**	**(4 144 164)**	**7 199 724**	**4 680 230**	**7 474 653**	**x**	**x**

**Sureties and commitments are diminished by the amount of the issued guarantees and loans secured by the deposits placed with the Bank and totaling EUR 1 459 795. The value of vaulted gold (deposited under the Bank's custody) is EUR 534 231.*

Bank	Demand EUR	Less than 1 month EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	1 to 5 years EUR	5 years and more EUR	With no stated maturity or pledged as collateral EUR	TOTAL EUR
As of 31 December 2014									
Assets	383 782 834	9 421 089	11 470 391	9 690 754	17 265 023	37 288 293	14 324 500	47 624 556	**530 867 440**
Liabilities and equity	394 331 558	16 006 105	21 895 904	6 997 350	23 084 953	21 939 289	3 800 228	42 812 053	**530 867 440**
Sureties and commitments *	10 360 913	—	—	—	—	—	—	2 349 876	**12 710 789**
Maturity gap	**(20 909 637)**	**(6 585 016)**	**(10 425 513)**	**2 693 404**	**(5 819 930)**	**15 349 004**	**10 524 272**	**x**	**x**

**Sureties and commitments are diminished by the amount of the issued guarantees and loans secured by the deposits placed with the Bank and totaling EUR 1 566 977. The value of vaulted gold (deposited under the Bank's custody) is EUR 818 356.*

43. Contractual Cash Flows

Analysis of the Bank's financial liabilities' contractual undiscounted cash flows:

	Demand and less than 1 month EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	More than 1 year EUR	Total gross amount outflow/ (inflow) EUR	Carrying amount EUR
As of 31 December 2015							
Non-derivative liabilities							
Deposits and balances due to financial institutions	2 692 447	—	—	—	3 802 509	6 494 956	**6 479 755**
Current accounts and deposits due to customers	436 447 994	19 744 863	7 763 701	5 506 065	4 115 223	473 577 846	**473 262 367**
Other borrowed funds	86 472	4 629 786	946 505	4 140 908	26 919 922	36 723 593	**33 144 969**
Derivative liabilities							
• Inflow	(1 956 708)	(3 484)	—	—	—	(1 960 192)	**(24 625)**
• Outflow	1 935 567	—	—	—	—	1 935 567	—
Total	**439 205 772**	**24 371 165**	**8 710 206**	**9 646 973**	**34 837 654**	**516 771 770**	**512 862 466**
Credit related commitments	8 910 063	—	—	—	—	—	—

	Demand and less than 1 month EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	More than 1 year EUR	Total gross amount outflow/ (inflow) EUR	Carrying amount EUR
As of 31 December 2014							
Non-derivative liabilities							
Deposits and balances due to financial institutions	6 454 520	—	—	—	3 781 559	10 236 079	**10 236 079**
Current accounts and deposits due to customers	405 315 839	21 059 907	5 918 273	10 725 335	5 752 242	448 771 596	**448 244 286**
Other borrowed funds	32 499	1 177 771	1 113 849	12 810 101	23 634 752	38 768 972	**34 943 512**
Derivative liabilities							
• Inflow	(223 962 260)	—	—	—	—	(223 962 260)	**(439 952)**
• Outflow	223 526 920	—	—	—	—	223 526 920	—
Total	**411 367 518**	**22 237 678**	**7 032 122**	**23 535 436**	**33 168 553**	**497 341 307**	**492 983 925**
Credit related commitments	15 096 122	—	—	—	—	—	—

The analyses of contractual undiscounted cash flows on the Group's and the Bank's financial liabilties do not vary significantly.

