BANKING / INVESTMENTS \ ADVISORY

ABLV

ABLV Bank, AS

Consolidated and separate financial statements

for the year ended 31 December 2014

Together with independent auditors' report

Contents

Bank’s Management Report

Ladies and gentlemen, dear shareholders of ABLV Bank, AS,

During 2014, the bank and other companies of ABLV Group continued to grow, due to consistent implementation of the group’s development strategy. Although several our target markets were considerably affected by political and economic instability, we managed to achieve the planned results because of our thoroughly chosen business model, risk management, and cautious policy. According to the business model, we remained focused on rendering services to private and corporate customers in Latvia, as well as on exporting high-class financial services, provided mostly to customers from the abroad, especially from the CIS states.

On 4 November 2014, the single supervisory mechanism became effective, and the Eurozone largest banks came under direct supervision of the European Central Bank (ECB). By performing this supervision, the ECB monitors whether the strategy, procedures, and measures implemented by a credit institution ensure sufficient risk management and whether the credit institution’s equity is adequate for covering current and possible risks inherent in its operations. In Latvia, ABLV Bank, AS, being one of the three largest banks in terms of the amount of assets, is also subject to joint supervision by ECB and the Financial and Capital Market Commission (FCMC). The ECB single supervision guarantee better availability of information on the banks’ situation and thus boosts confidence in the financial sector.

Before ECB started performing supervisory functions, the banks underwent in-depth review of their balance sheets and stress testing – the comprehensive assessment, in which local supervisory authorities of each country and the European Banking Authority (EBA) were involved. Under the assessment, the ECB also applied correlation between asset quality review and stress test results in order to ensure even more critical evaluation of the banks’ risky assets.

The assessment included the review of ABLV Bank, AS, exposures related to corporate financing in Latvia, real estate financing in Latvia and Russia, lending to large companies in Russia and mortgage loans granted in Latvian private sector, as well as the group's real estate portfolio, which altogether constitute the most considerable part of ABLV Bank risky assets. Conservative interpretation of the currently effective International Financial Reporting Standards was used for asset quality review.

Our bank has successfully passed the comprehensive assessment. Our strict adherence to the conservative strategy of lending and asset evaluation played a big role. We are glad that ABLV Bank, AS, together with its subsidiary bank in Luxembourg, is the only private bank from the Baltics that has fallen under direct supervision of the ECB among the largest and famous European banks. This supervision ensures additional sense of safety for our customers, and us and it will also stimulate bank’s further development.

Significant events of the reporting period were: the change of the currency in which ABLV Bank, AS, share capital is denominated from lats to euro, following Latvia’s accession to Eurozone, and also regular issues of shares, including the issue of voting shares and employee shares. As the currency was changed and issues were completed, the bank’s share capital consisted of 29 385 000 registered voting shares and 3 265 000 employee shares without voting rights attached.

Continuing the bond issue programme, in 2014 we performed six new issues of coupon bonds: two of them under the Third Bond Offer Programme, and four – under the Fourth Bond Offer Programme. There was also one issue of subordinated bonds performed under the Fourth Bond Offer Programme. The total amount of all issues conducted in 2014, constituted USD 225 million and EUR 80 million. The bank initiated gradual replacement of long-term deposits with bonds at the end of 2011. Including new bonds and those already redeemed, we have performed 25 public bond issues until the end of 2014. As at the end of 2014, there were 19 bond issues included in the NASDAQ Riga list of debt securities.

On 25 April 2014, ABLV Bank, AS, entered into primary dealer agreement with the Treasury of Latvia, thus joining Primary dealers group. Primary dealers are cooperation partners of the Treasury entitled to take part in placement auctions of domestic sovereign debt securities arranged by the Treasury. During 2014, we have also acquired substantial amount of Latvian government securities, and currently we have Latvian government securities worth EUR 182.6 in our portfolio.

ABLV Bank, AS, and other ABLV Group companies are considered being significant employers and taxpayers. In 2014, there were 47 new jobs created in the bank only; and various tax payments made by the group to the state budget amounted to EUR 33.3 million, which is by 59.6% more than in 2013.

Financial results

The bank's major financial indicators of 2014 evidence stable growth. ABLV Bank, AS, is the largest bank in Latvia with local capital and is ranked second in terms of the amount of assets.

- The bank's profit in 2014 amounted to EUR 58.7 million. Whereas in 2013 it equalled EUR 43.7 million.
- The bank's operating income before allowances for credit losses totalled EUR 122.4 million. Compared with 2013, operating income has increased by 11.1%.
- The amount of the customers' deposits equalled EUR 3.41 billion as at the end of the reporting period.
- The amount of issued debt securities reached EUR 454.6 million.
- As at 31 December 2014, the amount of the bank's assets was EUR 4.17 billion. Over the year, the amount of assets has grown by 25.8%, the total assets increasing by EUR 854.5 million.
- The bank's loan portfolio equalled EUR 790.2 million, as at the end of December.
- The bank's capital and reserves amounted to EUR 226.9 million.
- As at 31 December 2014, the bank's capital adequacy ratio was 18.80%, whereas liquidity equalled 74.74%.
- ROE reached 28.82%, and ROA – 1.60%, as at 31 December 2014.

The bank continued to invest available funds in securities. The total amount of the securities portfolio was equal to EUR 2.15 billion, as at 31 December 2014. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 72.8% of the portfolio is constituted by securities having credit rating AA- and higher. In terms of the major countries, securities are allocated as follows: USA – 26.4%, Germany – 13.1%, Canada – 9.7%, Russia – 9.7%, Latvia – 9.3%, Sweden – 9.2%, Netherlands – 3.5%, Denmark – 1.8%, and Norway – 1.7%. Whereas 5.3% is constituted by securities issued by international institutions – the European Commission, EBRD, etc. In the reporting period, average annual yield of the securities portfolio amounted to 1.4%.

In 2014, we paid considerable attention to development of corporate lending. At the end of August 2014, with the participation of ABLV Bank, AS, the deal of selling capital shares of Ventamonjaks terminal, working with transhipment of liquid ammonia at Ventspils Free Port, was successfully completed. This was one of the most significant deals in the transit and cargo transportation area recently – the deal amount equalled EUR 55 million, with the financing of ABLV Bank constituting EUR 33 million. Whereas in September, LNK Group used ABLV Bank, AS, financing of EUR 8.1 million to acquire modern office building in Riga, at 15 J.Daliņa Street, for more than EUR 10.5 million.

During the reporting period, intense work was performed to improve the customer service quality. Internetbank for iPad tablet computers was developed; main Internetbank and Internetbank for iPhone smart phones were improved. Additionally starting from July 2014, we offer our customers debit and credit cards with the new, even more exquisite design. The new design of payment cards is based on ABLV brand graphic image and its stylistic elements.

In February 2014, the bank's Mortgage Loans Division moved back to the renovated premises at 21a Elizabetes Street in Riga. As for now, we will ensure the highest level of service in Latvia for mortgage customers.

Investments

Performance of open-end mutual funds managed by ABLV Asset Management, IPAS, was influenced by complicated geopolitical and macroeconomic situation caused by strong price fluctuations in financial markets during the year. Nevertheless, the investors' interest in our funds continued to grow, and as at the end of the reporting period more than 180 of our customers owned shares in our funds.

As at the end of the year 2014, the total value of assets of open-end mutual funds exceeded EUR 106.6 million. Since the beginning of the year, the total value of funds has increased by 21.2%, i.e., approximately by EUR 18.7 million. Such a growth is mainly caused by the frequently expresses wish of our customers to diversify their investment portfolios by acquiring shares of ABLV mutual funds, given low interest rates in the USA and Europe. This approach to investments enable substantial increase of the portfolio overall yield, compared with deposits.

We started offering mutual funds to our customers in April 2007. As at the end of 2014, there were 10 mutual funds available to our customers, including 4 stock funds, 2 emerging markets bond funds, 2 CIS corporate bond funds, and 2 global market corporate bond funds. The first ones of those – ABLV Emerging Markets USD Bond Fund, ABLV Emerging Markets EUR Bond Fund, ABLV High Yield CIS USD Bond Fund, ABLV Global USD Stock Index Fund, and ABLV Global EUR Stock Index Fund – have been operating for 7 years already.

Taking into account the growing demand for our products, we are planning to expand the range of offered funds by adding at least one new fund each year, so that customers have wider opportunities of investing in financial instruments. Therefore, in 2014, necessary preparation for establishing of the new mutual fund ABLV Multi-Asset Total Return USD Fund was performed, and the new fund was registered on 9 January 2015.

The year 2014 was also successful for ABLV Capital Markets, IBAS, which executes the customers’ instructions for purchasing and selling all types of financial instruments in the world’s major securities markets. In the past year, profit of ABLV Capital Markets, IBAS, amounted to EUR 2.9 million. As at 31 December 2014, the total assets of the company’s customers invested in financial instruments were equal to EUR 925.5 million.

For our customers who prefer using trading opportunities provided by Russian stock exchanges on their own, we offer trading platform Quik Trader ABLV. By using this platform, customers get access to online trading at Moscow Exchange (MOEX), performing settlement in Russian roubles. Quik Trader ABLV is an addition to two other trading platforms: J-Trader ABLV (for trading in derivative financial instruments at the US and European stock exchanges) and Orbis Trader ABLV (for trading in the US securities).

Given the high interest in the securities issued by ABLV Bank, AS, and the growing number of notifications on events concerning bonds and shares of our bank, we offer to our investors a simple and convenient way of receiving necessary information. We have added ‘Investor Calendar’ to the bank’s home page www.ablv.com, where most important news about our bonds and shares are published – information on public offering, issue results, dates of coupon payments, bond redemption, meetings of shareholders, financial performance, etc.

During the reporting period, limited partnership dealing with investments, ABLV Private Equity Fund 2010, KS, gained profit of EUR 8.0 million. The greatest part of the profit was generated in a result of selling of DEPO DIY, SIA, company shares – the largest company in Latvia, operating at the sphere of retail of construction and finishing materials.

In the reporting period, first increase of AmberStone Group, AS, share capital has been successfully completed, and thus the company’s capital has been increased by EUR 9.1 million, reaching EUR 14.0 million in total. ABLV Bank, AS, as well as several customers and shareholders of the bank participated in the share capital increase. ABLV Bank provided substantial support to arrangement of this share issue. Increase of the capital will allow AmberStone Group, AS, to secure the position of one of the leading holding companies in Latvia and also make new investments in capital of promising companies.

The holding company AmberStone Group, AS, was established to separate the business not related to rendering financial and banking services from ABLV Group. The company will also take over the investments of limited partnership ABLV Private Equity Fund 2010, KS. Therefore, shares of SIA Orto klīnika and SIA Vaiņode Agro Holding, previously owned by ABLV Private Equity 2010, KS, were sold to AmberStone Group, AS, at the end of December 2014. It is planned that till the end of 2015 the share capital of AmberStone Group, AS, will be increased to EUR 35 million, also due to attracting new shareholders from ABLV Bank, AS, shareholders, customers, and partners.

Real estate

For the real estate development group Pillar, the year 2014 was productive and full of intense work. In 2014, local buyers continued to demonstrate stable demand for uniform apartments in secondary market. Whereas foreigners' interest in property purchase was affected by government decisions regarding amendments to the programme of granting residence permits – during the last third of the year the interest of these customers was much more reserved. Overall, Pillar managed to retain sales in 2014 at the level of 2013 and even slightly increase those. Pillar managed to conclude 626 sale transactions, the total amount of which reached EUR 33.5 million. Compared with 2013, the number of sales transactions has grown by 2%. The portfolio of uniform real estate has decreased from 836 to 583 properties over the year. The results of new projects sales were also good, since just about 8% of apartments in new projects developed by Pillar remained unsold as at the end of the year. There were 126 apartments in new and renovated projects sold, including 5 premium class apartments in Elizabetes Park House project. In addition, 48 transactions on sale of private houses and 11 transactions on sale of land plots were made in 2014.

In order to meet customer demand, Pillar continued active work on managing the existing property portfolio, developing new projects, and implementing the renovation programme. At the beginning of 2014, Pillar completed all interior finishing works in the new modern apartment block Dārza Apartment House, as well as commissioned new apartment block Lielezeres Apartment House. Whereas in June reconstruction of 10 new apartments in the apartment block at 13A Akadēmiķa M.Keldiša Street in Riga was completed. Construction works at premium-class apartment block Miera Park Hous are also nearing completion. Sale of apartments in this building is planned to begin in Q2 2015.

There were also investments made in development of the project important for Pillar and the whole ABLV Group – New Hanza City (NHC) financial and business centre. In August 2014, after taking the charge of developing NHC territory basic design, Pillar acquired Riga office of German architect bureau Schaller Architekten Stuttgart. Thus, new company was added to Pillar group – Schaller Kyncl Architekten Riga. The aim of acquiring the architect bureau is to concentrate all processes related to NHC project development at one place, which will allow structuring and optimizing Pillar work within this large-scale project. The task of Schaller Kyncl Architekten Riga is to develop all technical documentation necessary for the project, so that construction works in NHC territory can be started already in 2015.

Advisory

ABLV Corporate Services, SIA, offers advice on obtaining residence permits and citizenship of Latvia, Great Britain, and Saint Kitts and Nevis. The company's customers also use other advisory services – advice on establishing holding structures (also in Latvia) and assistance in changing tax residency.

Specialists of ABLV Group took part in several international conferences, exhibitions and seminars, including the international conference and exhibition CIS Wealth Yekaterinburg, conference on tax planning and asset structuring INTAX EXPO 2014 in Moscow, as well as ABLV Conference Banking/Investments/Advisory arranged by the bank in Cyprus, and other. During those events, ABLV Group services were presented to existing and prospective customers.

ABLV Group has 12 representative offices and territorial structural units in 8 countries – in Russia, Ukraine, Belarus, Kazakhstan, Tajikistan, Azerbaijan, Uzbekistan, and Cyprus.

Luxembourg

The subsidiary bank in Luxembourg was established in order to develop the existing customer base, by providing wider range of investment and fiduciary services, as well as to attract new customers. ABLV Bank, AS, is the first bank from the Baltic countries to establish subsidiary bank in Luxembourg. The bank in Luxembourg started offering services to customers already in September 2013, and as at 31 December 2014 the bank's assets and assets under management amounted to EUR 129.3 million.

After successful completion of service testing, in summer ABLV Bank Luxembourg, S.A., started offering new fiduciary services to its customers: fiduciary deposits, which provide unique opportunities of placing term deposits with banks of the CIS and European states, and fiduciary loans, which allow lending to third parties.

The number of customers preferring one of the main services offered by Luxembourg – active investment advisory – is increasing. In 2015, the bank will also start offering discretionary portfolio management.

Having received the permission from financial sector supervisory authorities of Latvia and Luxembourg, ABLV mutual funds were admitted to Luxembourg securities market in 2014. Thus, our open-end mutual funds are available to customers of ABLV Bank Luxembourg, S.A.

These achievements were also appreciated at 'Gold Coin 2014' – innovative banking service competition arranged by the Association of Commercial Banks of Latvia and we were awarded the main prize – 'Gold Coin' – in the category 'Export of Financial Services'.

For society

In 2014, ABLV Bank, AS, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

The most important event of the year definitely was the protocol of intent signed on 30 October 2014, regarding construction of Latvian Contemporary Art Museum. Pursuant to this document, signed by the Republic of Latvia Minister of Culture Dace Melbārde and the members of the Council of Latvian Contemporary Art Museum Foundation Ernests Bernis, Oļegs Fiļs, Ināra and Boriss Teterev, until 18 November 2021 the Latvian Contemporary Art Foundation, established by ABLV Charitable Foundation and Boris and Ināra Teterev Charity Foundation, will perform construction of Latvian Contemporary Art Museum, using the funds of the founders and donations, as well as will ensure the Museum operations, management and development, including creation, maintenance, and increase of the Museum art collection. The Museum will be open to public. Founders of the foundation will ensure the necessary financing of EUR 30 million for the Museum construction. The decision on construction of the Latvian Contemporary Art Museum is a logical continuation of the agreement on compiling the contemporary art collection made between the bank and the Ministry of Culture in 2005.

At the end of December, the traditional Christmas charitable action arranged by ABLV Charitable Foundation and ABLV Bank, AS, was completed. In the previously mentioned action toom part hundreds of Bank employees and customers.The amount of donations under this fund drive was considerable – EUR 278 830. The donations under the fund drive were as follows: EUR 157 531 to the programme ‘Help hear!’, EUR 43 941 to the programme ‘Help grow up!’, and EUR 77 358 to the programme ‘New Riga’. In addition to the donations of the Christmas charitable action, ABLV Bank, AS, donated EUR 1 044 267 to the programme “New Riga”. As previously ABLV Charitable Foundation doubled the amounts donated to the ‘Help hear!’ and ‘Help grow up!’ programmes.

In May 2014, there was a reception held in Rundāle for 278th anniversary of Rundāle Palace and completion of renovation works in the museum complex. The renovation of Rundāle Palace lasted 50 years, and ABLV Bank, AS, took part in financing of the works. We supported renovation of the palace library. The bank presented the original edition of complete works of Voltaire on the palace anniversary.

At the beginning of July, ABLV Invitation Golf Tournament 2014 was held in Ozo Golf Club. 96 golfers participated in the tournament – ABLV customers from Latvia and foreign countries, the bank’s partners and officers, as well as some members of Ozo Golf Club. The tournament was held according to the rules of the Royal and Ancient Golf Club of St.Andrews, separately for women and men. The winners of the tournament were awarded bronze glass cups created by glass artist and designer Anda Munkevica.