44. Analysis of Assets and Liabilities by Currency Profile

Group	**EUR**	**USD**	**GBP**	**RUB**	**CHF**	**Other currencies**	**TOTAL EUR**
As of 31 December 2015							
ASSETS							
Cash and due from central banks	47 895 121	921 400	105 470	—	2 584	2 986	**48 927 561**
Due from credit institutions	12 938 262	126 313 756	20 664 339	453 028	4 376 458	1 197 310	**165 943 153**
Financial assets held-for-trading	60 357	520 981	—	—	—	—	**581 338**
Securities held-for-trading	*32 676*	*520 981*	—	—	—	—	***553 657***
Derivative financial instruments	*27 681*	—	—	—	—	—	***27 681***
Available for sale instruments	51 194 406	170 589 297	—	—	—	—	**221 783 703**
Securities held-to-maturity	—	9 623 763	—	—	—	—	**9 623 763**
Loans	38 994 151	21 641 880	7 844 917	6 547	56	—	**68 487 551**
Other financial assets and non-financial assets	32 072 815	1 377 324	303 988	26 690	—	9 84 365	**34 765 182**
Total assets	**183 155 112**	**330 988 401**	**28 918 714**	**486 265**	**4 379 098**	**2 184 661**	**550 112 251**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Due to credit institutions	3 945 488	2 531 502	2 765	—	—	—	**6 479 755**
Deposits	124 663 427	321 824 105	20 058 103	482 924	4 408 404	1 808 968	**473 245 931**
Debt securities in issue	3 671 596	12 758 105	—	—	—	—	**16 429 701**
Derivative financial instruments	3 056	—	—	—	—	—	**3 056**
Subordinated liabilities	8 028 943	5 279 436	3 406 889	—	—	—	**16 715 268**
Non-financial liabilities	4 410 389	1 552 022	143 248	28 472	2 270	12 844	**6 149 245**
Shareholders' equity	31 089 295	—	—	—	—	—	**31 089 295**
Total liabilities and shareholders' equity	**175 812 194**	**343 945 170**	**23 611 005**	**511 396**	**4 410 674**	**1 821 812**	**550 112 251**
GROSS POSITION	**7 342 918**	**(12 956 769)**	**5 307 709**	**(25 131)**	**(31 576)**	**362 849**	
Unsettled spot forex contracts	(7 599 511)	12 996 820	(5 381 838)	905 885	—	—	
Forward contracts	779 026	148 000	—	(905 885)	—	—	
NET POSITION	**522 433**	**188 051**	**(74 129)**	**(25 131)**	**(31 576)**	**362 849**	
Ratio to the shareholders' equity (%)*		0.53%	–0.21%	–0.07%	–0.09%		
As of 31 December 2014							
Assets	223 202 243	278 411 124	21 566 840	255 809	5 899 532	1 624 965	**530 960 513**
Liabilities and equity	150 512 261	351 207 727	21 946 534	231 514	5 964 409	1 098 068	**530 960 513**
Gross position	**72 689 982**	**(72 796 603)**	**(379 694)**	**24 295**	**(64 877)**	**526 897**	
Net position	**(1 178 552)**	**577 212**	**5 498**	**143 164**	**166 307**	**796 189**	

**Regulatory capital (net worth) totalling EUR 35 294 609 as of 31 December 2015 (as of 31 December 2014: 38 976 512).*

Bank	EUR	USD	GBP	RUB	CHF	Other currencies	TOTAL EUR
As of 31 December 2015							
ASSETS							
Cash and due from central banks	47 893 267	921 400	105 470	—	2 584	2 986	**48 925 707**
Due from credit institutions	12 938 262	126 313 756	20 664 339	453 028	4 376 458	1 197 310	**165 943 153**
Financial assets held-for-trading	60 357	520 981	—	—	—	—	**581 338**
Securities held-for-trading	*32 676*	*520 981*	—	—	—	—	***553 657***
Derivative financial instruments	*27 681*	—	—	—	—	—	***27 681***
Available for sale instruments	51 194 406	170 589 297	—	—	—	—	**221 783 703**
Securities held-to-maturity		9 623 763	—	—	—	—	**9 623 763**
Loans	40 822 885	21 641 880	7 844 917	6 547	56	—	**70 316 285**
Other financial assets and non-financial assets	30 560 262	1 377 324	303 988	26 690	—	984 365	**33 252 629**
Total assets	**183 469 439**	**330 988 401**	**28 918 714**	**486 265**	**4 379 098**	**2 184 661**	**550 426 578**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Due to credit institutions	3 945 488	2 531 502	2 765	—	—	—	**6 479 755**
Deposits	124 679 863	321 824 105	20 058 103	482 924	4 408 404	1 808 968	**473 262 367**
Debt securities in issue	3 671 596	12 758 105	—	—	—	—	**16 429 701**
Derivative financial instruments	3 056	—	—	—	—	—	**3 056**
Subordinated liabilities	8 028 943	5 279 436	3 406 889	—	—	—	**16 715 268**
Non-financial liabilities	4 301 163	1 552 022	143 248	28 472	2 270	12 844	**6 040 019**
Shareholders' equity	31 496 412	—	—	—	—	—	**31 496 412**
Total liabilities and shareholders' equity	**176 126 521**	**343 945 170**	**23 611 005**	**511 396**	**4 410 674**	**1 821 812**	**550 426 578**
GROSS POSITION	**7 342 918**	**(12 956 769)**	**5 307 709**	**(25 131)**	**(31 576)**	**362 849**	
Unsettled spot forex contracts	(7 599 511)	12 996 820	(5 381 838)	905 885	—	—	
Forward contracts	779 026	148 000	—	(905 885)	—	—	
NET POSITION	**522 433**	**188 051**	**(74 129)**	**(25 131)**	**(31 576)**	**362 849**	
Ratio to the shareholders' equity (%)*		0.52%	–0.21%	–0.07%	–0.09%		
As of 31 December 2014							
Assets	223 109 170	278 411 124	21 566 840	255 809	5 899 532	1 624 965	**530 867 440**
Liabilities and equity	150 419 188	35 1207 727	21 946 534	231 514	5 964 409	1 098 068	**530 867 440**
Gross position	**72 689 982**	**(72 796 603)**	**(379 694)**	**24 295**	**(64 877)**	**526 897**	
Net position	**(1 555 732)**	**736 700**	**5 498**	**143 164**	**166 307**	**796 189**	

**Regulatory capital (net worth) totalling EUR35 965 108 as of 31 December 2015 (as of 31 December 2014: 39 784 000).*

45. Sensitivities Analysis

Currency (foreign exchange) risk

The sum of overall foreign exchange exposure and the net position in gold stood at 1.19% of the Group's equity as of 31 December 2015 (as of 31 December 2014: 1.38%).

Figures show that a 10 percent strengthening of the euro against other currencies may have the following impact on the Group's profit (in EUR):

	31.12.2015 USD	31.12.2015 GBP	31.12.2015 RUB	31.12.2014 USD	31.12.2014 GBP	31.12.2014 RUB
Rate valid:	1.0887	0.73395	80.6736	1.2141	0.7789	72.3370
Foreign currency position (in EUR):	188 051	(74 129)	(25 131)	577 212	5 498	143 164
Profit/(loss) (in EUR):	18 805	(7 413)	(5 026)	57 721	782	14 316

The sum of overall foreign exchange exposure and the net position in gold stood at 1.17% of the Bank's equity as of 31 December 2015 (as of 31 December 2014: 1.34%).

Figures show that a 10 percent strengthening of the euro against other currencies may have the following impact on the Bank's profit (in EUR):

	31.12.2015 USD	31.12.2015 GBP	31.12.2015 RUB	31.12.2014 USD	31.12.2014 GBP	31.12.2014 RUB
Rate valid:	1.0887	0.73395	80.6736	1.2141	0.7789	72.3370
Foreign currency position (in EUR):	188 051	(74 129)	(25 131)	736 700	5 498	143 164
Profit/(loss) (in EUR):	18 805	(7 413)	(5 026)	73 670	550	14 316

46. Repricing Maturities of Assets and Liabilities

The following table shows the earlier of the interest rate contracted re-pricing dates or contractual maturity of financial assets and liabilities.

Group	Up to 1 month (inclusive) EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	One year and more EUR	Non interest bearing EUR	TOTAL EUR
As of 31 December 2015							
ASSETS							
Cash and due from central banks	47 023 445	—	—	—	—	1 904 116	**48 927 561**
Due from credit institutions	151 832 998	1 200 000	—	1 320 199	—	11 589 956	**165 943 153**
Financial assets held-for-trading	27 555	—	—	30 709	473 533	49 541	**581 338**
Securities held-for-trading	*27 555*	—	—	*30 709*	*473 533*	*21 860*	***553 657***
Derivative financial instruments	—	—	—	—	—	*27 681*	***27 681***
Available for sale instruments	29 389 352	18 433 958	41 585 870	81 085 690	40 652 947	10 635 886	**221 783 703**
Securities held-to-maturity	—	—	—	—	9 495 231	128 532	**9 623 763**
Loans	4 301 361	4 512 979	5 471 745	14 910 012	20 760 260	18 531 194	**68 487 551**
Other financial assets and non-financial assets	—	—	—	—	—	34 765 182	**34 765 182**
Total assets	**232 574 711**	**24 146 937**	**47 057 615**	**97 346 610**	**71 381 971**	**77 604 407**	**550 112 251**
LIABILITIES							
Due to credit institutions	2 388 077	—	—	—	3 780 000	311 678	**6 479 755**
Deposits	307 766 022	19 845 728	7 701 518	5 418 386	3 865 948	128 648 329	**473 245 931**
Debt securities in issue	—	5 451 897	918 527	1 928 906	8 026 338	104 033	**16 429 701**
Derivative financial instruments	—	—	—	—	—	3 056	**3 056**
Subordinated liabilities	—	10 000	—	1 204 040	15 439 914	61 314	**16 715 268**
Non-financial liabilities	—	—	—	—	—	6 149 245	**6 149 245**
Shareholders' equity	—	—	—	—	—	31 089 295	**31 089 295**
Total liabilities and shareholders' equity	**310 154 099**	**25 307 625**	**8 620 045**	**8 551 332**	**31 112 200**	**166 366 950**	**550 112 251**
Net position sensitive to interest rate risk	**(77 579 388)**	**(1 160 688)**	**38 437 570**	**88 795 278**	**40 269 771**	**(88 762 543)**	
Effect on annual net interest income	**(743 469)**	**(9 672)**	**240 235**	**221 988**			**(290 918)**

A 100 basis point decrease/increase in interest rates is likely to have effect (decrease/increase) on the Group's annual net interest income to the amount of 290 918 EUR (as of 31 December 2014: EUR 292 328).