At the end of November, ABLV Bank, AS, concluded the agreement with Daugavpils city council and gifted apartment block at 7 Gaismas Street and the respective land plot to the city. There are 105 apartments in the building, and its area is 8.7 thousand square meters. The total value of the gift was almost EUR 380 000. The considerable number of new apartments will allow Daugavpils city council to solve the critical problem of providing housing to people who need social support.

Plans for 2015

Positions of our bank are strong and stable, main indicators are demonstrating their historical maximum, therefore our aim for 2015 is to keep the net revenue from commission fees and the net profit at the level of the previous year. This is an ambitious, however achievable aim, that will require the cohesive and well thought-out work of each structural unit and the input of each employee.

In 2015, we are planning average growth of deposits for 10%, meaning that at the year the amount of deposits could reach EUR 4.1 milliards. Additionally, in 2015, we are planning to conduct several issues of bonds and to issue new commercial loans with the total amount of approximately EUR 130 million for financing of large-scale business projects. Therefore, the amount of net profit in 2015 is planned to be at the level of 2014.

We express our gratitude to our shareholders and customers for their loyalty and to all officers for their contribution to the bank’s and the group’s growth!

Chairman of the Council
Oļegs Fiļs

Chairman of the Board
Ernests Bernis

Riga, 25 February 2015

The Statement of Corporate Governance is published at the bank’s Internet home page www.ablv.com.

The council and the board

The council of the bank:

Chairman of the Council:	Date of re-election:
Oļegs Fiļs	01/04/2013
Deputy Chairman of the Council:	Date of re-election:
Jānis Krīgers	01/04/2013
Council Member:	Date of re-election:
Igors Rapoports	01/04/2013

The board of the bank:

Chairman of the Board:	Date of re-election:
Ernests Bernis - Chief Executive Officer (CEO)	01/05/2014
Deputy Chairman of the Board:	Date of re-election:
Vadims Reinfelds – Deputy Chief Executive Officer (dCEO)	01/05/2014
Board Members:	Date of re-election:
Aleksandrs Pāže – Chief Compliance Officer (CCO)	01/05/2014
Edgars Pavlovičs – Chief Risk Officer (CRO)	01/05/2014
Māris Kannenieks – Chief Financial Officer (CFO)	01/05/2014
Rolands Citajevs – Chief IT Officer (CIO)	01/05/2014
Romans Surnačovs – Chief Operating Officer (COO)	01/05/2014

There were no changes in the council of the bank during the reporting year.

Statement of management's responsibility

The council and the board of ABLV Bank, AS (hereinafter – the bank) are responsible for the preparation of the financial statements of the bank as well as for the preparation of the consolidated financial statements of the bank and its subsidiaries (hereinafter – the group).

The financial statements and notes thereto set out on pages 10 to 79 are prepared in accordance with the source documents and present truly and fairly the financial position of the bank and the group as at 31 December 2014 and 2013, and the results of their operations, changes in the shareholders' equity and cash flows for the years then ended.

The aforementioned financial statements are prepared on a going concern basis in conformity with International Financial Reporting Standards as adopted by the European Union. Prudent and reasonable judgements and estimates have been made by the management in the preparation of the financial statements.

The council and the board of the bank (hereinafter – the management) are responsible for the maintenance of proper accounting records, the safeguarding of the group's assets, and the prevention and detection of fraud and other irregularities in the group. The management of the bank are also responsible for operating the group and the bank in compliance with the Law of the Republic of Latvia on Credit Institutions, Regulations of the Bank of Latvia and the Financial and Capital Market Commission, and other laws of the Republic of Latvia as well as European Union Regulations applicable to credit institutions.

Chairman of the Council
Oļegs Fiļs

Chairman of the Board
Ernests Bernis

Riga, 25 February 2015

Statements of comprehensive income

EUR'000

	Notes	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Interest income	3	70,163	58,877	68,618	58,679
Interest expense	3	(16,684)	(16,235)	(16,983)	(15,936)
Net interest income		**53,479**	**42,642**	**51,635**	**42,743**
Commission and fee income	4	63,916	61,687	57,944	55,363
Commission and fee expense	4	(10,897)	(10,775)	(16,443)	(15,283)
Net commission and fee income		**53,019**	**50,912**	**41,501**	**40,080**
Net gain on transactions with financial instruments and foreign exchange	5	18,992	21,993	19,315	22,200
Net gain on non-financial assets held for sale	6	4,587	4,769	-	24
Other income	7	18,445	18,403	3,835	3,089
Income from dividends		195	105	6,111	2,079
Impairment allowance for loans	8	(1,003)	(9,466)	(999)	(9,466)
Operating income		**147,714**	**129,358**	**121,398**	**100,749**
Administrative expense	10	(57,898)	(55,573)	(43,420)	(42,445)
Amortisation and depreciation		(5,310)	(4,744)	(2,992)	(2,800)
Other expense	7	(11,395)	(8,214)	(1,000)	(841)
Impairment of financial instruments		(3,670)	(1,218)	(3,670)	(1,218)
Impairment of other assets	9	(1,546)	635	(7,769)	(2,002)
Operating expense		**(79,819)**	**(69,114)**	**(58,851)**	**(49,306)**
Profit before corporate income tax		**67,895**	**60,244**	**62,547**	**51,443**
Corporate income tax	11	(4,088)	(9,246)	(3,873)	(7,767)
Net profit for the year		**63,807**	**50,998**	**58,674**	**43,676**
Attributable to:					
Equity holders of the bank		63,353	50,304		
Non-controlling interests		454	694		
Other comprehensive income:					
Other comprehensive income which has been or is to be reclassified to profit or loss					
Changes in fair value revaluation reserve of available-for-sale financial assets		(4,338)	(3,061)	(4,324)	(3,061)
Charge to income statement as a result of sale of available-for-sale securities		(300)	18	(237)	18
Charge to income statement due to recognised impairment of available-for-sale securities		1,684	1,095	1,684	1,095
Change in deferred corporate income tax		467	292	467	292
Other comprehensive income, total		**(2,487)**	**(1,656)**	**(2,410)**	**(1,656)**
Total comprehensive income		**61,320**	**49,342**	**56,264**	**42,020**
Attributable to:					
Equity holders of the bank		60,866	48,648		
Non-controlling interests		454	694		
Earnings per share attributable to the equity holders of the bank, EUR	26	1.94	1.68		

Chairman of the Council
Oļegs Fiļs

Chairman of the Board
Ernests Bernis

Riga, 25 February 2015

Statements of financial position

EUR'000

Assets	Notes	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Cash and deposits with central banks	12	259,872	356,768	258,908	356,747
Balances due from credit institutions	13	816,936	640,325	795,282	619,037
Derivatives	17	4,079	451	4,079	451
Financial assets at fair value through profit or loss	14	21,165	16,766	14,884	16,766
Available-for-sale financial assets	15	1,271,227	738,683	1,209,073	731,687
Loans	18	790,113	750,097	790,247	761,268
Held-to-maturity investments	16	958,423	653,037	930,579	651,411
Investments in subsidiaries and associates	19	2	6,635	115,099	132,829
Investment properties	20	30,057	33,358	25,033	24,330
Tangible fixed assets	21	37,877	32,672	10,606	9,745
Intangible fixed assets	21	6,309	5,639	5,700	5,016
Current corporate income tax receivables		3,596	124	3,257	-
Deferred corporate income tax	11	2,300	710	1,457	-
Non-financial assets held for sale		59,774	72,157	-	622
Other assets	22	8,356	8,655	5,640	5,457
Total assets		**4,270,086**	**3,316,077**	**4,169,844**	**3,315,366**
Liabilities					
Derivatives	17	5,630	2,046	5,630	2,046
Deposits from central banks		16,797	-	16,797	-
Demand deposits from credit institutions		23,869	10,654	28,962	14,491
Term deposits from credit institutions		6,319	3,633	2,971	-
Deposits	23	3,488,516	2,768,169	3,406,032	2,776,457
Current corporate income tax liabilities		423	5,303	-	5,125
Other liabilities	27	29,603	17,348	13,205	11,098
Deferred corporate income tax	11	524	795	-	169
Provisions		352	408	352	408
Issued securities	24	441,598	308,386	454,581	308,386
Subordinated deposits	25	14,413	10,149	14,413	10,149
Total liabilities		**4,028,044**	**3,126,891**	**3,942,943**	**3,128,329**
Shareholders' equity					
Paid-in share capital	26	32,650	30,003	32,650	30,003
Share premium		66,270	41,485	66,270	41,485
Reserve capital and other reserves		2,174	2,134	2,134	2,134
Fair value revaluation reserve of available-for-sale financial assets		(1,504)	983	(1,427)	983
Retained earnings brought forward		66,762	60,381	68,600	68,756
Retained earnings for the period		63,353	50,304	58,674	43,676
Attributable to the equity holders of the bank		**229,705**	**185,290**	**226,901**	**187,037**
Non-controlling interests		**12,337**	**3,896**	**-**	**-**
Total shareholders' equity		**242,042**	**189,186**	**226,901**	**187,037**
Total liabilities and shareholders' equity		**4,270,086**	**3,316,077**	**4,169,844**	**3,315,366**
Memorandum items					
Contingent liabilities	28	9,531	7,681	9,444	7,689
Financial commitments	28	61,318	60,648	60,228	61,008

Chairman of the Council
Oļegs Fiļs

Chairman of the Board
Ernests Bernis

Riga, 25 February 2015

The accompanying notes set out on pages 15 through 79 form an integral part of these financial statements.

Statement of changes in shareholders’ equity of the group

EUR'000

	Paid-in share capital	Share premium	Reserve capital and other reserves	Fair value revaluation reserve	Retained earnings	Attributable to the equity holders of the bank	Non-controlling interests	Total shareholders' equity
As at 1 January 2013	**28,087**	**26,481**	**2,134**	**2,639**	**84,517**	**143,858**	**3,713**	**147,571**
Net profit for the year	-	-	-	-	50,304	50,304	694	50,998
Other comprehensive income/(expense) for the year	-	-	-	(1,656)	-	(1,656)	-	(1,656)
Total comprehensive income for the year ended 31 December 2013	**-**	**-**	**-**	**(1,656)**	**50,304**	**48,648**	**694**	**49,342**
Dividends paid	-	-	-	-	(23,560)	(23,560)	-	(23,560)
Issue of personnel shares	512	-	-	-	(576)	(64)	64	-
Issue of shares	1,404	15,004	-	-	-	16,408	-	16,408
(Decrease) in non-controlling interests	-	-	-	-	-	-	(575)	(575)
As at 31 December 2013	**30,003**	**41,485**	**2,134**	**983**	**110,685**	**185,290**	**3,896**	**189,186**

	Paid-in share capital	Share premium	Reserve capital and other reserves	Fair value revaluation reserve	Retained earnings	Attributable to the equity holders of the bank	Non-controlling interests	Total shareholders' equity
As at 1 January 2014	**30,003**	**41,485**	**2,134**	**983**	**110,685**	**185,290**	**3,896**	**189,186**
Net profit for the year	-	-	-	-	63,353	63,353	454	63,807
Other comprehensive income/(expense) for the year	-	-	-	(2,487)	-	(2,487)	-	(2,487)
Total comprehensive income for the year ended 31 December 2014	**-**	**-**	**-**	**(2,487)**	**63,353**	**60,866**	**454**	**61,320**
Increase in reserves	-	-	40	-	-	40	-	40
Dividends paid	-	-	-	-	(43,453)	(43,453)	(333)	(43,786)
Issue of personnel shares	405	-	-	-	(470)	(65)	65	-
Issue of shares	2,242	24,785	-	-	-	27,027	-	27,027
Increase in non-controlling interests	-	-	-	-	-	-	8,255	8,255
As at 31 December 2014	**32,650**	**66,270**	**2,174**	**(1,504)**	**130,115**	**229,705**	**12,337**	**242,042**

Statement of changes in shareholders' equity of the bank

EUR'000

	Paid-in share capital	Share premium	Reserve capital and other reserves	Fair value revaluation reserve	Retained earnings	Total shareholders' equity
As at 1 January 2013	**28,088**	**26,481**	**2,134**	**2,639**	**92,624**	**151,966**
Net profit for the year	-	-	-	-	43,676	43,676
Other comprehensive income/(expense) for the year	-	-	-	(1,656)	-	(1,656)
Total comprehensive income for the year ended 31 December 2013	-	-	-	(1,656)	43,676	42,020
Dividends paid	-	-	-	-	(23,356)	(23,356)
Issue of personnel shares	512	-	-	-	(512)	-
Issue of shares	1,403	15,004	-	-	-	16,407
As at 31 December 2013	**30,003**	**41,485**	**2,134**	**983**	**112,432**	**187,037**
As at 1 January 2014	**30,003**	**41,485**	**2,134**	**983**	**112,432**	**187,037**
Net profit for the year	-	-	-	-	58,674	58,674
Other comprehensive income/(expense) for the year	-	-	-	(2,410)	-	(2,410)
Total comprehensive income for the year ended 31 December 2014	-	-	-	(2,410)	58,674	56,264
Dividends paid	-	-	-	-	(43,427)	(43,427)
Issue of personnel shares	405	-	-	-	(405)	-
Issue of shares	2,242	24,785	-	-	-	27,027
As at 31 December 2014	**32,650**	**66,270**	**2,134**	**(1,427)**	**127,274**	**226,901**

Cash flow statements

				EUR'000
	Group	Group	Bank	Bank
Cash flow from operating activities	01/01/2014-31/12/2014	01/01/2013-31/12/2013	01/01/2014-31/12/2014	01/01/2013-31/12/2013
Profit before corporate income tax	67,895	60,244	62,547	51,443
Amortisation and depreciation of fixed assets and investment properties	5,310	4,744	2,992	2,800
Impairment allowance for loans	1,003	9,466	999	9,466
(Increase)/ decrease in other assets	1,546	(635)	7,769	2,002
Impairment of financial instruments	3,670	1,218	3,670	1,218
Interest (income)	(70,163)	(58,877)	(68,618)	(58,679)
Interest expense	16,684	16,235	16,983	15,936
Other non-cash items	10,208	195	2,015	1,101
Net cash flow from operating activities before changes in assets and liabilities	**36,153**	**32,590**	**28,357**	**25,287**
Decrease/ (increase) in balances due from credit institutions	(18,482)	4,705	(19,638)	10,532
(Increase) in loans	(17,928)	(54,587)	(6,886)	(60,515)
(Increase) in financial assets at fair value through profit or loss	(4,160)	(11,632)	2,121	(11,632)
Decrease/ (increase) in other assets	7,784	18,395	(184)	12,967
(Decrease)/ increase in balances due to credit institutions	19,483	269	19,768	(11,951)
Increase in deposits	528,196	186,923	437,424	188,434
(Decrease)/ increase in derivatives	(495)	(4,804)	(495)	(4,804)
(Decrease)/ increase in other liabilities	12,720	(5,310)	2,094	(2,437)
Net cash flow from operating activities before corporate income tax	**563,271**	**166,549**	**462,561**	**145,881**
Interest received in the reporting year	63,899	70,887	62,354	70,887
Interest (paid) in the reporting year	(18,618)	(22,566)	(18,918)	(22,278)
Corporate income tax (paid)	(14,096)	(4,229)	(13,233)	(3,381)
Net cash flow from operating activities	**594,456**	**210,641**	**492,764**	**191,109**
Cash flow from investing activities				
(Purchase) of held-to-maturity investments	(311,867)	(181,749)	(285,648)	(180,124)
Sale of held-to-maturity investments	67,607	13,985	67,607	13,985
(Purchase) of available-for-sale financial assets	(1,162,196)	(926,238)	(1,082,537)	(919,241)
Sale of available-for-sale financial assets	709,452	929,734	684,964	929,734
(Purchase) of intangible and tangible fixed assets and investment properties	(7,069)	(13,513)	(5,561)	(5,841)
Sale of intangible and tangible fixed assets	2,453	649	944	364
(Increase) in investments in subsidiaries and associates	-	(912)	(6,767)	(8,465)
Decrease in investments in subsidiaries	6,632	219	16,728	55
Net cash flow from investing activities	**(694,988)**	**(177,825)**	**(610,270)**	**(169,533)**
Cash flow from financing activities				
Increase in subordinated loans	3,388	3,459	3,388	3,459
(Repayment) of subordinated loans	-	(11,446)	-	(11,446)
Sale of issued securities	254,540	200,725	267,523	200,725
(Repurchase) of issued securities	(150,152)	(61,619)	(150,152)	(61,619)
Dividends (paid)	(43,786)	(23,554)	(43,415)	(23,349)
Issue of shares	27,027	16,407	27,027	16,407
Net cash flow from financing activities	**91,017**	**123,972**	**104,371**	**124,177**
Net cash flow	**(9,515)**	**156,788**	**(13,135)**	**145,753**
Cash and cash equivalents at the beginning of the year	**961,829**	**812,932**	**943,129**	**805,267**
Result from revaluation of foreign currency positions	57,442	(7,891)	57,442	(7,891)
Cash and cash equivalents at the end of the year	**1,009,756**	**961,829**	**987,436**	**943,129**

				EUR'000
	Group	Group	Bank	Bank
Cash and cash equivalents	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Cash and deposits with central banks	259,872	356,768	258,908	356,747
Balances due from credit institutions	773,753	615,715	757,490	600,873
Balances due to credit institutions	(23,869)	(10,654)	(28,962)	(14,491)
Total cash and cash equivalents	**1,009,756**	**961,829**	**987,436**	**943,129**

Information about balances due from credit institutions other than cash equivalents is presented in Note 13.

Notes to the financial statements

Note 1

General information

ABLV Bank, AS was registered in Aizkraukle, Republic of Latvia, on 17 September 1993, as a joint stock company. At present, the legal address of the bank is Elizabetes Street 23, Riga, LV-1010, Latvia.

ABLV Bank, AS operates in accordance with the laws and regulations of the Republic of Latvia and the licence issued by the Bank of Latvia that allows the bank to render all the financial services specified in the Law on Credit Institutions.

These consolidated and separate financial statements contain the financial information about ABLV Bank, AS and its subsidiaries. The separate financial statements of the bank are included in these consolidated financial statements to comply with legal requirements. The bank is the parent of the group.

The group's and bank's main scope of activity is financial and investment services, asset management, financial consultations and real estate management.

The bank operates the central office and one lending centre in Riga, as well as a subsidiary bank in Luxembourg. The group opperates foreign representation offices/ territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg, Yekaterinburg and Vladivostok), in Ukraine (representative office in Kyiv and in Odessa), in Uzbekistan (Tashkent) and Tajikistan (Dushanbe).

The following abbreviations are used in the notes to these financial statements: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC), Financial and Capital Market Commission (FCMC), European Monetary Union (EMU), European Union (EU), Organisation for Economic Cooperation and Development (OECD), European Central Bank (ECB).

The consolidated financial statements of the group and the separate financial statements of the bank for the year ended 31 December 2014 are approved by the bank's board and council.

The accompanying notes set out on pages 15 through 79 form an integral part of these financial statements.

Note 2

Information on principal accounting policies

a) Basis of Preparation

These consolidated and separate financial statements are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with IFRS as adopted by the European Union, on a going concern basis.

These financial statements are prepared on a historical cost basis, except for financial assets and liabilities (available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivatives) which are reported at fair value. The financial statements give a structured view of the financial position of the group and the bank and their financial performance.

During the year ended 31 December 2014, the group and the bank consistently applied accounting policies in line with those disclosed in the prior-year financial statements, except for the changes listed below in *Adoption of new and/ or changed IFRS and IFRIC interpretations in the reporting year*.

The accounting policies are applied consistently by all entities of the group.

On 1 January 2014, Latvia became a member of the European Monetary Union. Starting from 1 January 2014, the functional currency of the bank and its subsidiaries has been EUR (by 31 December 2013, the functional currency of the bank and its Latvian subsidiaries had been LVL, while transactions of foreign subsidiaries had been accounted for in the currency of their economic environment). The presentation currency of the group and the bank is EUR.

These consolidated and separate financial statements are reported in thousands of the euro (EUR'000), unless otherwise stated. Information given herein in brackets represents comparative figures for the year ended 31 December 2013 or for the year ended 31 December 2013 respectively. All historical comparative figures have been converted from LVL to EUR applying the conversion rate fixed by the Council of the EU (EUR 1 = LVL 0.702804).

b) Significant Estimates and Assumptions

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. Such estimates and assumptions are based on most reliable information available to the management in respect of specific events and actions. The effect of any changes in estimates will be recorded in the financial statements when determinable.

The significant areas of estimation and assumptions relate to the calculation of deferred corporate income tax, determining the impairment allowance for loans and the collateral (pledge) value, estimation of impairment of other assets and the fair value of assets and liabilities and on the assumptions regarding the power bank has over open-eneded investment funds.

In the reporting year, the loss allowance methodology was modified, affecting the calculation of incurred but not reported losses. The assumption concerning the loss reporting period for the retail mortgage loan portfolio was adjusted. The loss reporting period was extended from the previously adopted 18 days to 90 days, thereby increasing the impairment recognised for loans that are not past due or that are less than five days overdue by EUR 0.4 million. The adjustments are based on an assumption that the customer might effect two loan payments on average after the loss event has occurred.

c) Basis of Consolidation

These consolidated financial statements include the bank and all subsidiaries controlled by the bank (the parent), i.e. the bank has the power to govern the financial and operating policies of an entity so as to obtain economic benefits. Subsidiaries are consolidated from the date on which control is transferred to the parent and are no longer consolidated from the date that control ceases. The entities of the group are listed in Note 19.

Investments in subsidiaries are presented in the bank's separate financial statements in accordance with the cost method. In the consolidated financial statements, the cost of acquisition of a subsidiary acquired from a business combination is attributed to the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the difference (discount on acquisition) is recognised directly in the statement of comprehensive income in the year of acquisition. Following initial recognition by the group, goodwill arising from the business combination is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at each reporting date.

The bank's and its subsidiaries' financial statements are consolidated in the group's financial statements using the full consolidation method, by adding together like items of assets and liabilities at the period end, as well as income and expenses. For the purposes of consolidation, intragroup balances and intragroup transactions, including interest income and expense, and unrealised profit and loss resulting from intragroup transactions are eliminated, unless there exists any indication of impairment. Non-controlling (minority) interests represent the portion of profit or loss and equity not owned, directly or indirectly, by the bank. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.
The bank's subsidiaries comply with the bank's policies and risk management methods.

The bank's investments in open-ended investment funds as structured entities are disclosed in the separate financial statements (Note 14) as investments in open-ended investment funds.
Meanwhile, in the consolidated financial statements the investments in open-ended investment funds, which the bank has the power to govern and in which the bank owns the major part of net assets, are consolidated according to the full consolidation method. The shares of funds owned by third parties are recognised in the consolidated financial statements as other liabilities.

d) Recognition and Derecognition of Financial Assets and Liabilities

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

The group recognises financial assets and liabilities in its statement of financial position when, and only when, the group or the bank becomes a party to the contractual provisions of the instrument.

All purchases and sales of financial assets, except for loans issued to non-bank customers, are recognised and derecognised on the settlement date. Loans to non-bank customers are recognised in the statement of financial position when cash is transferred to the customer's current account.

A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the group and the bank have transferred the financial asset and substantially all the risks and rewards of the asset to the counterparty.
A financial liability is derecognised only when the obligation under the liability is discharged according to the contract or cancelled or expires.

e) Fair Value of 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. The best evidence of fair value of financial assets and liabilities is quoted prices in an active market. If the market for a financial asset or liability is inactive, fair value is established by using a valuation technique, including discounted cash flow analysis, recent transactions that are substantially the same, as well as management estimates and assumptions. The comparison of carrying amounts and fair values of the group's and bank's financial assets and liabilities is presented in Note 32.

f) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

g) Income and Expense Recognition

All major income and expense items are recognised on an accrual basis.

Interest income/ expense is recognised in the statement of comprehensive income for financial assets/ liabilities measured at amortised cost using the effective interest method. Interest income also comprises coupon payments, which are recognised for fixed income securities. Interest income on loans whose recoverability is doubtful is recognised using the effective interest rate, which is the rate that exactly discounts estimated future cash flows to the recoverable amount of loans.

Commission and fee income and expense are included in the statement of comprehensive income over the period or at a specific time, except for commission and fee income/ expense directly attributable to financial assets/ liabilities measured at amortised cost. For these assets/ liabilities the respective commission and fee income/ expense form an integral part of the effective interest rate.

Commission and fee income received once in a year for the whole reporting period is recognised in the statement of comprehensive income systematically on a straight-line basis during the period.

Income and expense other than interest and/ or commission and fee income/ expense represent items associated with the core business of non-banking entities of the group.

h) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rate set by the ECB (the Bank of Latvia by 31 December 2013 (inclusive)) at the end of the year, while REUTERS exchange rates are applied to the foreign currencies having no EUR foreign exchange reference rates published by the ECB. Transactions denominated in foreign currencies are recorded in EUR at exchange rates set by the ECB or REUTERS (the Bank of Latvia by 31 December 2013 (inclusive)) at the date of the transaction. Any gain or loss resulting from a change in exchange rates subsequent to the transaction date is included in the statement of comprehensive income as gain or loss from revaluation of foreign currency positions.

i) Taxation

Corporate income tax is calculated in accordance with Latvian tax regulations at the rate of 15% and is based on the taxable income reported for the taxation period.
Deferred taxation arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. Deferred taxation relates to the future tax consequences of all events that have been recognised in the bank’s financial statements or tax returns. The deferred tax liability is determined based on the tax rates that are expected to apply when the temporary differences reverse. The principal temporary differences arise from differing rates of accounting and tax depreciation on fixed assets, accrual for employee vacation pay, and revaluation of items of the statement of financial position, including securities revaluation and fair value revaluation reserve, and tax losses carried forward for the subsequent years. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

j) Financial Instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those that the group and the bank intend to sell immediately or in the near term and those that the group and the bank upon initial recognition designate as at fair value through profit or loss;
- those that the group and the bank, upon initial recognition, designate as available for sale; or
- those for which the group and the bank may not recover substantially all of its initial investment, other than because of credit deterioration.

This portfolio includes loans and balances due from credit institutions which are carried at amortised cost using the effective interest method less the allowance for credit losses (impairment expense) as presented in Note 8. Gains or losses are recognised in the statement of comprehensive income upon derecognition or impairment of these assets, as well as through amortisation. Gains and losses are recognised in the statement of comprehensive income as interest income/ expense when the liabilities are derecognised through the amortisation process.
For the purposes of these financial statements, finance lease receivables are classified as loans.

Held-to-maturity investments

The held-to-maturity portfolio represents non-derivative financial assets with fixed or determinable payments and fixed maturities that are quoted in an active market. The group/ bank has the intention to hold the financial assets included in the held-to-maturity portfolio to maturity with the purpose of generating profit from coupon and principal payments.
The financial assets of the held-to-maturity portfolio are initially recognised at cost and subsequently measured at amortised cost using the effective interest method, less impairment loss. Gains or losses are recognised in the statement of comprehensive income upon derecognition or impairment of these assets, as well as through the amortisation process. Gains and losses are recognised in the statement of comprehensive income as interest income/ expense when the liabilities are derecognised through the amortisation process.

Available-for-sale financial assets

The group and the bank acquire available-for-sale securities to hold them for an undefined period. The available-for-sale portfolio includes fixed income securities, investments in shares and investment funds.

Available-for-sale securities are divided into two portfolios:

- liquidity portfolio, which is aimed at forming the bank's liquidity reserve with a minimum interest rate risk and credit risk;
- investments' held for undefined period portfolio, which consists of investments not classified as part of other portfolios.

After initial recognition at fair value, including direct transaction costs, available-for-sale securities are measured at fair value. The revaluation result is charged through the statement of comprehensive income to the shareholders' equity as the fair value revaluation reserve of available-for-sale financial assets. Financial assets having no quoted prices available and whose fair value cannot be determined reliably using other models are stated at cost.

For available-for-sale securities acquired at a discount (premium), the respective discount (premium) amount is amortised on a systematic basis, using the effective interest method. Amortised amounts are charged to the statement of comprehensive income as interest income from debt securities.

Any gain or loss resulting from disposal of available-for-sale securities and the fair value revaluation reserve accrued until such disposal are included in the statement of comprehensive income as net realised gain/ (loss) from available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are assets that are held for trading. Financial assets held for trading are included in the trading portfolio. Non-fixed income securities of the trading portfolio are held by the group and the bank for the purpose of selling and/ or acquired for generating profit in the near term from the expected spread between purchasing and selling prices. The financial assets and liabilities to be included in the trading portfolio are defined by the bank's trading portfolio policy.

Securities held for trading purposes are initially stated at fair value and further marked-to-market on the basis of quoted market prices. Any gain or loss resulting from revaluation of securities at fair value as well as any gain or loss resulting from disposal of the above securities is included in the statement of comprehensive income under "Net gain/ (loss) from financial assets at fair value through profit or loss". Meanwhile, interest income earned and/ or accrued is charged to the statement of comprehensive income as interest income from debt securities using the effective interest rate method, while dividend income is recorded as income from dividends if the right to the payment is established.

Derivatives

In the ordinary course of business, the group and the bank use derivative financial instruments: currency swaps, futures, and forward foreign exchange rate contracts. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative financial instruments are carried at cost and restated at fair value at the date of recognition and beyond. Derivative financial instruments are presented in the statement of financial position in a separate caption “Derivatives” under assets and liabilities respectively. The mark-to-market value is defined based on the quoted market prices or discounted cash flow models. Any gain or loss resulting from fair value movements of derivatives is recognised in the statement of comprehensive income as “Net gain/ (loss) from financial assets at fair value through profit or loss”.

Issued debt securities

The group and the bank recognise issued debt securities at the date when the respective funds are received. 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 statement of comprehensive income as interest expense.

k) Non-financial Assets Held for Sale

Non-financial assets held for sale represent real estate taken over by the group/ bank for the purpose of selling as collateral for the outstanding loans or acquired in the ordinary course of business. Such assets are accounted as inventories and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

l) Finance Leases – Where the Bank is Lessor

Finance lease is a long-term arrangement, which transfers substantially all the rights and duties incidental to the use of a leased item to the lessee. Finance lease receivables are recognised as assets at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Income from finance leases is recognised over the lease term to produce a constant periodic return on the remaining balance of the liability.
Lease payments are charged to the statement of comprehensive income on a straight-line basis over the lease term.

m) Off-balance Sheet Financial Commitments and Contingent Liabilities

In the ordinary course of business, the group and the bank are involved in off-balance sheet financial instruments comprising loan and credit line commitments, financial guarantees, as well as commercial letters of credit. These financial instruments are presented in the financial statements as memorandum items upon the conclusion of the respective agreements. The methodology for provisioning against off-balance sheet financial commitments and contingent liabilities is consistent with that described in paragraph (n) below.

n) Provisions

Provisions are recognised when the group or the bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
The amount of provisions is based on the best management’s estimate and assumptions at the year end concerning economic benefits required to settle the present obligation, considering the likelihood of the outflow and recovery of resources from related sources.

o) Impairment of Financial Assets and Financial Commitments

The group/ bank issues loans to its customers. Troubled debts are defined as loans and financial commitments with regard to which, based on the monitoring activities performed or other information obtained, the management of the group and the bank believe that the contractual interest and principal due might not be collected or customers might default on other contractual conditions, which might result in an outflow of resources embodying economic benefits. Non-performing loans are defined as loans for which contractual payments are overdue by more than 90 days or the loan recovery process, such as forced sale of loan collateral, is being planned, and loans whose collateral has already been realised or impaired.
According to the approved impairment assessment policy, the group and the bank determine allowance for credit losses (impairment allowance). When a loan has been classified as troubled, an allowance for credit losses is established for that specific loan or amount of the outstanding balance, which is deemed impaired. The level of the allowance is based on the present value of expected future cash flows considering relevant factors including, but not limited to, the group’s and bank’s past loan loss experience, known and inherent risks in the portfolio of loans and advances, adverse situations that may affect the borrowers’ ability to repay, the collateral value and current economic conditions as well as other relevant factors affecting loan and advances collectability and collateral values. Ultimate losses may vary from the current estimates. The value of the collateral held in connection with loans and advances is based on the estimated realisable value of the asset

and is taken into account when determining expected cash flows and, accordingly, the allowance. The group and the bank determine individual and collective (portfolio) impairment.

The above estimates are reviewed periodically. As changes to the allowance become necessary as a result of the review made, respective allowance changes are taken to the statement of comprehensive income of the reporting period. The management of the group and the bank have made their best estimates of losses and believe the estimates presented in the financial statements to be reasonable in the light of the available facts and information.

The individual impairment allowance is determined after individually reviewing all credits for potentially uncollectable amounts. Individual assessment is made for credits that individually have objective evidence of impairment, based on the borrower's financial position, value of collateral, and fulfilment of the loan agreement.

Deterioration in credit quality is estimated by discounting cash flows from loans and receivable balances outstanding, applying the effective interest rate. The required level of the allowance is determined as the difference between the outstanding balance and discounted cash flows from loans and receivable balances outstanding.
Collateral loans are assessed on the basis of estimated cash flows that may result from the realisation of collateral less related realisation costs.

The collective (portfolio) allowance relates to existing credit losses, as well as those 'incurred, but not yet known to the bank'. A group of loans is deemed to be impaired if future cash flows have decreased since the initial recognition of loans and such impairment can be determined reliably, although it cannot be yet attributed to individual loans.
The collective impairment allowance is estimated based upon historical pattern of losses in the loan portfolio, as well as taking into account changes in collateral values, and general economic and market conditions or events that have occurred prior to the reporting date and that indicate an adverse impact on the future cash flows from certain loans and receivable balances outstanding. This method permits attributing each group of loans with similar credit characteristics to historical loss experience and observable market data reflecting current circumstances.
For the purposes of the collective assessment, the bank defines homogeneous pools of loans with similar risk characteristics (source of repayment, collateral type, past-due status).
In determining the rates of allowances for homogeneous pools of loans, the bank relies on the recoverable amount of loans and the historical number of loans, which become collectible over a certain period, in a specific pool.

The existing allowances are decreased if any of the following occurs:

- the bank obtains reliable information about additional sources of loan repayment;
- the recoverable amount of the loan has increased as a result of the improvement of the borrower's financial situation or growth of the collateral value. Changes in the market value of collateral may be taken into consideration only if the growth is observed for at least three months.

When loans cannot be recovered, they are written off and charged against allowances for credit losses. They are not written off until all the necessary legal procedures have been completed and the ultimate amount of the loss is determined.

Quantitative and qualitative criteria for the identification of credit quality deterioration, the methodology for estimating future cash flows for individually impaired loans, the establishment of homogeneous pools of loans and the calculation of the rate of collective impairment allowances are laid down in the bank's regulations.

The group/ bank assesses on a regular basis whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment loss recognised in profit or loss is not reversed through profit or loss. If, in a subsequent period, the fair value of a financial instrument 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.

p) Impairment of Non-financial Assets

The bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that there is an indication that a non-financial asset may be impaired. If any such indication exists, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. This written down amount constitutes an impairment loss.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase amount constitutes reversal of impairment losses.