A 100 basis point decrease/increase in interest rates is likely to have effect (decrease/increase) on the Group's other comprehensive income to the amount of 897 890 EUR (as of 31 December 2014: EUR 118 888).

	Up to 1 month (inclusive) EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	One year and more EUR	Non interest bearing EUR	TOTAL EUR
As of 31 December 2014							
Assets	286 026 554	11 802 359	14 477 446	53 547 993	81 436 216	83 669 945	**530 960 513**
Liabilities	315 426 660	25 501 413	11 597 869	19 313 947	26 430 519	132 690 105	**530 960 513**
Net position sensitive to interest rate risk	**(29 400 106)**	**(13 699 054)**	**2 879 577**	**34 234 046**	**55 005 697**	**(49 020 160)**	

Bank	Up to 1 month (inclusive) EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	One year and more EUR	Non interest bearing EUR	TOTAL EUR
As of 31 December 2015							
ASSETS							
Cash and due from central banks	47 023 445	—	—	—	—	1 902 262	**48 925 707**
Due from credit institutions	151 832 998	1 200 000	—	1 320 199	—	11 589 956	**165 943 153**
Financial assets held-for-trading	27 555	—	—	30 709	473 533	49 541	**581 338**
Securities held-for-trading	*27 555*	—	—	*30 709*	*473 533*	*21 860*	***553 657***
Derivative financial instruments	—	—	—	—	—	*27 681*	***27 681***
Available for sale instruments	29 389 352	18 433 958	41 585 870	81 085 690	40 652 947	10 635 886	**221 783 703**
Securities held-to-maturity	—	—	—	—	9 495 231	128 532	**9 623 763**
Loans	5 023 006	4 759 262	5 575 531	15 626 068	20 760 260	18 572 158	**70 316 285**
Other financial assets and non-financial assets	—	—	—	—	—	33 252 629	**33 252 629**
Total assets	**233 296 356**	**24 393 220**	**47 161 401**	**98 062 666**	**71 381 971**	**76 130 964**	550 426 578
LIABILITIES							
Due to credit institutions	2 388 077	—	—	—	3 780 000	311 678	**6 479 755**
Deposits	307 766 022	19 845 728	7 701 518	5 418 386	3 865 948	128 664 765	**473 262 367**
Debt securities in issue	—	5 451 897	918 527	1 928 906	8 026 338	104 033	**16 429 701**
Derivative financial instruments	—	—	—	—	—	3 056	**3 056**
Subordinated liabilities	—	10 000	—	1 204 040	15 439 914	61 314	**16 715 268**
Non-financial liabilities	—	—	—	—	—	6 040 019	**6 040 019**
Shareholders' equity	—	—	—	—	—	31 496 412	**31 496 412**
Total liabilities and shareholders' equity	**310 154 099**	**25 307 625**	**8 620 045**	**8 551 332**	**31 112 200**	**166 681 277**	550 426 578
Net position sensitive to interest rate risk	**(76 857 743)**	**(914 405)**	**38 541 356**	**89 511 334**	**40 269 771**	**(90 550 313)**	
Effect on annual net interest income	**(736 553)**	**(7 620)**	**240 883**	**223 778**			**(279 512)**

A 100 basis point decrease/increase in interest rates is likely to have effect (decrease/increase) on the Bank's annual net interest income to the amount of 279 512 EUR (as of 31 December 2014: EUR 283 538).

A 100 basis point decrease/increase in interest rates is likely to have effect (decrease/increase) on the Bank's other comprehensive income to the amount of 897 890 EUR (as of 31 December 2014: EUR 118 888).

	Up to 1 month (inclusive) EUR	1 to 3 months EUR	3 to 6 months EUR	6 to 12 months EUR	One year and more EUR	Non interest bearing EUR	TOTAL EUR
As of 31 December 2014							
Assets	286 748 198	11 802 359	14 477 446	54 297 467	81 631 454	81 910 516	**530 867 440**
Liabilities	315 426 660	25 501 413	11 597 869	19 313 947	26 430 519	132 597 032	**530 867 440**
Net position sensitive to interest rate risk	**(28 678 462)**	**(13 699 054)**	**2 879 577**	**34 983 520**	**55 200 935**	**(50 686 516)**	

47. Credit Risk

The table below shows the Bank's maximum exposure to credit risk for the components of the statement of financial position, including derivatives. Exposures are based on net carrying amounts as reported in the statement of financial position.