The recoverable amount of investments in subsidiaries is the higher of their fair value less costs to sell and the value in use. The fair value of investments is based on binding sales agreements and best information available about similar transactions on the market. The value in use of investments is determined by discounting future estimated cash flows derived from continuing operations of the entity, applying the current market discount rate that reflects current market assessments of the time value of money and the risks specific to the investment.

q) Intangible Fixed Assets

Intangible fixed assets comprise the purchased software that does not constitute an integral part of hardware, and licences. Amortisation is provided using the straight-line method over the period of acquired rights or over the estimated useful life of the asset.
The group and the bank have applied the annual rates ranging from 10% (5%) to 20% (20%) to amortise their intangible assets.

r) Tangible Fixed Assets

Tangible fixed assets are recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the asset. When calculating depreciation of the buildings that are classified as tangible fixed assets, the buildings are divided in separate parts (components). Each component is depreciated separately over its estimated useful life. Fixed assets, including leasehold improvements under construction and preparation, are not depreciated. Land is not subject to depreciation.

The group and the bank have applied the following depreciation rates:

Category	Annual rate
Buildings and property improvements	1.3% - 20%
Vehicles	14% (20%)
Office equipment , EDP equipment and software	10% - 50% (33%)
Production equipment	5% - 10%

Costs of maintenance and repair are charged to the statement of comprehensive income as incurred. Leasehold improvements are capitalised and amortised over the remaining period of lease contracts on a straight-line basis.

s) Investment Properties

Investment properties comprise land and buildings, as well as costs of the investment property development project in progress that are not used by the group and the bank, and are held with the main purpose to earn rentals, as well as gain on value appreciation. Such investments are classified as investment property and are accounted for using the cost model of accounting for investment properties. Investment properties are carried in the statement of financial position at their cost value less accumulated depreciation. The annual depreciation rate applied to investment properties, except for land which is not depreciated, is 5%.

t) Employee Benefits

Short-term employee benefits, including salary, statutory social insurance contributions, bonuses and allowances, as well as life insurance premiums are charged to the statement of comprehensive income as administrative expense in the period when the services are provided.

The accrual for employee vacation pay is estimated for the group's or bank's personnel based on the total number of vacation days earned but not taken, multiplied by the average daily remuneration expense pursuant to the Latvian Labour Law, and adding the related statutory social insurance contributions payable by the employer.

u) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and balances due from central banks and other credit institutions with a contractual original maturity of three months or less. The cash balance is reduced by the amount of demand deposits from the above institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

v) Subsequent Events

Post-year-end events that provide additional information about the group's/ bank's position at the reporting date (adjusting events) are reflected in these financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

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

During the year the group/ bank has adopted the following IFRS amendments:

- IAS 27 Separate Financial Statements (Amended)
- IAS 28 Investments in Associates and Joint Ventures (Amended)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amended)

When the adoption of the standard or interpretation is deemed to have an impact on the interim condensed financial statements or performance of the group/bank, its impact is described below.

IAS 27 *Separate Financial Statements*
As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. These amendments have not impact on the group and the bank.

IAS 28 Investments in Associates and Joint Ventures
As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. These amendments have not impact on the group and the bank.

IAS 32 Offsetting Financial Assets and Financial Liabilities
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have not impact on the group and the bank.

IAS 36 *Impairment of Assets*
This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment did not have any impact on the financial position or performance of the group and the bank; however it resulted in additional disclosures in paragraph (p) according to the new requirements.

IAS 39 *Financial Instruments: Recognition and Measurement*
The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have not impact on the group and the bank.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The management of the group has provided its assessment of the changes introduced by IFRS 10 in paragraph (c).

IFRS 11 Joint Arrangements.
IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.These amendments have not impact on the group and the bank, because there are no such agreements.

IFRS 12 Disclosures of Interests in Other Entities.
IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures are also required such as disclosing the judgments made to determine control over another entity. The amendment did not have any impact on the financial position or performance of the group, however it resulted in additional disclosures (see Note 19).

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment had no impact on the financial statements of the group, as the parent of the group is not an investment entity.

IFRIC Interpretation 21: Levies (The amendment is effective for annual periods beginning on or after 17 June 2014).
The Interpretation describes accounting of state levies. The obligating to pay a levy is recognized at financial statement, when the action is made, which create such an obligation.These amendments have not impact on the group and the bank.

x) Standards issued but not yet effective and not early adopted

The group and the bank has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

IAS 1 Presentation of financial statements: Disclosure Initiative. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The group has not yet evaluated the impact of the implementation of this standard.
IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization
The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The implementation of this amendment will have no impact on the financial statements of the group, as the group does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 Employee Benefits. The amendments are effective for annual periods beginning on or after 1 February 2015. The amendments address accounting for the employee contributions to a defined benefit plan. Since the group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the group.

Amendments to IAS 27 Equity method in separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments have not yet been endorsed by the EU.

IFRS 9 Financial Instruments. The amendments are effective for annual periods beginning on or after 1 January 2018. IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The amendments have not yet been endorsed by the EU.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments have not yet been endorsed by the EU.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The amendments have not yet been endorsed by the EU.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations. The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU.

IFRS 14 Regulatory Deferral Accounts. The amendment is effective for annual periods beginning on or after 1 January 2016. It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The amendment has not yet been endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU.

In December 2013 IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to the following IFRSs (effective for financial years beginning on or after 1 January 2015):

- IFRS 1 First-time adoption of IFRS;
- IFRS 3 Business Combinations;
- IFRS 13 Fair value Measurement;
- IAS 40 Investment property.

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IFRS 13 Fair value Measurement;
- IAS 16 Property, Plant and Equipment;
- IAS 24 Related Party Disclosures;
- IAS 38 Intangible Assets.

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operation;
- IFRS 7 Financial Instruments: Disclosures;
- IAS 19 Employee Benefits;
- IAS 34 Interim Financial Reporting.

The group and the bank is in the process of assessing the impact of the guidance on the financial position or performance of the group and the bank.
The group and the bank plan to adopt the above mentioned standards and interpretations on their effectiveness date.

Note 3

Interest income and expense

EUR'000

	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Interest income				
Total interest income on financial assets at fair value	**548**	**-**	**14**	**-**
Interest income on available-for-sale financial assets at amortised cost				
on loans and advances to customers	34,280	30,537	33,556	30,359
on held-to-maturity securities	24,775	20,442	24,570	20,440
on available-for-sale securities	8,000	5,343	7,924	5,343
on balances due from credit institutions and central banks	2,560	2,555	2,554	2,537
Total interest income on available-for-sale financial assets at amortised cost	**69,615**	**58,877**	**68,604**	**58,679**
Total interest income	**70,163**	**58,877**	**68,618**	**58,679**
Interest expense				
on the deposit guarantee fund	6,479	5,996	6,479	5,984
on subordinated liabilities	4,637	5,488	4,641	5,488
on ordinary bonds issued	4,817	3,093	5,254	3,093
on deposits from non-bank customers	239	1,343	265	1,160
other interest expense	291	168	263	168
on balances due to credit institutions and central banks	221	147	81	43
Total interest expense	**16,684**	**16,235**	**16,983**	**15,936**

The group's/ bank's interest income on impaired assets totalled EUR 2.1 (2.3) million.

Note 4

Commission and fee income and expense

EUR'000

Commission and fee income	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
commission on payment transfer handling on behalf of customers	33,505	31,406	33,489	31,399
commission on account service	10,274	10,454	10,169	10,512
commission on handling of settlement cards	9,105	8,971	9,108	8,971
commission on brokerage operations	5,035	5,691	-	-
commission on asset management	2,130	2,156	783	817
commission on documentary transactions	1,219	845	1,219	845
other commission and fee income	2,648	2,164	3,176	2,819
Total commission and fee income	**63,916**	**61,687**	**57,944**	**55,363**
Commission and fee expense				
correspondent bank service charges	4,962	4,542	4,923	4,543
commission on customer attraction	2,531	2,971	9,121	8,557
commission on transactions with settlement cards	2,322	2,110	2,322	2,110
commission on brokerage operations	927	968	-	-
other commission and fee expense	155	184	77	73
Total commission and fee expense	**10,897**	**10,775**	**16,443**	**15,283**

Note 5

Net gain on transactions with financial instruments and foreign exchange

EUR'000

Financial instruments at fair value through profit or loss	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Gain/ (loss) from revaluation of financial instruments at fair value through profit or loss	(1,335)	616	(624)	616
Derivatives	5	21	5	21
Securities	(1,340)	595	(629)	595
Gain/ (loss) from trading with financial instruments at fair value through profit or loss	84	462	(242)	462
Derivatives	10	115	10	115
Securities	74	347	(252)	347
Net gain/ (loss) from financial instruments at fair value through profit or loss	**(1,251)**	**1,078**	**(866)**	**1,078**
Available-for-sale financial instruments				
Gain from sale of available-for-sale securities	300	(18)	237	(18)
Net realised gain from available-for-sale financial instruments	**300**	**(18)**	**237**	**(18)**
Financial instruments at amortised cost				
(Loss) from sale of held-to-maturity investments	(1,030)	-	(1,030)	-
Net realised (loss) from sale of financial instruments at amortised cost	**(1,030)**	**-**	**(1,030)**	**-**
Foreign exchange				
Profit from foreign currency exchange	22,522	21,521	22,502	21,713
(Loss)/ gain from revaluation of foreign currency positions	(1,549)	(588)	(1,528)	(573)
Net result from foreign exchange trading and revaluation	**20,973**	**20,933**	**20,974**	**21,140**
Net gain on transactions with financial instruments and foreign exchange	**18,992**	**21,993**	**19,315**	**22,200**

In the reporting year, the bank’s management decided to sell held-to-maturity securities totalling EUR 6.6 million issued by Ukrainian issuers, considering the uncertain situation persisting in Ukraine. Other held-to-maturity securities of Ukrainian issuers totalling EUR 3.2 million were reclassified as available-for-sale financial assets.
The bank’s management has concluded that the Ukrainian situation should be viewed as a single non-recurring event, which was outside the bank's control and could not be anticipated. Therefore, the rest of the bank's portfolio of held-to-maturity financial instruments should be retained.

Note 6

Net gain on non-financial assets held for sale

EUR'000

	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Proceeds from disposal of properties held for sale	34,902	35,407	-	370
Cost of acquisition of properties held for sale	(29,405)	(29,142)	-	(346)
Net gain from sale	**5,497**	**6,265**	-	**24**
Proceeds from lease and management of properties held for sale	627	512	-	-
Expense related to disposal of properties held for sale	(271)	(275)	-	-
Expense related to management of properties held for sale	(1,266)	(1,733)	-	-
Net gain on real estate held for sale	**4,587**	**4,769**	-	**24**

Note 7

Other operating income and expense

EUR'000

Other income	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
other income from the sale of products of related companies	13,177	9,471	-	-
recognition of associates under the equity method	2,870	2,496	-	-
financial consulting, legal and accounting services	1,595	1,665	-	-
sale of companies	11	312	11	642
repurchase of liabilities	-	2,901	-	-
sale of services to subsidiaries and associates	-	-	3,547	2,012
other operating income	792	1,558	277	435
Total other income	**18,445**	**18,403**	**3,835**	**3,089**
Other expense				
other expense related to the sale of products of related companies	9,688	6,958	-	-
membership fees	838	802	701	655
other expense	869	454	299	186
Total other expense	**11,395**	**8,214**	**1,000**	**841**

Note 8

Impairment allowance for loans

EUR'000

Category	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Loans - individual allowances	842	(265)	842	(265)
Loans - portfolio allowances	1,187	10,286	1,183	10,286
Increase/ (decrease) in allowances for the reporting year	**2,029**	**10,021**	**2,025**	**10,021**
(Recovery) of write-offs/ loss from asset write-off	(1,026)	(555)	(1,026)	(555)
Impairment allowances establsihed during the reporting year, net	**1,003**	**9,466**	**999**	**9,466**

Changes in loan impairment allowances of the group in 2014:

EUR'000

	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the year	**39,545**	**6,693**	**58**	**3,789**	**50,085**
Increase/ (decrease) in allowances for the year	631	862	312	224	2,029
(Decrease) in allowances for the year due to currency fluctuations	-	(216)	-	-	(216)
(Elimination) of allowances for the year due to write-offs	(16,240)	(1,897)	(336)	(2,050)	(20,523)
Allowances at the end of the year	**23,936**	**5,442**	**34**	**1,963**	**31,375**
Individual allowances	223	5,057	2	-	5,282
Portfolio allowances	23,713	385	32	1,963	26,093
Total gross loans	**362,189**	**436,526**	**956**	**21,817**	**821,488**

As at 31 December 2014, the impairment allowances for loans formed 3.8% (6.4%) of the group's loan portfolio.

Changes in loan impairment allowances of the group in 2013:

EUR'000

	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the year	**53,574**	**10,143**	**77**	**3,681**	**67,475**
Increase/ (decrease) in allowances for the year	9,873	(751)	31	868	10,021
(Decrease) in allowances for the year due to currency fluctuations	(7)	(40)	-	-	(47)
(Elimination) of allowances for the year due to write-offs	(23,895)	(2,659)	(50)	(760)	(27,364)
Allowances at the end of the year	**39,545**	**6,693**	**58**	**3,789**	**50,085**
Individual allowances	1,224	6,178	-	545	7,947
Portfolio allowances	38,321	515	58	3,244	42,138
Total gross loans	**404,646**	**366,168**	**1,521**	**27,847**	**800,182**

Changes in loan impairment allowances of the bank in 2014:

EUR'000

	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the year	**39,545**	**6,693**	**58**	**3,789**	**50,085**
Increase/ (decrease) in allowances for the year	631	860	310	224	2,025
(Decrease) in allowances for the year due to currency fluctuations	-	(216)	-	-	(216)
(Elimination) of allowances for the year due to write-offs	(16,240)	(1,891)	(336)	(2,050)	(20,517)
Allowances at the end of the year	**23,936**	**5,446**	**32**	**1,963**	**31,377**
Individual allowances	223	5,053	-	-	5,276
Portfolio allowances	23,713	393	32	1,963	26,101
Total gross loans	**362,189**	**436,669**	**949**	**21,817**	**821,624**

Changes in loan impairment allowances of the bank in 2013:

EUR'000

	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the year	**53,574**	**10,143**	**77**	**3,681**	**67,475**
Increase/ (decrease) in allowances for the year	9,873	(751)	31	868	10,021
(Decrease) in allowances for the year due to currency fluctuations	(7)	(40)	-	-	(47)
(Elimination) of allowances for the year due to write-offs	(23,895)	(2,659)	(50)	(760)	(27,364)
Allowances at the end of the year	**39,545**	**6,693**	**58**	**3,789**	**50,085**
Individual allowances	1,224	6,178	-	545	7,947
Portfolio allowances	38,321	515	58	3,244	42,138
Total gross loans	**404,647**	**377,338**	**1,521**	**27,847**	**811,353**

Note 9

Impairment of other assets

The group's and bank's management have carried out valuation of non-financial assets - the real estate taken over for sale and other assets, including investments in subsidiaries – to determine whether the carrying amount of these assets does not exceed their recoverable amount. As a result, it has been established that the previously recognised impairment has changed. Based on the analysis carried out, in 2014 and 2013 the group and the bank recognised impairment of other assets.

Changes in impairment of other assets of the group and the bank:

EUR'000

Category	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Non-financial assets taken over for sale	1,546	434	-	-
Other assets	-	(1,069)	-	(1,090)
Investments in subsidiaries	-	-	7,769	3,092
Total impairment adjustment	**1,546**	**(635)**	**7,769**	**2,002**

In the reporting year, the bank recognised impairment of its investment in the subsidiary Pillar Holding Company, KS amounting to EUR 7.8 (3.1) million. Impairment is related to decrease in forecasted cash flow. The investment was stated at its value in use, which was defined on the basis of cash flows from the sale of properties owned by subsidiaries at their expected market price at the date of the sale less costs of disposal and management of the properties. Cash flows were discounted at the rate of 5% (6%), which is in line with the expected return from the investment.

Note 10

Administrative expense

EUR'000

Category	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Remuneration to personnel, incl. SSIC	37,201	36,496	28,361	27,797
Repairs and maintenance of premises	3,409	3,680	2,294	2,631
IT system expense	3,072	3,152	2,495	2,595
Remuneration to the management, incl. SSIC	2,169	1,204	2,169	1,204
Other taxes	2,424	844	1,240	370
Advertising and marketing expense	2,080	2,832	1,630	2,555
Donations	1,633	1,838	1,503	1,719
Other personnel expense	1,158	1,071	744	679
Communication expense	737	760	598	622
Other administrative expense	4,015	3,696	2,386	2,273
Total administrative expense	**57,898**	**55,573**	**43,420**	**42,445**

In 2014 and 2013, the group and the bank employed an average of 844 (730) and 600 (545) persons (full-time equivalent).