The maximum credit exposures are shown both gross, i.e. without taking into account any collateral and other credit enhancement, and net, i.e. after taking into account any collateral and other credit enhancement. The details on the type and amounts of collateral held are disclosed in the respective notes.

Bank	Gross maximum credit risk exposure 31.12.2015 EUR	Net maximum credit risk exposure 31.12.2015 EUR	Gross maximum credit risk exposure 31.12.2014 EUR	Net maximum credit risk exposure 31.12.2014 EUR
Cash and due from central banks	48 925 707	48 925 707	23 525 223	23 525 223
Due from credit institutions	165 944 265	165 943 153	277 591 255	277 591 255
Financial assets held-for-trading	581 338	581 338	2 881 851	2 881 851
Securities held-for-trading	*553 657*	*553 657*	*476 839*	*476 839*
Derivative financial instruments	*27 681*	*27 681*	*2 405 012*	*2 405 012*
Available for sale instruments	221 783 703	221 783 703	87 357 267	87 357 267
Securities held-to-maturity	9 623 763	9 623 763	8 730 659	8 730 659
Loans	83 816 934	83 804 799	106 955 746	106 444 393
Other assets	2 571 872	2 571 872	2 394 672	2 394 672
Total financial assets	**533 247 582**	**533 234 335**	**509 436 673**	**508 925 320**
Sureties (guarantees)	3 827 416	3 472 416	2 961 317	2 571 317
Commitments to customers	5 082 647	3 367 897	12 134 805	2 500 134
Total commitments and contingencies	**8 910 063**	**6 840 313**	**15 096 122**	**5 071 451**
Total maximum credit risk exposure	**542 157 645**	**540 074 648**	**524 532 795**	**513 996 771**

The maximum exposures to credit risks for the components at the statement of financial position of the Group and the Bank do not vary significantly.

48. Classification of Financial Assets and Liabilities and Comparison with Fair Value

The estimated fair values of financial instruments at fair value through profit or loss, quoted available-for-sale assets, held-to-maturity investments and other borrowed funds are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair value of the Bank's financial assets and liabilities are as follows:

	Financial assets/ liabilities at amortised cost EUR	Financial assets/ liabilities at fair value through profit and loss EUR	Financial assets available-for-sale EUR	Total EUR	Fair value EUR
As of 31 December 2015					
ASSETS					
Cash and due from central banks	48 925 707	—	—	**48 925 707**	**48 925 707**
Due from credit institutions	165 943 153	—	—	**165 943 153**	**166 404 695**
Financial assets held-for-trading	—	581 338	—	**581 338**	**581 338**
Securities held-for-trading	—	*553 657*	—	***553 657***	***553 657***
Derivative financial instruments	—	*27 681*	—	***27 681***	***27 681***
Available for sale instruments	—	—	221 783 703	**221 783 703**	**221 783 703**
Securities held-to-maturity	9 623 763	—	—	**9 623 763**	**9 890 214**
Loans	70 316 285	—	—	**70 316 285**	**54 141 446**
Total assets	**294 808 908**	**581 338**	**221 783 703**	**517 173 949**	**501 727 103**
Liabilities					
Due to credit institutions	6 479 755	—	—	**6 479 755**	**6 495 072**
Deposits	473 262 367	—	—	**473 262 367**	**473 235 921**
Debt securities in issue	16 429 701	—	—	**16 429 701**	**18 501 989**
Derivative financial instruments	—	3 056	—	**3 056**	**3 056**
Subordinated liabilities	16 715 268	—	—	**16 715 268**	**17 154 869**
Total liabilities	**512 887 091**	**3 056**	**—**	**512 890 147**	**515 390 907**
As of 31 December 2014					
ASSETS					
Cash and due from central banks	23 525 223	—	—	**23 525 223**	**23 525 223**
Due from credit institutions	277 591 255	—	—	**277 591 255**	**277 578 075**
Financial assets held-for-trading	—	2 881 851	—	**2 881 851**	**2 881 851**
Securities held-for-trading	—	*476 839*	—	***476 839***	***476 839***
Derivative financial instruments	—	*2 405 012*	—	***2 405 012***	***2 405 012***
Available for sale instruments	—	—	87 357 267	**87 357 267**	**87 357 267**
Securities held-to-maturity	8 730 659	—	—	**8 730 659**	**8 649 018**
Loans	97 753 368	—	—	**97 753 368**	**96 036 527**
Total assets	**407 600 505**	**2 881 851**	**87 357 267**	**497 839 623**	**496 027 961**
Liabilities					
Due to credit institutions	10 236 079	—	—	**10 236 079**	**10 236 079**
Deposits	448 244 286	—	—	**448 244 286**	**448 424 142**
Debt securities in issue	18 241 785	—	—	**18 241 785**	**18 241 785**
Derivative financial instruments	—	1 965 060	—	**1 965 060**	**1 965 060**
Subordinated liabilities	16 701 727	—	—	**16 701 727**	**17 233 276**
Total liabilities	**493 423 877**	**1 965 060**	**—**	**495 388 937**	**496 100 342**