Number of employees of the group and the bank at the year end:

	Group 31/12/2014 number	Group 31/12/2013 number	Bank 31/12/2014 number	Bank 31/12/2013 number
Management	10	10	10	10
Heads of divisions and departments	148	126	99	91
Other personnel	733	671	509	470
Total at the end of the year	**891**	**807**	**618**	**571**

Note 11

Taxation

EUR'000

	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Profit before corporate income tax	67,895	60,244	62,547	51,443
Theoretical corporate income tax	**10,184**	**9,037**	**9,382**	**7,715**
Non-taxable portion for bonds which are publicly traded in the EU/ EEA	(4,209)	-	(4,209)	-
Permanent differences	(472)	(151)	(76)	(316)
Actual corporate income tax expense for the reporting year	**5,503**	**8,886**	**5,097**	**7,399**
Adjustments to prior-year corporate income tax	(149)	164	(74)	163
Adjustments to prior-year deferred tax	8	-	10	-
Tax rebate	(1,455)	(9)	(1,341)	-
Tax paid abroad	181	205	181	205
Total corporate income tax expense	**4,088**	**9,246**	**3,873**	**7,767**

Deferred corporate income tax calculation:

EUR'000

	Group 31/12/2014 Amounts subject to temporary differences	Group 31/12/2013 Amounts subject to temporary differences	Bank 31/12/2014 Amounts subject to temporary differences	Bank 31/12/2013 Amounts subject to temporary differences
Accumulated excess of tax depreciation over accounting depreciation	16,163	14,927	7,820	7,345
Fair value revaluation reserve of available-for-sale financial assets	(1,960)	1,157	(1,960)	1,157
Revaluation of derivatives and securities	(1,767)	(1,598)	(1,767)	(1,598)
Revaluation of assets and accrual for vacation pay	(21,528)	(13,547)	(13,799)	(5,771)
Deferred tax asset on intra-group transactions	(389)	2,075	-	-
Tax loss	(24,649)	(16,081)	-	-
Unrecognised tax asset	22,292	13,630	-	-
Basis for calculation of deferred corporate income tax	**(11,838)**	**563**	**(9,706)**	**1,133**
Tax rate	15%	15%	15%	15%
Deferred corporate income tax (asset)/	**(2,300)**	**(710)**	**(1,457)**	**-**
liability at the end of the year	**524**	**795**	**-**	**169**

EUR'000

	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Deferred corporate income tax at the	**(710)**	**(575)**	**-**	**(105)**
beginning of the year	**795**	**101**	**169**	**-**
Increase charged to the statement of comprehensive income	(1,393)	785	(1,159)	566
Increase/ (decrease) attributable to fair value revaluation reserve under equity	(467)	(292)	(467)	(292)
Adjustments attributable to retained earnings/ (accumulated deficit)	(1)	66	-	-
Deferred corporate income tax (asset)/	**(2,300)**	**(710)**	**(1,457)**	**-**
liability at the end of the year	**524**	**795**	**-**	**169**

Taxes paid by the group and the bank:

EUR'000

Tax	Group 01/01/2014-31/12/2014	Group 01/01/2013-31/12/2013	Bank 01/01/2014-31/12/2014	Bank 01/01/2013-31/12/2013
Corporate income tax	14,300	4,229	13,437	3,381
Statutory social insurance contributions	7,614	8,781	6,307	7,299
Personal income tax	7,419	5,482	6,409	4,700
Value added tax	3,128	1,826	594	312
Real estate tax	797	507	245	228
Unemployment risk duty	5	3	3	3
Total	**33,263**	**20,828**	**26,995**	**15,923**

Note 12

Cash and deposits with central banks

EUR'000

	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Demand deposits with the Bank of Latvia	250,796	348,641	250,796	348,641
Cash on hand	8,116	8,117	8,112	8,106
Demand deposits with Banque de Luxembourg	960	10	-	-
Total cash and deposits with central banks	**259,872**	**356,768**	**258,908**	**356,747**

As at 31 December 2014 and 2013, the bank had no balances due from central banks that would be past due.

Note 13

Balances due from credit institutions

As at 31 December 2014, the bank had established correspondent relationships with 31 (28) credit institutions registered in the EU and OECD area, 5 (5) credit institutions registered in Latvia, and 32 (28) credit institutions incorporated in other countries.

As at 31 December 2014, the group's and bank's major balances due from credit institutions registered in the EU and OECD area were as follows: EUR 92.7 (27.9) million due from Euroclear bank SA/NV, EUR 84.6 (57.2) million due from Commerzbank AG, EUR 82.9 (56.7) million due from Nordea Bank Finland Plc, EUR 78.6 (16.3) million due from Raiffeisen Bank Int AG, EUR 74.1 (55.0) due from SMBC Europe Ltd and EUR 67.3 (41.9) million due from UBS AG.

EUR'000

	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Demand deposits with credit institutions				
Correspondent account balances	594,627	349,566	579,343	340,775
Total demand deposits with credit institutions	**594,627**	**349,566**	**579,343**	**340,775**
Other balances due from credit institutions				
Term deposits	199,775	259,326	193,405	247,262
Other balances	22,534	31,433	22,534	31,000
Total other balances due from credit institutions	**222,309**	**290,759**	**215,939**	**278,262**
Total balances due from credit institutions	**816,936**	**640,325**	**795,282**	**619,037**

As at 31 December 2014, part of the group's and bank's balances due from credit institutions totalling EUR 33.9 (18.6) million and EUR 33.5 (18.2) million respectively were pledged to secure transactions with financial instruments other than cash equivalents. Cash equivalents do not include the group's and bank's term deposits of EUR 9.3 (6.0) million and EUR 4.3 (0) million respectively.

As at 31 December 2013 and 2014, the group's and bank's balances due from credit institutions were neither past due nor impaired. The maximum credit risk exposure of the balances due from credit institutions is equal to the carrying amount of these assets.

Note 14

Financial assets at fair value through profit or loss

EUR'000

Issuer	Group 31/12/2014	Bank 31/12/2014	Group/ bank 31/12/2013
Fixed-income debt securities			
Central governments and central banks	23	-	-
Credit institutions	1,765	-	-
Municipalities	14	-	-
Financial auxiliaries and other financial intermediaries	277	-	-
Corporate companies	6,966	-	-
Total fixed-income debt securities	9,045	-	-
Equity shares			
Corporate companies	1,186	1,186	1,844
Credit institutions	1,001	1,001	1,369
Total investments in equity shares	2,187	2,187	3,213
Investments in funds	9,933	12,697	13,553
Total financial instruments at fair value	**21,165**	**14,884**	**16,766**

The maximum credit risk exposure of securities designated at fair value is equal to the carrying amount of these assets.
As at 31 December 2014, group's and bank's investments at fair value of EUR 3.8 (12.9) million and EUR 11.9 (12.9) million respectively in open-ended investment funds registered in Latvia, which are redeemable at net asset value, were not listed on stock exchanges.
Ten largest exposures as at 31 December 2014 amounted to 33.5% (88.5%) of the total group's financial assets at fair value through profit or loss.

Note 15

Available-for-sale financial assets

EUR'000

Issuer	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Fixed-income debt securities				
Central governments and central banks	933,582	429,317	914,085	429,317
Credit institutions	225,932	230,692	202,952	230,692
International organisations	57,767	40,245	57,767	40,245
State-owned enterprises	8,127	11,225	8,127	11,225
Financial auxiliaries and other financial intermediaries	8,382	7,513	6,303	7,513
Corporate companies	8,241	6,919	6,279	6,919
Municipalities	16,107	4,276	12,441	4,276
Total fixed-income debt securities	1,258,138	730,187	1,207,954	730,187
Equity shares				
Financial auxiliaries and other financial intermediaries	370	167	370	167
Total investments in equity shares	370	167	370	167
Investments in funds	12,719	8,329	749	1,333
Total available-for-sale financial instruments	**1,271,227**	**738,683**	**1,209,073**	**731,687**

The maximum credit risk exposure of available-for-sale securities is equal to the carrying amount of these assets.
Most of the debt securities' portfolio – 95.4% (92.2%) of assets - has been invested by the bank in investment-grade securities. At the end of the reporting year, the weighted average duration of the bank's securities portfolio was 2.6 (2.5) years.

As at 31 December 2014, the following available-for-sale financial assets were not listed on stock exchanges:

- EUR 370.1 (167.9) thousand – equity shares in companies registered in Latvia and other EMU member states;
- EUR 0.8 (1.4) million – investment certificates of venture capital funds registered in other countries.

Ten largest exposures as at 31 December 2014 amounted to 77.1% (81.6%) of the group's total available-for-sale financial assets.

Note 16

Held-to-maturity financial instruments

EUR'000

Issuer	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Fixed-income debt securities				
Central governments and central banks	523,596	243,285	512,352	243,285
Credit instituitions	170,164	173,105	162,632	172,027
Financial auxiliaries and other financial intermediaries	532	-	-	-
Corporate companies	135,513	133,295	130,589	132,747
Municipalities	70,588	43,107	68,502	43,107
International organisations	58,030	52,843	56,504	52,843
State-owned enterprises	-	7,402	-	7,402
Total held-to-maturity financial instruments	**958,423**	**653,037**	**930,579**	**651,411**

The maximum credit risk exposure of held-to-maturity securities is equal to the carrying amount of these assets.

As at 31 December 2014, held-to-maturity securities of EUR 809.7 (707.2) thousand issued by credit institutions of other countries were not listed on stock exchanges.

As at 31 December 2014, part of the held-to-maturity financial instruments totalling EUR 21.4 (27.6) million were pledged for securing transactions with financial instruments and held-to-maturity financial instruments totalling EUR 22.3 million for securing targeted longer-term refinancing operations

Ten largest exposures as at 31 December 2014 amounted to 54.5% (42.6%) of the group's total held-to-maturity financial instruments.

Note 17

Derivatives

The table below presents the notional amounts and fair values of foreign currency exchange contracts and other derivative financial instruments. The notional amount of foreign currency exchange contracts is the amount receivable. The notional amount of other derivative financial instruments is the value of the underlying assets of these instruments.

EUR'000

	Group/ bank 31/12/2014			Group/ bank 31/12/2013		
		Fair value			Fair value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Gold futures	390	5	-	352	21	-
Forwards	41,923	4,074	5,622	13,146	20	27
Swaps	84	-	8	228,527	410	2,019
Total derivatives	**42,397**	**4,079**	**5,630**	**242,025**	**451**	**2,046**

The bank uses foreign exchange derivatives to manage its currency positions.
As at 31 December 2014 and 2013, no payments associated with derivatives were past due.

Note 18

Loans

The breakdown of loans issued by the group and the bank by customer profile:

EUR'000

Customer profile	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Private individuals	399,121	447,195	399,114	447,194
Corporate companies	397,446	301,021	397,549	304,092
Financial auxiliaries and other financial intermediaries	24,921	51,966	24,961	60,067
Total gross loans	821,488	800,182	821,624	811,353
Impairment allowance	(31,375)	(50,085)	(31,377)	(50,085)
Total net loans	**790,113**	**750,097**	**790,247**	**761,268**

More detailed information about impairment allowances for loans is disclosed in Note 8.

The maximum credit risk exposure of loans issued to customers is equal to the carrying amount of these assets.

Ten largest exposures as at 31 December 2014 amounted to 21.9% (21.9%) of the total group's/ bank's net loan portfolio. No individual impairment allowances have been established for these loans.

The breakdown of loans issued by the group and the bank by category:

EUR'000

						Group
	31/12/2014			31/12/2013		
Category	Carrying amount	Off-balance sheet amount	Total exposure, gross	Carrying amount	Off-balance sheet amount	Total exposure, gross
Ordinary loans	711,657	27,860	739,517	687,988	23,997	711,985
Credit lines	78,049	14,492	92,541	83,806	21,561	105,367
Balances due from financial auxiliaries and other financial intermediaries	24,921	-	24,921	23,799	-	23,799
Overdrafts	5,151	-	5,151	3,079	-	3,079
Payment cards	1,710	15,906	17,616	1,510	14,573	16,083
Total gross loans	821,488	58,258	879,746	800,182	60,131	860,313
Impairment allowance	(31,375)	-	(31,375)	(50,085)	-	(50,085)
Total net loans	**790,113**	**58,258**	**848,371**	**750,097**	**60,131**	**810,228**
						Bank
Ordinary loans	710,831	27,860	738,691	699,160	23,997	723,157
Credit lines	78,986	14,752	93,738	83,806	21,868	105,674
Balances due from financial auxiliaries and other financial intermediaries	24,961	-	24,961	23,798	-	23,798
Overdrafts	5,136	-	5,136	3,079	-	3,079
Payment cards	1,710	15,976	17,686	1,510	14,626	16,136
Total gross loans	821,624	58,588	880,212	811,353	60,491	871,844
Impairment allowance	(31,377)	-	(31,377)	(50,085)	-	(50,085)
Total net loans	**790,247**	**58,588**	**848,835**	**761,268**	**60,491**	**821,759**

The breakdown of allowances established by the group and the bank by loan category:

EUR'000

Category	31/12/2014 Individual allowances	Portfolio allowances for impaired loans	Portfolio allowances for not impaired loans	Total	31/12/2013 Individual allowances	Portfolio allowances for impaired loans	Portfolio allowances for not impaired loans	Total
Mortgage	223	23,236	477	23,936	1,224	35,290	3,031	39,545
Business	5,057	217	168	5,442	6,178	243	272	6,693
Other	-	1,963	-	1,963	545	3,244	-	3,789
Consumer	2	32	-	34	-	58	-	58
Total impairment allowances for loans	**5,282**	**25,448**	**645**	**31,375**	**7,947**	**38,835**	**3,303**	**50,085**

The breakdown of loans issued by the group and the bank by industry profile:

EUR'000

Industry	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Mortgage loans to private individuals	331,525	357,908	331,525	357,908
Real estate management	163,922	139,837	163,922	139,837
Financial and insurance activities	117,581	98,114	110,613	106,215
Trading	63,022	51,546	63,020	51,546
Other loans to private individuals	38,903	42,383	38,898	42,299
Transportation and logistics	11,488	8,782	11,488	8,782
Agriculture and forestry	1,258	6,908	5,212	10,797
Manufacturing	5,555	6,582	5,555	6,582
Construction	1,390	2,045	1,390	2,045
Energy	-	-	3,061	3,365
Other industries	55,469	35,992	55,563	31,892
Total net loans	**790,113**	**750,097**	**790,247**	**761,268**

Collateral analysis for the group's loans:

EUR'000

Category	Total gross loans	Deposit	Securities	Real estate	Other collateral	Fair value of collateral, total
Category						31/12/2014
Mortgage	362,189	-	-	342,236	-	342,236
Business	436,526	8,011	68,778	461,504	63,572	601,865
Other	21,817	-	-	-	1	1
Consumer	956	2,064	-	-	-	2,064
Total gross loans	**821,488**	**10,075**	**68,778**	**803,740**	**63,573**	**946,166**
Impairment allowance	(31,375)					
Total net loans	**790,113**					
Category						31/12/2013
Mortgage	404,646	-	-	362,583	-	362,583
Business	366,168	3,598	229,276	409,929	17,590	660,393
Other	27,847	-	-	-	371	371
Consumer	1,521	4,592	-	-	-	4,592
Total gross loans	**800,182**	**8,190**	**229,276**	**772,512**	**17,961**	**1,027,939**
Impairment allowance	(50,085)					
Total net loans	**750,097**					

Collateral analysis for the bank's loans:

EUR'000

Category	Total gross loans	Deposit	Securities	Real estate	Other collateral	Fair value of collateral, total
Category						31/12/2014
Mortgage	362,189	-	-	342,236	-	342,236
Business	436,669	8,011	87,929	462,444	62,277	620,661
Other	21,817	-	-	-	1	1
Consumer	949	2,064	-	-	-	2,064
Total gross loans	**821,624**	**10,075**	**87,929**	**804,680**	**62,278**	**964,962**
Impairment allowance	(31,377)					
Total net loans	**790,247**					
Category						31/12/2013
Mortgage	404,647	-	-	362,583	-	362,583
Business	377,338	3,598	229,276	409,929	17,590	660,393
Other	27,847	-	-	-	371	371
Consumer	1,521	4,592	-	-	-	4,592
Total gross loans	**811,353**	**8,190**	**229,276**	**772,512**	**17,961**	**1,027,939**
Impairment allowance	(50,085)					
Total net loans	**761,268**					

The principles for determining the fair value of collateral are described in Note 32. During the reporting year, the real estate with a total value of EUR 13.1 (12.9) million was taken over, which recognized as Non-financial assets held for sale.

Note 19

Investments in subsidiaries and associates

The group's investments:

EUR'000

	31/12/2014					31/12/2013			
Company	Country of incor-poration	Share capital	Equity	Group's share of total share capital, %	Carrying amount under equity method	Share capital	Equity	Group's share of total share capital, %	Carrying amount under equity method
Traumatoloģijas un ortopēdijas klīnika Ādaži	LV	2	8	30	2	3	13	30	4
DEPO DIY, SIA	LV	-	-	-	-	7,501	22,829	25	6,631
Total investments in associates		**2**	**8**	**x**	**2**	**7,504**	**22,842**	**x**	**6,635**

The bank's investments:

EUR'000

Company	Country of incor-poration	31/12/2014 Share capital	Equity	Bank's share of total share capital, %	Carrying amount	31/12/2013 Share capital	Equity	Bank's share of total share capital, %	Carrying amount
Pillar Holding Company, KS	LV	80,000	76,836	100	80,000	90,000	91,815	100	90,000
ABLV Bank Luxembourg, S.A.	LU	25,000	16,315	100	25,000	20,000	15,361	100	20,000
New Hanza City, SIA	LV	10,500	10,039	100	10,500	9,818	9,661	100	9,818
AmberStone Group, AS	LV	14,000	13,863	40.89	5,725	4,900	4,900	100	4,900
ABLV Private Equity Fund 2010, KS	LV	3,300	11,318	100	3,300	10,000	12,245	100	10,000
ABLV Capital Markets, IBAS	LV	784	3,834	91.83	720	640	3,973	90	576
ABLV Consulting services, AS	LV	711	817	100	711	711	886	100	711
ABLV Asset Management, IPAS	LV	650	894	90	585	569	935	100	569
ABLV Private Equity Mangement, SIA	LV	171	201	100	171	171	304	100	171
ABLV Corporate Services Holding Company, SIA	LV	100	98	100	100	-	-	-	-
Pillar, SIA	LV	3	2	100	6	3	3	100	6
ABLV Corporate Services, SIA	LV	-	-	-	-	28	191	100	28
Total bank's investments in subsidiaries and associates, gross		**135,219**	**134,217**	**x**	**126,818**	**136,840**	**140,274**	**x**	**136,779**
Impairment expense					(11,719)				(3,950)
Total bank's investments in subsidiaries and associates, net					**115,099**				**132,829**

In the reporting year, ABLV Asset Management, IPAS issued registered non-voting shares (personnel shares) totalling EUR 65.0 thousand.

In the reporting year, the holding company AmberStone Group, AS increased its share capital by issuing new shares totalling EUR 9.1 million. New investors were brought in and, therefore, the bank's investment in AmberStone Group, AS dropped to 40.9%. Considering that the holding company AmberStone Group, AS was established to segregate non-financial and non-banking segments within the group, in the reporting year this entity acquired from ABLV Private Equity 2010, KS its shares in Orto klīnika, SIA and Vaiņode Agro Holding, SIA. As a result of this transaction, the group's investments in these companies and their subsidiaries have decreased.

As at 31 December 2014, funds of the customers of ABLV Asset Management, IPAS managed by the said company based on the customers' authorisation amounted to EUR 107.2 (93.2) million. The value of financial instruments of the ABLV Capital Markets, IBAS customers as at 31 December 2014 was EUR 925.5 (780.4) million.

Movements in the investments in subsidiaries and associates:

EUR'000

	Group 01/01/2014 - 31/12/2014	Group 01/01/2013 - 31/12/2013	Bank 01/01/2014 - 31/12/2014	Bank 01/01/2013 - 31/12/2013
Investments at the beginning of the year, gross	**6,635**	**3,796**	**136,779**	**129,026**
New subsidiaries established	-	-	878	4,900
Establishment/ (disposal) of associates	(6,632)	912	-	-
Change in investments in associates under equity method	(1)	2,496	-	-
Dividend payout from associates	-	(569)	-	-
Increase in investments in associates consolidated in the reporting year	-	-	825	-
(Decrease)/ increase in investments in existing subsidiaries	-	-	(10,858)	3,564
Disposal of subsidiaries	-	-	(806)	(711)
Investments at the end of the year, gross	**2**	**6,635**	**126,818**	**136,779**
Impairment allowance	-	-	(11,719)	(3,950)
Investments at the end of the year, net	**2**	**6,635**	**115,099**	**132,829**

Financial information of subsidiaries that have material non-controlling interests:

EUR'000

Company	AmberStone Group, AS	Vaiņode Agro Holding, SIA	Vaiņodes Bekons, SIA	Orto klīnika, SIA
				31/12/2014
Share of non-controlling interests in share capital, (%)	59.11	71.4	71.4	75.5
Equity attributable to non-controlling interests	8,194	3,633	3,010	1,264
Net profit/ loss for the year attributable to non-controlling interests	(81)	(51)	(46)	142
Summary profit/ loss				
Net turnover	53	88	5,531	4,426
Cost of sales	-	(156)	(5,043)	(3,756)
Administrative and other expense	(189)	(101)	(668)	(241)
Profit before corporate income tax	**(136)**	**(169)**	**(180)**	**429**
Corporate income tax	-	-	(27)	73
Net profit for the year	**(136)**	**(169)**	**(153)**	**356**
Comprehensive income, total	**(136)**	**(169)**	**(153)**	**356**
Attributable to non-controlling interests	(81)	(51)	(46)	142
Dividends paid to non-controlling interests	-	-	-	-
Summary statement of financial position				
Current assets	9,429	1,734	3,070	1,108
Non-current assets	4,440	4,535	10,564	1,418
Liabilities	(6)	(1,842)	(7,806)	(376)
Equity	**13,863**	**4,427**	**5,828**	**2,150**
Attributable to equity holders of the bank	5,669	794	2,818	886
Non-controlling interests	8,194	3,633	3,010	1,264
				31/12/2013
Share of non-controlling interests in share capital, (%)	-	30	30	40
Equity attributable to non-controlling interests	-	1,370	813	688
Net profit/ loss for the year attributable to non-controlling interests	-	(48)	18	58
Summary profit/ loss				
Net turnover	-	165	5,044	2,600
Cost of sales	-	(202)	(4,642)	(2,229)
Administrative and other expense	-	(91)	(324)	(197)
Profit before corporate income tax	**-**	**(128)**	**78**	**174**
Corporate income tax	-	-	17	28
Net profit for the year	**-**	**(128)**	**61**	**146**
Comprehensive income, total	**-**	**(128)**	**61**	**146**
Attributable to non-controlling interests	-	(48)	18	58
Dividends paid to non-controlling interests	-	-	-	-
Summary statement of financial position				
Current assets	-	1,720	2,144	812
Non-current assets	-	4,558	11,430	1,318
Liabilities	-	(1,715)	(10,295)	(319)
Equity	**-**	**4,563**	**3,279**	**1,811**
Attributable to equity holders of the bank	-	3,193	2,466	1,123
Non-controlling interests	-	1,370	813	688

As at 31 December 2014, the group comprised the following entities:

No	Company	Country of incorporation	Registration number	Business profile	Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)
1	ABLV Bank, AS	LV	50003149401	Financial services	100	100
2	ABLV Bank Luxembourg, S.A.	LU	B 162048	Financial services	100	100
3	ABLV Consulting Services, AS	LV	40003540368	Consulting services	100	100
4	ABLV Corporate Services Holding Company, SIA	LV	40103799987	Holding company	100	100
5	ABLV Corporate Services, SIA	LV	40103283479	Consulting services	100	100
6	ABLV Corporate Services, LTD	CY	HE273600	Consulting services	100	100
7	Pillar Holding Company, KS	LV	40103260921	Holding company	100	100
8	Pillar, SIA	LV	40103554468	Holding company	100	100
9	Pillar Management, SIA	LV	40103193211	Real estate management and administration	100	100
10	Pillar 2 & 14, SIA	LV	50103313991	Real estate transactions	100	100
11	Pillar 3, SIA	LV	40103193067	Real estate transactions	100	100
12	Pillar 4 & 6, SIA	LV	40103210494	Real estate transactions	100	100
13	Pillar 7 & 8, SIA	LV	40103240484	Real estate transactions	100	100
14	Pillar 9, SIA	LV	40103241210	Real estate transactions	100	100
15	Pillar 10, SIA	LV	50103247681	Real estate transactions	100	100
16	Pillar 11, SIA	LV	40103258310	Real estate transactions	100	100
17	Pillar 12, SIA	LV	40103290273	Real estate transactions	100	100
18	Pillar 18, SIA	LV	40103492079	Real estate transactions	100	100
19	Pillar 19, SIA	LV	40103766952	Real estate transactions	100	100
20	Elizabetes Park House, SIA	LV	50003831571	Real estate transactions	91.6	91.6
21	Schaller Kyncl Architekten Riga, SIA	LV	40103437217	Designing and designer's supervision	100	100
22	Pillar Parking, SIA	LV	40103731804	Parking management	100	100
23	New Hanza City, SIA	LV	40103222826	Real estate transactions	100	100
24	GP Electro, SIA	LV	40103693339	Real estate management and administration	100	100
25	ABLV Asset Management, IPAS	LV	40003814724	Financial services	90	100
26	ABLV Capital Markets, IBAS	LV	40003814705	Financial services	91.8	100
27	ABLV Private Equity Management, SIA	LV	40103286757	Investment project management	100	100
28	ABLV Private Equity Fund 2010, KS	LV	40103307758	Investment activities	100	100
29	AmberStone Group, AS	LV	40103736854	Holding company	40.9	40.9
30	Vaiņode Agro Holding, SIA	LV	40103503851	Holding company	28.6	28.6
31	Vaiņodes Agro, SIA	LV	40103484940	Agriculture	28.6	28.6
32	Vaiņodes Bekons, SIA	LV	42103019339	Agriculture	28.6	28.6
33	Gas Stream, SIA	LV	42103047436	Electricity generation	28.6	28.6
34	Bio Future, SIA	LV	42103047421	Electricity generation	28.6	28.6
35	IZ SPV, SIA	LV	40103551480	Electricity generation	28.6	28.6
36	NR SPV, SIA	LV	40103551353	Electricity generation	28.6	28.6
37	Orto klīnika, SIA	LV	40103175305	Medical services	24.5	24.5
38	Orto māja, SIA	LV	40103446845	Real estate transactions	24.5	24.5

Open-ended mutual funds included in the group:

No	Open-end mutual fund	Country of registration	ISIN	Fund type	Share in the entity's capital (%)
1	ABLV High Yield CIS RUB Bond Fund	LV	LV0000400778	Corporate bond fund	65.6
2	ABLV European Industry EUR Equity Fund	LV	LV0000400844	Equity fund	60.4
3	ABLV US Industry USD Equity Fund	LV	LV0000400836	Equity fund	38.4
4	ABLV European Corporate EUR Bond Fund	LV	LV0000400810	Corporate bond fund	37.5

Note 20

Investment properties

EUR'000

	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Investment properties	29,996	31,787	25,029	24,327
Prepayments for investment properties	61	1,571	4	3
Total investment properties	**30,057**	**33,358**	**25,033**	**24,330**

Movements in the group's and bank's investment properties in 2014:

EUR'000

	Group				Bank		
	Land	Construction in progress	Buildings	Total, excl. prepayments	Land	Buildings	Total, excl. prepayments
Acquisition value as at 01/01/2014	**27,983**	-	**3,916**	**31,899**	**24,188**	**225**	**24,413**
Additions	784	-	-	784	671	-	671
Reclassification	(24,930)	25,330	(2,890)	(2,490)	-	79	79
Disposals	-	-	(79)	(79)	-	(79)	(79)
Acquisition value as at 31/12/2014	**3,837**	**25,330**	**947**	**30,114**	**24,859**	**225**	**25,084**
Accumulated depreciation as at 01/01/2014	**-**	**-**	**112**	**112**	**-**	**86**	**86**
Depreciation charge	-	-	48	48	-	11	11
Depreciation of disposals	-	-	(42)	(42)	-	(42)	(42)
Accumulated depreciation as at 31/12/2014	**-**	**-**	**118**	**118**	**-**	**55**	**55**
Net carrying amount as at 01/01/2014	**27,983**	-	**3,804**	**31,787**	**24,188**	**139**	**24,327**
Net carrying amount as at 31/12/2014	**3,837**	**25,330**	**829**	**29,996**	**24,859**	**170**	**25,029**

In the reporting year, the group reclassified its investment properties, segregating those which should already be viewed as part of future construction projects.

Movements in the group's and bank's investment properties in 2013:

EUR'000

	Group			Bank		
	Land	Buildings	Total, excl. prepayments	Land	Buildings	Total, excl. prepayments
Acquisition value as at 01/01/2013	**27,076**	**1,723**	**28,799**	**24,386**	**309**	**24,695**
Additions	1,116	1,757	2,873	11	-	11
Reclassification	(209)	729	520	(209)	209	-
Disposals	-	(293)	(293)	-	(293)	(293)
Acquisition value as at 31/12/2013	**27,983**	**3,916**	**31,899**	**24,188**	**225**	**24,413**
Accumulated depreciation as at 01/01/2013	**-**	**75**	**75**	**-**	**75**	**75**
Depreciation charge	-	37	37	-	11	11
Accumulated depreciation as at 31/12/2013	**-**	**112**	**112**	**-**	**86**	**86**
Net carrying amount as at 01/01/2013	**27,077**	**1,648**	**28,725**	**24,387**	**233**	**24,620**
Net carrying amount as at 31/12/2013	**27,983**	**3,804**	**31,787**	**24,188**	**139**	**24,327**

Rentals from investment properties in 2014 amounted to EUR 12.7 (17.1) thousand, whereas the related property maintenance expense was EUR 193.1 (190.7) thousand, including direct operating expenses arising from investment properties that did not generate rental income amounting to EUR 175.6 (169.3) thousand.

Note 21

Intangible and tangible fixed assets

EUR'000

	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Intangible fixed assets	5,263	4,953	4,896	4,562
Goodwill	229	229	-	-
Prepayments for intangible fixed assets	817	457	804	454
Total intangible fixed assets	**6,309**	**5,639**	**5,700**	**5,016**
Land	4,055	1,234	173	182
Buildings and property improvements	20,669	19,057	4,512	4,565
Production equipment	5,057	5,330	-	-
Office equipment and IT hardware	5,098	4,357	3,910	3,155
Vehicles	1,570	1,471	782	797
Leasehold improvements	601	589	601	589
Construction in progress	199	120	-	-
Prepayments for tangible fixed assets	628	514	628	457
Total tangible fixed assets	**37,877**	**32,672**	**10,606**	**9,745**

Movements in the group's intangible and tangible fixed assets in 2014:

EUR'000

	Goodwill	Intangible fixed assets	Land	Production equipment	Construction in progress and leasehold improvements	Buildings and property improvements	Vehicles	Office equipment and IT hardware	Total, excl. prepayments
Acquisition value as at 01/01/2014	**229**	**9,720**	**1,234**	**6,773**	**1,567**	**23,968**	**2,084**	**12,331**	**57,906**
Additions	-	1,348	65	380	422	1,203	454	2,008	5,880
Reclassification	-	-	2,765	130	(222)	2,545	(4)	543	5,757
Disposals	-	(106)	(9)	(13)	(221)	(894)	(261)	(917)	(2,421)
Acquisition value as at 31/12/2014	**229**	**10,962**	**4,055**	**7,270**	**1,546**	**26,822**	**2,273**	**13,965**	**67,122**
Accumulated depreciation as at 01/01/2014	**-**	**4,767**	**-**	**1,443**	**858**	**4,911**	**613**	**7,974**	**20,566**
Depreciation charge	-	1,037	-	783	109	1,242	305	1,786	5,262
Reclassification	-	-	-	-	-	-	(4)	-	(4)
Depreciation of disposals	-	(105)	-	(13)	(221)	-	(211)	(893)	(1,443)
Accumulated depreciation as at 31/12/2014	**-**	**5,699**	**-**	**2,213**	**746**	**6,153**	**703**	**8,867**	**24,381**
Net carrying amount as at 01/01/2014	**229**	**4,953**	**1,234**	**5,330**	**709**	**19,057**	**1,471**	**4,357**	**37,340**
Net carrying amount as at 31/12/2014	**229**	**5,263**	**4,055**	**5,057**	**800**	**20,669**	**1,570**	**5,098**	**42,741**

Movements in the group's intangible and tangible fixed assets in 2013:

EUR'000

	Goodwill	Intangible fixed assets	Land	Production equipment	Construction in progress	Buildings and property improvements	Leasehold improvements	Vehicles	Office equipment and IT hardware	Total, excl. prepayments
Acquisition value as at 01/01/2013	**229**	**9,209**	**1,244**	**5,916**	**2,290**	**19,380**	**878**	**1,679**	**10,784**	**51,609**
Additions	-	1,299	41	827	104	2,321	569	1,161	3,125	9,447
Reclassification	-	-	(51)	30	(2,274)	2,267	-	-	43	15
Disposals	-	(788)	-	-	-	-	-	(756)	(1,621)	(3,165)
Acquisition value as at 31/12/2013	**229**	**9,720**	**1,234**	**6,773**	**120**	**23,968**	**1,447**	**2,084**	**12,331**	**57,906**
Accumulated depreciation as at 01/01/2013	**-**	**4,344**	**-**	**807**	-	**3,847**	**761**	**756**	**8,152**	**18,667**
Depreciation charge	-	1,211	-	636	-	1,064	97	319	1,380	4,707
Depreciation of disposals	-	(788)	-	-	-	-	-	(462)	(1,558)	(2,808)
Accumulated depreciation as at 31/12/2013	**-**	**4,767**	**-**	**1,443**	-	**4,911**	**858**	**613**	**7,974**	**20,566**
Net carrying amount as at 01/01/2013	**229**	**4,865**	**1,244**	**5,110**	**2,289**	**15,533**	**117**	**922**	**2,632**	**32,941**
Net carrying amount as at 31/12/2013	**229**	**4,953**	**1,234**	**5,330**	**120**	**19,057**	**589**	**1,471**	**4,357**	**37,340**

As at 31 December 2014, the group owned intangible and tangible fixed assets having the net carrying amount of EUR 0 and the cost value of EUR 8.3 (7.7) million, while the cost value of such intangible and tangible fixed assets owned by the bank totalled EUR 7.9 (7.5) million.

Movements in the bank's intangible and tangible fixed assets in 2014:

EUR'000

	Intangible fixed assets	Land	Buildings and property improvements	Leasehold improvements	Vehicles	Office equipment	Total, excl. pre-payments
Acquisition value as at 01/01/2014	**8,976**	**182**	**7,590**	**1,191**	**1,172**	**10,453**	**29,564**
Additions	1,271	-	1,194	121	126	1,660	4,372
Reclassification	-	-	-	-	(4)	543	539
Disposals	(120)	(9)	(894)	(221)	(144)	(873)	(2,261)
Acquisition value as at 31/12/2014	**10,127**	**173**	**7,890**	**1,091**	**1,150**	**11,783**	**32,214**
Accumulated depreciation as at 01/01/2014	**4,414**	**-**	**3,025**	**602**	**375**	**7,298**	**15,714**
Depreciation charge	937	-	353	109	141	1,441	2,981
Reclassification	-	-	-	-	(4)	-	(4)
Depreciation of disposals	(120)	-	-	(221)	(144)	(866)	(1,351)
Accumulated depreciation as at 31/12/2014	**5,231**	**-**	**3,378**	**490**	**368**	**7,873**	**17,340**
Net carrying amount as at 01/01/2014	**4,562**	**182**	**4,565**	**589**	**797**	**3,155**	**13,850**
Net carrying amount as at 31/12/2014	**4,896**	**173**	**4,512**	**601**	**782**	**3,910**	**14,874**

Movements in the bank's intangible and tangible fixed assets in 2013:

EUR'000

	Intangible fixed assets	Land	Buildings and property improvements	Leasehold improvements	Vehicles	Office equipment	Total, excl. pre-payments
Acquisition value as at 01/01/2013	**8,559**	**182**	**7,203**	**878**	**1,016**	**9,496**	**27,334**
Additions	1,205	-	387	569	544	2,503	5,208
Reclassification	-	-	-	-	-	43	43
Disposals	(788)	-	-	-	(388)	(1,589)	(2,765)
Acquisition value as at 31/12/2013	**8,976**	**182**	**7,590**	**1,447**	**1,172**	**10,453**	**29,820**
Accumulated depreciation as at 01/01/2013	**4,075**	-	**2,718**	**761**	**578**	**7,742**	**15,874**
Depreciation charge	1,127	-	307	97	171	1,087	2,789
Depreciation of disposals	(788)	-	-	-	(374)	(1,531)	(2,693)
Accumulated depreciation as at 31/12/2013	**4,414**	**-**	**3,025**	**858**	**375**	**7,298**	**15,970**
Net carrying amount as at 01/01/2013	**4,484**	**182**	**4,485**	**117**	**438**	**1,754**	**11,459**
Net carrying amount as at 31/12/2013	**4,562**	**182**	**4,565**	**589**	**797**	**3,155**	**13,850**

Information about contractual commitments on the purchase of intangible and tangible fixed assets is disclosed in Note 28.