49. Fair Value Hierarchy

(a) Financial instruments measured at fair value

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

Group and Bank	Published price quotations (Level 1) EUR	Valuation techniques based on market observable inputs (Level 2) EUR	Valuation techniques not based on market observable inputs (Level 3) EUR	Total EUR
As of 31 December 2015				
Financial assets				
Available for sale instruments	212 861 815	36 920	2 284 796	**215 183 531**
Financial assets at fair value through profit or loss	553 657	—	—	**553 657**
Derivatives	3 484	24 197	—	**27 681**
	213 418 956	**61 117**	**2 284 796**	**215 764 869**
Financial liabilities				
Derivatives	—	3 056	—	**3 056**
	—	**3 056**	**—**	**3 056**

Group and Bank	Published price quotations (Level 1) EUR	Valuation techniques based on market observable inputs (Level 2) EUR	Valuation techniques not based on market observable inputs (Level 3) EUR	Total EUR
As of 31 December 2014				
Financial assets				
Available for sale instruments	80 343 715	53 960	359 420	**80 757 095**
Financial assets at fair value through profit or loss	476 839	—	—	**476 839**
Derivatives	4 612	2 400 400	—	**2 405 012**
	80 825 166	**2 454 360**	**359 420**	**83 638 946**
Financial liabilities				
Derivatives	—	1 965 060	—	**1 965 060**
	—	**1 965 060**	**—**	**1 965 060**

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

Included in category "Valuation techniques based on market observable inputs" (Level 2) are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main asset classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds private equity funds with fair value obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable.

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

During the reporting period, the Group and the Bank have recognized a EUR 1 816 207 revaluation of Visa Europe Limited share based on the share repurchase offer. According to the offer received from Visa Europe Limited, the Bank must receive a cash transfer of EUR 1 816 207 in 2nd quarter of 2016, VISA Inc. shares having the total par value of EUR 622 616, and a portion of potential future profit if certain conditions are met. In these financial statements, the Group and the Bank have recognized only that portion of the amount of the repurchase transaction that is receivable by a wire transfer.

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

	Financial assets at fair value through profit or loss EUR	Available for sale instruments EUR	Financial investments at fair value through profit or loss EUR	Total EUR
As of 31 December 2014	**—**	**359 420**	**—**	**359 420**
Total comprehensive income:	—	1 816 207	—	1 816 207
in profit or loss	—	*(9 889)*	—	*(9 889)*
in OCI	—	*1 826 096*	—	*1 826 096*
Purchases	—	184 679	—	**184 679**
Settlements	—	(75 510)	—	**(75 510)**
As of 31 December 2015	**—**	**2 284 796**	**—**	**2 284 796**

	Financial assets at fair value through profit or loss EUR	Available for sale instruments EUR	Financial investments at fair value through profit or loss EUR	Total EUR
As of 31 December 2013	—	**218 142**	—	**218 142**
Purchases	—	180 413	—	180 413
Sale	—	(39 135)	—	(39 135)
As of 31 December 2014	—	**142 243**	—	**359 420**

The following table shows the valuation techniques use in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Assets at fair value through profit or loss (forward exchange contracts and interest rate swaps)	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.	Not applicable	Not applicable
Available for sale assets	Quotes from brokers	Illiquid securities bid prices	The estimated fair value would increase (decrease) if:
			Bid price quote increases
Available for sale assets (closed end funds)	Valuation is based on fund manager dislosed net Asset Value statement.	Net Asset value	The estimated fair value would increase (decrease) if:
			Net asset value increase (decrease)

For the fair values of equity securities under available for sale category, reasonably possible change at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	Effect on other comprehensive income	
	Increase EUR	(Decrease) EUR
As of 31 December 2015		
Net asset value quote (10% movement)	46 859	(46 859)
Bid price movements (10% movement)	80 790	(80 790)
	127 649	**(127 649)**
As of 31 December 2014		
Net asset value quote (10% movement)	35 942	(35 942)
Bid price movements (10% movement)	(9 195)	9 195
	26 747	**(26 747)**