Note 22

Other assets

EUR'000

	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Prepaid expense	1,626	1,720	1,079	1,107
Receivables	1,613	1,765	2,726	568
Payments for financial instruments	761	43	761	43
Other tax assets	430	450	5	1
Precious metals	402	360	402	360
Balances due from MFGlobal	-	726	-	726
Receivables from disposal of subsidiaries	-	-	-	588
Other assets	3,882	4,076	932	2,484
Total other assets	**8,714**	**9,140**	**5,905**	**5,877**
Impairment expense	(358)	(485)	(265)	(420)
Total other assets, net	**8,356**	**8,655**	**5,640**	**5,457**

Note 23

Deposits

EUR'000

Customer type		Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Corporate companies					
	current accounts	2,865,778	2,313,818	2,824,266	2,309,579
	term deposits	41,458	37,756	40,766	37,756
Total corporate companies		2,907,236	2,351,574	2,865,032	2,347,335
Other financial intermediaries					
	current accounts	7,668	5,481	20,493	20,148
	term deposits	-	-	-	-
Total other financial intermediaries		7,668	5,481	20,493	20,148
Other customers					
	current accounts	1,075	3,318	1,075	1,478
	term deposits	-	-	-	-
Total other customers		1,075	3,318	1,075	1,478
Total deposits from corporate customers		2,915,979	2,360,373	2,886,600	2,368,961
Private individuals					
	current accounts	536,949	382,347	502,086	382,047
	term deposits	35,588	25,449	17,346	25,449
Total deposits from private individuals		572,537	407,796	519,432	407,496
Total deposits		**3,488,516**	**2,768,169**	**3,406,032**	**2,776,457**

The group's/ bank's top 20 customers in terms of the deposit amount account for 8.2% (12.0%) of the total deposits.

Of the total deposits placed with the group and the bank, 88.1% (88.3%) are from customers whose beneficiaries are CIS residents.

Note 24

Issued securities

Securities issued by the bank:

EUR'000

ISIN	Currency	Number of initially issued securities	Par value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group 31/12/2014	Bank 31/12/2014	Group/ bank 31/12/2013
Subordinated bonds									
LV0000800845	USD	200,000	100	15/09/2010	15/09/2020	6.5	15,733	15,733	13,120
LV0000800936	EUR	150,000	100	22/12/2011	22/12/2021	4.8	13,650	13,650	13,016
LV0000800977	EUR	50,000	100	25/06/2012	25/06/2022	4.5	4,458	4,465	4,276
LV0000800985	USD	200,000	100	27/06/2012	27/06/2022	4.5	16,482	16,482	14,663
LV0000801124	USD	200,000	100	18/03/2013	18/03/2023	4.5	14,130	14,130	12,029
LV0000801173	USD	200,000	100	27/06/2013	27/06/2023	4.3	14,219	14,219	12,133
LV0000801181	EUR	200,000	100	27/06/2013	27/06/2023	4.3	17,010	17,211	12,419
LV0000801223	USD	150,000	100	23/10/2013	23/10/2018	4.3	12,294	12,294	10,891
LV0000801520	EUR	200,000	100	27/10/2014	27/10/2024	4.1	5,191	5,191	-
Subordinated bonds, total							**113,167**	**113,375**	**92,547**
Ordinary bonds									
LV0000800969	USD	50,000	1,000	30/07/2012	30/07/2014	1.2+Libor 6m	-	-	33,742
LV0000801041	EUR	15,000	1,000	05/11/2012	05/11/2014	1.55	-	-	13,674
LV0000801058	USD	50,000	1,000	06/11/2012	06/11/2014	1.45	-	-	31,405
LV0000801108	EUR	20,000	1,000	25/02/2013	25/02/2015	1.68	9,893	18,566	12,918
LV0000801116	USD	50,000	1,000	25/02/2013	25/02/2015	1.70	36,824	36,824	34,021
LV0000801199	USD	50,000	1,000	21/06/2013	21/06/2015	1.73	34,830	34,830	35,556
LV0000801207	EUR	20,000	1,000	21/06/2013	21/06/2015	1.73	17,971	19,559	18,472
LV0000801215	USD	50,000	1,000	16/10/2013	16/10/2015	1.90	36,810	36,810	36,051
LV0000801298	USD	75,000	1,000	17/02/2014	17/02/2016	1.98	30,830	30,830	-
LV0000801306	EUR	20,000	1,000	17/02/2014	17/02/2016	1.98	13,036	14,547	-
LV0000801421	USD	75,000	1,000	08/07/2014	08/07/2016	2.00	59,996	59,996	-
LV0000801439	EUR	20,000	1,000	08/07/2014	08/07/2016	2.05	19,747	19,747	-
LV0000801504	USD	75,000	1,000	28/10/2014	28/10/2016	2.10	51,010	51,010	-
LV0000801512	EUR	20,000	1,000	28/10/2014	28/10/2016	1.90	17,484	18,487	-
Ordinary bonds, total							**328,431**	**341,206**	**215,839**
Issued securities, total							**441,598**	**454,581**	**308,386**

The group/ bank retains the right to exercise early redemption of subordinated bonds according to the information provided in the base prospectuses of the respective programmes.

Note 25

Subordinated liabilities

As at 31 December 2014, the group's and bank's subordinated liabilities of EUR 127.6 (102.7) million comprised subordinated bonds amounting to EUR 113.2 (92.6) million and subordinated deposits amounting to EUR 14.4 (10.1) million.
Subordinated deposits by currencies amount to USD 10.6 (9.3) million and EUR 5.7 (3.3) million.

The basic conditions of the subordinated bonds issued by the bank are disclosed in Note 24.

The analysis of subordinated deposits as at 31 December 2014:

Lenders	Loan amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
non-residents	8,603	106	8,709	1.75 - 3.15	USD
non-residents	5,695	9	5,704	3.00 - 3.90	EUR
Total subordinated deposits	**14,298**	**115**	**14,413**		

The analysis of subordinated loans as at 31 December 2013:

Lenders	Loan amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
non-residents	6,774	73	6,847	1.75 - 3.15	USD
non-residents	3,295	7	3,302	3.00 - 3.90	EUR
Total subordinated deposits	**10,069**	**80**	**10,149**		

The proportionate share of lenders (for each individual lender) does not exceed 10% of the total amount of the subordinated liabilities.
The remaining weighted average maturity of subordinated deposits from lenders is 5.83 (5.98) years.

Subordinated loans are included in the second tier of equity calculation and are stated at amortised cost. According to the provisions of the subordinated loan agreements, the lenders have no right to demand anticipatory repayment of the loans and capitalise the subordinated loans into the bank's share capital. Discount/ coupon rates and payment frequency are indicated in the final issue regulations, and no solvent issuers may annul coupon payments. If an issuer is dissolved, the payments are made in accordance with statutory requirements. More detailed information about the conditions of issues is available on the bank's website and relevant final bond issue regulations.

Note 26

Paid-in share capital

In the reporting year, on 14 March 2014, the general shareholders' meeting of the bank resolved to denominate the share capital of ABLV Bank, AS in EUR instead of LVL. As a result, the share capital of ABLV Bank, AS is EUR 30 001 899, consisting of 30 001 899 shares, each share having the par value of EUR 1.
Before the denomination, the share capital of the bank was LVL 21 085 500 and consisted of 140 570 shares, each having the par value of LVL 150, or EUR 213.40.
As at 31 December 2014, the paid-in share capital of the bank amounted to EUR 32.7 million (30.0 million). The par value of each share is EUR 1.0 (213.40). The bank's share capital consists of 29 385 000 (127 170) ordinary registered voting shares and 3 265 000 (13 400) registered non-voting shares (personnel shares).
As at 31 December 2014, the bank had 128 (118) voting shareholders.

The major shareholders of the bank and groups of related shareholders are as follows:

	31/12/2014		31/12/2013	
	Share of the bank's share capital, EUR'000	Share of the bank's voting capital (%)	Share of the bank's share capital, EUR'000	Share of the bank's voting capital (%)
Group of shareholders related to Ernests Bernis				
Ernests Bernis	1,450	4.93	1,430	5.27
Nika Berne	250	0.85	246	0.90
Cassandra Holding Company, SIA	10,970	37.33	9,996	36.83
Group of shareholders related to Ernests Bernis, total	**12,670**	**43.11**	**11,672**	**43.00**
Group of shareholders related to Oļegs Fiļs				
SIA OF Holding	12,670	43.12	11,672	43.00
Group of shareholders related to Oļegs Fiļs, total	**12,670**	**43.12**	**11,672**	**43.00**
Other shareholders, total	4,045	**13.77**	3,799	**14.00**
Total voting shares	**29,385**	**100.00**	**27,143**	**100.00**
Non-voting shares (personnel shares)	3,265		2,860	
Total share capital	**32,650**		**30,003**	

In the reporting year, the bank issued 2 243 062 ordinary registered voting shares (based on the decisions of the ordinary shareholders' meeting of 31 March 2014) and 405 039 personnel shares (based on the decisions of the extraordinary shareholders' meetings of 21 March 2014 and 3 October 2014 respectively). The par value of all the issued shares was EUR 1.0, while the share premium of each ordinary registered voting share was EUR 12.05, comprised of the par value of EUR 1.0 and the share premium of EUR 11.05. The issues were intended to ensure steady development of the group/ bank in the future. As a result of the issues, the bank's share capital consists of 29 385 000 ordinary registered voting shares and 3 265 000 personnel shares. All registered voting shares grant equal rights to receive dividends and liquidation quotas and vote at the shareholders' meetings. All personnel shares grant equal rights to dividends. Personnel shares do not grant any right to vote or receive liquidation quotas. Most of the issued voting shares have been acquired by the existing shareholders of the bank - Cassandra Holding Company, SIA and OF Holding, SIA.

The registered non-voting shares (personnel shares) are as follows:

	31/12/2014			31/12/2013		
	Number of employees	Number of personnel shares	Share of the bank's share capital, EUR'000	Number of employees	Number of personnel shares	Share of the bank's share capital, EUR'000
Chairman of the council and council membe	3	-	-	3	-	-
Chairman of the board	1	-	-	1	-	-
Board members	6	1,550,528	1,551	6	7,250	1,547
Heads and deputy heads of divisions	18	1,465,242	1,465	17	6,150	1,313
Non-distributed	-	249,230	249	-	-	-
Registered non-voting shares (personnel shares), total	**x**	**3,265,000**	**3,265**	**x**	**13,400**	**2,860**

Dividends declared and paid:

				EUR'000
	Group	Group	Bank	Bank
	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013
Dividends declared	43,786	23,560	43,427	23,356
Dividends paid	43,774	23,554	43,415	23,349

		EUR
	Group/ bank	Group/ bank
	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013
Bank's share par value	1.00	213.40
Dividends declared per bank's share	1.44	174.30
Dividends paid per bank's share	1.44	174.30

Considering that in 2014 the share denomination was carried out due to the euro changeover, comparative figures reported as earnings per share attributable to the equity holders of the bank in the statement of comprehensive income were restated. The restatement was necessary to ensure comparability with the prior year figures. Earnings per share according to 2013 denomination were EUR 357.85, while according to the denomination performed at the beginning of 2014 earnings per share amount to EUR 1.68.

Note 27

Other liabilities

EUR'000

	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Fund shares owned by third parties	10,910	-	-	-
Accrued expense	8,238	8,891	6,708	7,286
Payments in progress for transactions with financial instruments	3,139	29	3,139	29
Accrual for employee vacation pay	2,022	1,633	1,729	1,410
Payables to suppliers	1,622	1,175	25	62
Other liabilities	3,672	5,620	1,604	2,311
Total other liabilities	**29,603**	**17,348**	**13,205**	**11,098**

Note 28

Memorandum items

EUR'000

Contingent liabilities	Group 31/12/2014	Group 31/12/2013	Bank 31/12/2014	Bank 31/12/2013
Outstanding guarantees	9,531	7,681	9,444	7,689
Total contingent liabilities	**9,531**	**7,681**	**9,444**	**7,689**
Financial commitments				
Loan commitments	27,860	23,997	27,860	23,997
Unutilised credit lines	15,906	14,573	15,976	14,626
Undrawn credit facilities on settlement cards	14,492	21,561	14,752	21,868
Contractual commitments on purchase of non-financial assets	2,297	308	877	308
Letters of credit	763	209	763	209
Total financial commitments	**61,318**	**60,648**	**60,228**	**61,008**
Total contingent liabilities and financial commitments	**70,849**	**68,329**	**69,672**	**68,697**

Note 29

Funds under trust management

As at 31 December 2014, funds under trust management by the group amounted to EUR 160.6 (146.3) million, while funds under trust management by the bank amounted to EUR 48.2 (52.6) million. The bank's funds under trust management comprise loans issued from the funds specifically assigned by customers to the bank. Meanwhile, the group's funds under trust management also include funds of the customers of ABLV Asset Management, IPAS managed by the said company based on the customers' authorisation and the funds under trust management of ABLV Bank Luxembourg, S.A. More detailed information on the funds of the customers of ABLV Asset Management, IPAS is disclosed in Note 19.
The related credit risk and other risks remain fully with the customer, which provided these funds to the group and/or the bank.

Note 30

Related party disclosures

Related parties of the group and the bank are defined as shareholders who have a qualifying holding in the bank, and chairman and members of the bank's council and board, staff of the Internal Audit Department, key management personnel of the group and the bank that are authorised to plan, manage and control group's/ bank's operations and are responsible for these functions, and spouses, parents and children of the individuals referred to previously, bank's subsidiaries and companies in which the group/ bank has an interest, companies in which these individuals have a qualifying holding as well as other legal entities.

Group's transactions with related parties:

EUR'000

	31/12/2014				31/12/2013			
Assets	Share-holders	Manage-ment	Related companies	Other related individuals	Share-holders	Manage-ment	Related companies	Other related individuals
Loans	14	1,705	217	187	-	1,725	410	857
Liabilities								
Deposits	948	2,517	7,978	1,510	359	2,517	7,827	2,023
Ordinary bonds	-	30	411	18	-	-	-	43
Subordinated bonds	43	3,219	1,156	1,004	83	1,757	1,093	1,801
Memorandum items								
Undrawn credit facilities and payment card limits	-	149	43	20	-	165	300	94
Guarantees	-	125	-	-	-	188	-	-

	01/01/2014 - 31/12/2014				01/01/2013 - 31/12/2013			
Income/ expense	Share-holders	Manage-ment	Related companies	Other related individuals	Share-holders	Manage-ment	Related companies	Other related individuals
Interest income	-	51	16	4	-	77	97	10
Interest expense	(2)	(106)	(52)	(34)	(7)	(101)	(31)	(53)
Commission and fee income	-	16	16	4	-	20	21	7
Net result from assets held for sale	-	-	264	-	-	(238)	(243)	(27)

Bank's transactions with related parties:

EUR'000

	31/12/2014					31/12/2013				
Assets	Share-holders	Manage-ment	Related companies	Subsidiaries	Other related individuals	Share-holders	Manage-ment	Related companies	Subsidiaries	Other related individuals
Loans	14	1,705	68	13,026	169	-	1,725	293	15,358	552
Liabilities										
Deposits	948	2,517	7,978	14,765	1,374	359	2,517	7,817	28,466	1,776
Ordinary bonds	-	30	411	12,775	18	-	-	-	20	43
Subordinated bonds	43	3,219	1,156	36	564	83	1,757	1,093	-	1,532
Memorandum items										
Undrawn credit facilities and payment card limits	-	149	43	330	20	-	165	300	360	84
Guarantees	-	125	-	8	-	-	188	-	7	-

	01/01/2014 - 31/12/2014					01/01/2013 - 31/12/2013				
Income/ expense	Share-holders	Manage-ment	Related companies	Subsidiaries	Other related individuals	Share-holders	Manage-ment	Related companies	Subsidiaries	Other related individuals
Interest income	-	51	16	941	3	-	71	95	953	10
Interest expense	(2)	(106)	(52)	(438)	(20)	(7)	(100)	(31)	(9)	(34)
Income from dividends	-	-	-	5,966	-	-	-	-	1,974	-
Commission and fee income	-	16	16	630	4	-	17	16	736	7
Commission and fee expense	-	-	-	(6,590)	-	-	-	-	(5,586)	-
Other operating income	-	-	-	3,547	-	-	-	-	2,012	-
Recognised impairment, net				(7,769)		-	-	-	-	-

Information on registered non-voting shares (personnel shares) is presented in Note 26. Meanwhile, information on changes in investments in subsidiaries and associates is disclosed in Note 19.