(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:

Bank	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR	Carrying amount EUR
As of 31 December 2015					
Financial assets					
Cash and due from central banks	—	48 925 707	—	**48 925 707**	**48 925 707**
Due from credit institutions	—	—	166 404 695	**166 404 695**	**165 943 153**
Loans	—	—	54 141 446	**54 141 446**	**70 316 285**
Securities held-to-maturity	9 890 214	—	—	**9 890 214**	**9 623 763**
	9 890 214	**48 925 707**	**220 546 141**	**279 362 062**	**294 808 908**
Financial liabilities					
Due to credit institutions	—	6 495 072	—	**6 495 072**	**6 479 755**
Deposits	—	—	473 235 921	**473 235 921**	**473 262 367**
Debt securities in issue	—	—	18 501 989	**18 501 989**	**16 429 701**
Subordinated liabilities	—	—	17 154 869	**17 154 869**	**16 715 268**
Other liabilities	—	—	6 043 075	**6 043 075**	**6 043 075**
	—	**6 495 072**	**514 935 854**	**521 430 926**	**518 930 166**

Bank	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR	Carrying amount EUR
As of 31 December 2014					
Financial assets					
Cash and due from central banks	—	23 525 223	—	**23 525 223**	**23 525 223**
Due from credit institutions	—	—	277 578 075	**277 578 075**	**277 591 255**
Loans	—	—	96 036 527	**96 036 527**	**97 753 368**
Securities held-to-maturity	8 649 018	—	—	**8 649 018**	**8 730 659**
	8 649 018	**23 525 223**	**373 614 602**	**405 788 843**	**407 600 505**
Financial liabilities					
Due to credit institutions	—	10 236 079	—	**10 236 079**	**10 236 079**
Deposits	—	—	473 235 921	**473 235 921**	**448 244 286**
Debt securities in issue	—	—	18 241 785	**18 241 785**	**18 241 785**
Subordinated liabilities	—	—	17 233 276	**17 233 276**	**16 701 727**
Other liabilities	—	—	5 765 769	**5 765 769**	**5 765 769**
	—	**10 236 079**	**514 476 751**	**524 712 830**	**499 189 646**

The following table shows the valuation techniques use in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs
Loans and advances due from financial institutions	Discounted cash flows	Discount rates
Loans and advances due from customers	Discounted cash flows	Discount rates, default rates
Deposits and balances due to financial institutions	Discounted cash flows	Discount rates
Deposits and balances due to customers	Discounted cash flows	Discount rates
Other borrowed funds	Discounted cash flows	Discount rates

50. Events Subsequent to the Reporting Date

The Board of the Financial and Capital Market Commission (FCMC) made the decision to impose a fine of EUR 1 100 000 (one million one hundred thousand euros) on JSC “Baltic International Bank”.

Explanation concerning fine imposed on the Bank is presented in Note 12.

From the last day of the reporting period to the date of signing of these consolidated financial statements, no other events have occurred which would entail making adjustments to these consolidated financial statements or which ought to have been explained in these consolidated financial statements.

51. Information on Bank’s Staff and Remuneration of the Management

In 2015, the Bank’s average staff count increased to 265 (2014: 251).

Remuneration to the Bank's Supervisory Council and Management Board members amounted to:

	31.12.2015 EUR	31.12.2014 EUR
Council members	202 320	207 162
Board members	461 957	372 032
	664 277	**579 194**

52. Analysis by Segments

Activities of the Group and the Bank are considered as one segment and none of them is singled out separately. During 2015 and 2014, the Group and the Bank have not had any clients, from whom the Group and the Bank would earn more than 10% from the total Group's or Bank's income.

53. Going Concern

In 2015, the Bank continued working on the improvement of its compliance with relevant capital adequacy requirements, and on its capital position.

In the first half of 2015, after a regulatory inspection by the Financial and Capital Market Commission of the Republic of Latvia ('FCMC' or the 'regulator'), the Bank adjusted its required capital.

Later in 2015, after conducting another regulatory loan portfolio assessment, the regulator informed the Bank in its draft report dated 8 February 2016 that due to high risk levels of specific loans, the Bank is further required to either recognize additional loan impairment allowances, or adjust the regulatory capital level. According to the Bank's estimates as of March 2016, the required adjustments would result in regulatory capital adequacy ratio decreasing below the individual requirement of 16.4% (set by the regulator in October 2015).

Final decision by the regulator is still pending, with possible outcomes ranging from 15.1% to 17.2%. In any case, neither the Bank's tier 1 capital ratio (CET1), nor its total capital ratio are expected to fall below the level required by Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms. Furthermore, the Bank's liquidity is high above minimum (60%), and stands at 91.96% as at 31 December 2015, despite the fact that the Bank did not raise additional share capital as initially planned in 2015.

On 9 March 2016, FCMC announced a regulatory fine to the Bank, and it's Chairperson of the Board, amounting to EUR 1.100 thousand, and EUR 25 thousand respectively. The FCMC's decision to impose fines on the Bank and the Chairperson of Bank's Board was made based on the following conclusions: the Bank had insufficiently evaluated and documented past transactions of selected customers of the Bank. In the FCMC's opinion, the Bank applied insufficient customer due diligence (CDD) measures and applied insufficient supervision of customers' transactions within the meaning of the "Money Laundering and Terrorist Financing Prevention Act" [Noziedzīgi iegūtu līdzekļu legalizācijas un terorisma finansēšanas novēršanas likums] effective in the Republic of Latvia. The FCMC's decision is relevant to the regulatory inspection covering customers' transactions during the period from January 2011 through to February 2015.

The regulatory inspection did not detect any unlawful transactions. The decision made by the Board of the FCMC does not exert any impact on the customers and daily activities of Baltic International Bank since restricting measures of any kind were not applied.

The above conditions indicate existence of a material uncertainty in relation to the Bank's ability to continue as a going concern.

Taking into account that:

- the Bank timely eliminated all identified shortcomings (deficiencies), and;
- in its decision, FCMC states that as of the date of the decision, the Bank is compliant with all of the regulatory requirements and continues to develop its internal control system (ICS), the decision does not, in management's view, affect the Bank's ability to continue as a going concern and further development perspectives.

The Bank embarked on reinforcing its ICS (specifically designed to ensure compliance with the AML/CFT framework) at the end of 2014 and continued throughout 2015. In the beginning of 2016, the existing development plan was supplemented in light of the new regulatory requirements and the FCMC's recommendations. The plan encompasses enhancement and deepening of customer due diligence process, making supervision of customers' transactions more efficient, raising the level of professional competences of the Bank's staff members, and the broader use of technologies.

The Bank devotes a lot of effort to making a number of processes more efficient and to improving the Bank's ICS. The area of anti-money laundering and combating the financing of terrorism (AML/CFT) is one of the paramount areas and it is the Bank's key priority.

Furthermore, the Bank's management has developed and is implementing a plan towards full compliance with the individual capital adequacy ratio requirements. The plan consists of two steps: short-term and medium-term (within 1 year) measures. As long-term measure the Bank is focusing on improving its profitability.

The short-term solution implies a creation of specific impairment allowances for loans that affect the Bank's capital adequacy to the level of unaudited net profit for the first quarter of 2016. Management estimates that such an option allows the Bank to comply with the required capital adequacy ratio as determined by the FCMC. The management of the Bank expects the capital adequacy ratio to reach 16.8% the second quarter of 2016 applying the above measure.

The second step foresees an increase of share capital of the Bank by two million euros in 2016. The share capital increase is to be approved at the shareholders' meeting on 30 March 2016. The increase in the paid-in capital is expected by the management of the Bank to be completed in two phases: 1 million euros by 30 May 2016, and another 1 million euros by 31 December 2016.

The management of the Bank are confident that the shareholders of the Bank fully support the management's plan.

In the Bank's management view, the ability of the Bank to generate profit improved during 2015 and it continues to improve during the first quarter of 2016:

- Profit before special impairment allowances, other adjustments and taxes in 2015 tripled (increased by EUR 3.1 million) and amounted to EUR 4.69 million.
- Losses of 2015 result from the recognition of specific impairment allowances for assets (EUR 5.7 million) that were impaired during 2015.
- Return on equity (profit before specific impairment allowances, other adjustments and taxes) (capital at the reporting date) amounts to 14.9% for 2015 (2014: 4.9%).
- Compared to the same period last year, in 2016 unaudited profit before specific impairment allowances, other adjustments and taxes increased by EUR 1.1 million over a period of two months and amounted to EUR 2.29 million (which makes up 49% of the entire financial result for 2015).

Based on the above, and based on the actual unaudited results for the first months of 2016 and preliminary forecasted first quarter results, the management of the Bank is confident that the above plan is working, and that it will eventually enable the management to reinstate the Bank's ability to generate healthy profits in 2016 and beyond. This is further supported by the Bank's ability to decrease dependence on interest income as a source of revenues, and in general decreasing dependency on lending. As a result, these financial statements for the year ended 31 December 2015 were prepared on the going concern basis consistently applying the International Financial Reporting Standards as adopted by the European Union, and, therefore, do not reflect any adjustments that might be necessary if the Company was not able to continue as a going concern.