Note 31

Segment information

The group and the bank believe that the group's operations can be organised into four segments based on the core business activities as follows: banking services, advisory services, investment management services, and management of repossessed properties and investments in real estate.
The group defines its operating segments based on its organisational structure. The bank views its operations as one single segment, without making any separate disclosures, while at the group level the bank and all its subsidiaries are attributed to the group's operating segments as follows:

- banking services: ABLV Bank, AS, ABLV Bank Luxembourg, S.A;
- advisory services: ABLV Consulting Services, AS, ABLV Corporate Services Holding Company, SIA, ABLV Corporate Services, SIA, ABLV Corporate Services, LTD;
- investment management services: ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, ABLV Private Equity Management, SIA, ABLV Private Equity Fund 2010, KS, Vaiņode Agro Holding, SIA, Vaiņodes Agro, SIA, Vaiņodes bekons, SIA, Gas Stream, SIA, Bio Future, SIA, Orto klīnika, SIA, Orto māja, SIA, AmberStone Group, AS, IZ SPV, SIA, NR SPV, SIA, for investment funds included please see note 19.
- management of repossessed properties and investments in real estate: Pillar Holding Company, KS, Pillar, SIA, Pillar Management, SIA, Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 7 & 8, SIA, Pillar 9, SIA Pillar 10, SIA, Pillar 11, SIA, Pillar 12, SIA, Pillar 2 & 14 SIA, Pillar 18, SIA, Pillar 19, SIA ,Pillar Parking, SIA, Elizabetes Park House, SIA, New Hanza City, SIA, GP Electro, SIA, Schaller Kyncl Architekten Riga, SIA.

Operating segment information is prepared on the basis of internal reports.

Analysis of the operating segments of the group:

EUR'000

	31/12/2014			
Assets	Banking	Investment management	Advisory	Management of repossessed properties and investments in real estate
Cash and deposits with central banks	259,868	1	-	3
Balances due from credit institutions	816,516	380	40	-
Securities and derivatives	2,242,572	14,445	-	-
Loans	808,538	12,950	-	-
Investments in subsidiaries and associates	-	2	-	-
Tangible and intangible fixed assets, investment properties	41,929	21,366	389	10,559
Other assets	7,956	4,725	556	61,054
Total assets per internal reporting	**4,177,379**	**53,869**	**985**	**71,616**
Impairment allowance*	(33,670)	-	-	(93)
Total assets per IFRS	**4,143,709**	**53,869**	**985**	**71,523**
Liabilities				
Balances due to credit institutions	43,637	3,348	-	-
Derivatives	5,630	-	-	-
Deposits and issued securities	3,943,825	701	-	1
Impairment allowances and other provisions	34,022	-	-	93
Other liabilities	12,833	14,688	1,267	1,762
Total liabilities per internal reporting	**4,039,947**	**18,737**	**1,267**	**1,856**
Total liabilities and shareholders' equity	**4,267,659**	**44,686**	**1,670**	**(10,166)**
Impairment allowance*	(33,670)	-	-	(93)
Total liabilities per IFRS	**4,233,989**	**44,686**	**1,670**	**(10,259)**

EUR'000

Profit/ loss				01/01/2014 - 31/12/2014
Net interest income	51,872	1,607	-	-
Net commission and fee income	47,830	5,199	(10)	-
Net result of transactions with securities and foreign exchange	19,007	8	(24)	1
Net other income/ expense	(810)	6,011	1,546	498
Net gain on assets held for sale	-	-	-	4,587
Administrative expense and depreciation	(46,496)	(2,880)	(5,219)	(3,303)
Depreciation	(3,217)	(1,740)	(103)	(250)
Impairment allowances and other provisions	(1,003)	-	-	-
Impairment of financial instruments	(3,670)	-	-	-
Impairment of other assets	-	-	-	(1,546)
Corporate income tax	(4,031)	(71)	(92)	106
Total profit/ (loss)	**59,482**	**8,134**	**(3,902)**	**93**

* - for internal reporting purposes the impairment allowance is disclosed separately as a liability rather than impairment of the respective assets.

EUR'000

	31/12/2013			
Assets	Banking	Investment management	Advisory	Management of repossessed properties and investments in real estate
Cash and deposits with central banks	356,757	11	-	-
Balances due from credit institutions	640,115	169	41	-
Securities and derivatives	1,409,172	-	-	-
Loans	795,983	4,193	-	6
Investments in subsidiaries and associates	-	6,635	-	-
Tangible and intangible fixed assets, investment properties	39,837	22,072	434	9,326
Other assets	3,880	3,532	383	74,337
Total assets per internal reporting	**3,245,744**	**36,612**	**858**	**83,669**
Impairment allowance*	(50,742)	-	-	(64)
Total assets per IFRS	**3,195,002**	**36,612**	**858**	**83,605**
Liabilities				
Balances due to credit institutions	10,654	3,633	-	-
Derivatives	2,046	-	-	-
Deposits and issued securities	3,085,950	753	-	1
Impairment allowances and other provisions	51,150	-	-	64
Other liabilities	15,750	3,825	975	2,896
Total liabilities per internal reporting	**3,165,550**	**8,211**	**975**	**2,961**
Total liabilities and shareholders' equity	**3,349,777**	**21,992**	**1,315**	**(6,201)**
Impairment allowance*	(50,742)	-	-	(64)
Total liabilities per IFRS	**3,299,035**	**21,992**	**1,315**	**(6,265)**

EUR'000

Profit/ loss				01/01/2013-31/12/2013
Net interest income	41,946	689	-	7
Net commission and fee income	44,957	5,965	(10)	-
Net result of transactions with securities and foreign exchange	22,010	(3)	(14)	-
Net other income/ expense	(16)	8,416	1,625	269
Net gain on assets held for sale	24	-	-	4,745
Administrative expense and depreciation	(44,903)	(4,597)	(5,603)	(470)
Depreciation	(3,010)	(61)	(110)	(1,563)
Impairment allowances and other provisions	(9,466)	-	-	-
Impairment of financial instruments	(1,218)	-	-	-
Impairment of other assets	1,091	1	-	(457)
Corporate income tax	(8,122)	(956)	(58)	(110)
Total profit/ (loss)	**43,293**	**9,454**	**(4,170)**	**2,421**

* - for internal reporting purposes the impairment allowance is disclosed separately as a liability rather than impairment of the respective assets

Note 32

Fair values

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. The group and the bank disclose the fair values of assets and liabilities in such a manner so as to be able to compare the fair values with the carrying amounts.

Fair value of financial instruments, such as available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity investments, is mostly defined based on quoted prices in an active market. Where no price is observable for some of these financial instruments, fair value is determined based on observable prices in a market, where no active trading is done – this is applicable to several debt securities and open-ended investment funds. Finally, other valuation techniques are used for some financial assets which are not quoted in the market and for which no quoted prices for similar financial assets in active markets are available. Fair value of such financial instruments is estimated based on valuation models which are based on the assumptions and estimates regarding the potential future financials of the investment property, and the industry and geographical area risks in which the respective investment property operates. Fair value of derivatives is calculated based on the net present value method, where all inputs in the valuation model are observable, while exchanged traded derivatives, such as futures, as valued based on quoted prices.

The management of the bank and the group believe that the most credible market value of real estate was identified based on the evaluations presented by both external real estate appraisers and bank’s real estate experts. Investment properties are valued on the basis of discounted cash flows. According to this approach, fair value is calculated based on assumptions regarding expected future cash flows from income and expense resulting from the holding of real estate during its life cycle, including the value of the property at the date of sale. These cash flows are discounted at a discount rate, which is equal to the market return from similar assets, to arrive at the present value. The selling value of the investment properties may differ from the market value as defined, if the market of such kind of properties is not properly developed in Latvia. As regards other assets and liabilities for which fair value is disclosed and which have a short maturity (less than three months), except for loans and receivables, the group and the bank assume that the fair value approximates to their carrying amount. This assumption also applies to demand deposits and savings accounts. The fair value of loans and advances to customers is estimated by discounting the expected cash flows at a discount rate calculated according to the money market rates at the end of the year and loan interest margins. The fair value of term deposits is estimated by discounting the expected cash flows at the average market interest rates prevailing at the end of the year.

The carrying amounts and fair values of the group’s assets and liabilities are as follows:

EUR'000

	31/12/2014		31/12/2013	
Assets at fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives	4,079	4,079	451	451
At fair value through profit or loss				
Financial assets at fair value through profit or loss	21,165	21,165	16,766	16,794
Available-for-sale				
Available-for-sale financial assets	1,271,227	1,271,227	738,683	738,655
Total assets at fair value	**1,296,471**	**1,296,471**	**755,900**	**755,900**
Assets at amortised cost				
Cash and deposits with central banks	259,872	259,872	356,768	356,768
Balances due from credit institutions	816,936	816,936	640,325	640,325
Loans	790,113	789,850	750,097	748,441
Held-to-maturity investments	958,423	959,298	653,037	657,747
Investment properties	30,057	30,057	33,358	34,032
Total assets at amortised cost	**2,855,401**	**2,856,013**	**2,433,585**	**2,437,313**
Liabilities at fair value				
Derivatives	5,630	5,630	2,046	2,046
Total liabilities at fair value	**5,630**	**5,630**	**2,046**	**2,046**
Liabilities at amortised cost				
Financial liabilities at amortised cost	3,991,512	3,988,282	3,100,991	3,100,155
Total liabilities at amortised cost	**3,991,512**	**3,988,282**	**3,100,991**	**3,100,155**

The carrying amounts and fair values of the bank's assets and liabilities are as follows:

EUR'000

	31/12/2014		31/12/2013	
Assets at fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives	4,079	4,079	451	451
At fair value through profit or loss				
Financial assets at fair value through profit or loss	14,884	14,884	16,766	16,794
Available-for-sale				
Available-for-sale financial assets	1,209,073	1,209,073	731,687	731,659
Total assets at fair value	**1,228,036**	**1,228,036**	**748,904**	**748,904**
Assets at amortised cost				
Cash and deposits with central banks	258,908	258,908	356,747	356,747
Balances due from credit institutions	795,282	795,282	619,037	619,037
Loans	790,247	789,984	761,268	759,611
Held-to-maturity investments	930,579	929,894	651,411	656,120
Investment properties	25,033	25,033	24,330	25,266
Total assets at amortised cost	**2,800,049**	**2,799,101**	**2,412,793**	**2,416,781**
Liabilities at fair value				
Derivatives	5,630	5,630	2,046	2,046
Total liabilities at fair value	**5,630**	**5,630**	**2,046**	**2,046**
Liabilities at amortised cost				
Financial liabilities at amortised cost	3,923,756	3,922,378	3,109,483	3,108,648
Total liabilities at amortised cost	**3,923,756**	**3,922,378**	**3,109,483**	**3,108,648**

Hierarchy of input data for determining the fair value of assets and liabilities

The group and the bank use the following hierarchy of three levels of input data for determining and disclosing the fair value of assets and liabilities:

- Level 1: Quoted prices in active markets;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;
- Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 1 instruments may contain liquid securities and exchange traded derivatives. Level 2 instruments may contain securities that do not have an active market, standardised OTC derivatives and foreign exchange transactions as well as certain open-ended investment funds. Level 3 instruments contain certificates of venture capital funds, investment properties, term deposits and loans. For valuation methods and assumptions, please see the description above.

In the reporting year, the bank's management decided to transfer debt securities of Ukrainian issuers totalling EUR 1.5 million from Level 1 to Level 2 because of the considerable drop in liquidity established for the securities of these issuers.

The group's assets and liabilities according to the hierarchy of input data for determining the fair value:

EUR'000

	31/12/2014				31/12/2013			
Assets at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives	5	4,074	-	4,079	21	430	-	451
Financial assets at fair value through profit or loss	17,318	3,847	-	21,165	3,903	12,863	-	16,766
Available-for-sale financial assets	1,267,246	2,859	1,122	1,271,227	717,479	19,656	1,548	738,683
Total assets at fair value	**1,284,569**	**10,780**	**1,122**	**1,296,471**	**721,403**	**32,949**	**1,548**	**755,900**
Assets at amortised cost								
Cash and deposits with central banks	259,872	-	-	259,872	356,768	-	-	356,768
Balances due from credit institutions	783,397	33,539	-	816,936	637,875	2,450	-	640,325
Loans	-	-	790,113	790,113	-	-	750,097	750,097
Held-to-maturity investments	873,611	84,002	810	958,423	640,829	12,208	-	653,037
Investment properties	-	-	30,057	30,057	-	-	33,358	33,358
Total assets at amortised cost	**1,916,880**	**117,541**	**820,980**	**2,855,401**	**1,635,472**	**14,658**	**783,455**	**2,433,585**
Liabilities at fair value								
Derivatives	-	5,630	-	5,630	-	2,046	-	2,046
Total liabilities at fair value	**-**	**5,630**	**-**	**5,630**	**-**	**2,046**	**-**	**2,046**
Liabilities at amortised cost								
Financial liabilities at amortised cost	3,883,256	16,797	91,459	3,991,512	3,020,685	3,633	76,673	3,100,991
Total liabilities at amortised cost	**3,883,256**	**16,797**	**91,459**	**3,991,512**	**3,020,685**	**3,633**	**76,673**	**3,100,991**

The bank's assets and liabilities according to the hierarchy of input data for determining the fair value:

EUR'000

	31/12/2014				31/12/2013			
Assets at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives	5	4,074	-	4,079	21	430	-	451
Financial assets at fair value through profit or loss	2,939	11,945	-	14,884	3,903	12,863	-	16,766
Available-for-sale financial assets	1,205,092	2,859	1,122	1,209,073	710,483	19,656	1,548	731,687
Total assets at fair value	**1,208,036**	**18,878**	**1,122**	**1,228,036**	**714,407**	**32,949**	**1,548**	**748,904**
Assets at amortised cost								
Cash and deposits with central banks	258,908	-	-	258,908	356,747	-	-	356,747
Balances due from credit institutions	767,133	28,149	-	795,282	619,024	13	-	619,037
Loans	-	-	790,247	790,247	-	-	761,268	761,268
Held-to-maturity investments	845,767	84,002	810	930,579	639,203	12,208	-	651,411
Investment properties	-	-	25,033	25,033	-	-	24,330	24,330
Total assets at amortised cost	**1,871,808**	**112,151**	**816,090**	**2,800,049**	**1,614,974**	**12,221**	**785,598**	**2,412,793**
Liabilities at fair value								
Derivatives	-	5,630	-	5,630	-	2,046	-	2,046
Total liabilities at fair value	**-**	**5,630**	**-**	**5,630**	**-**	**2,046**	**-**	**2,046**
Liabilities at amortised cost								
Financial liabilities at amortised cost	3,834,434	16,797	72,525	3,923,756	3,036,128	-	73,355	3,109,483
Total liabilities at amortised cost	**3,834,434**	**16,797**	**72,525**	**3,923,756**	**3,036,128**	**-**	**73,355**	**3,109,483**

Analysis of changes in the group's/ bank's financial instruments of Level 3:

EUR'000

Assets at fair value	31/12/2014	Redemption	Impaired	Acquisition	Effect of foreign exchange	31/12/2013
Available-for-sale financial assets	1,122	(194)	(518)	203	83	1,548
Total assets at fair value	**1,122**	**(194)**	**(518)**	**203**	**83**	**1,548**

Note 33

Capital management and capital adequacy

The primary objective of the group's and bank's capital management is to ensure that the group and the bank comply with externally imposed capital requirements and maintain healthy capital ratios in order to support their business and maximise the shareholders' value.

The goals of the group's and bank's capital management are consistent with those of the previous years. A new banking supervisory regulation has taken effect and has been applicable in the EU Member States, including Latvia, starting from 1 January 2014. This regulation is Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as well as Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter – the Regulation), which implement the international supervisory framework (Basel III) into EU law. According to the Regulation, the group and the bank apply the standardised approach to calculate the capital requirements for credit risk and market risks, the basic indicator approach to calculate the capital requirement for operational risk and own funds requirements for Credit Valuation Adjustment risk for OTC derivatives are calculated according to standardised method.

Capital adequacy refers to the sufficiency of the group's and bank's capital resources to cover credit risk, operational risk, and market risks.
The reserve capital is the value of the group's and bank's property, which, following the defined procedure, is accrued to cover unexpected losses or for other financing needs, based on the decision of the shareholders' meeting. There are no legal restrictions on utilisation of the reserves.

Apart from the calculation of the minimum capital adequacy ratio, the bank documents and assesses internal capital adequacy. The internal capital adequacy assessment (ICAAP) procedure performed by the bank comprises both quantitative capital adequacy assessment and qualitative aspects, including long-term business planning and formulation of the development strategy, identification of material risks, determination of acceptable risk exposure, development and improvement of risk management systems, as well as identification and control of risks inherent in the bank's business (risk profile) on an ongoing basis.
The methods employed for the ICAAP purposes and the calculation procedure are detailed in the Statement on Information Disclosure published on the bank's homepage www.ablv.com.

Calculation of equity and capital requirements:

EUR'000

	Group	Group	Bank	Bank
Tier 1	31/12/2014	31/12/2013	31/12/2014	31/12/2013
paid-in share capital	32,650	30,003	32,650	30,003
share premium	66,270	41,485	66,270	41,485
reserve capital	2,134	2,134	2,134	2,134
retained earnings	66,742	60,381	68,600	68,756
current year's profit	32,936	50,304	32,936	43,676
intangible assets	(6,309)	(5,639)	(5,700)	(5,016)
revaluation reserve of available-for-sale financial assets	(1,504)	-	(1,427)	-
non-controlling interests	9,492	3,896	-	-
Tier 1 adjustments according to Pillar II	-	(911)	-	(2,735)
Total Tier 1	**202,411**	**181,653**	**195,463**	**178,303**
Tier 2				
Tier 2 adjustments according to Pillar II	-	(911)	-	(2,735)
subordinated capital (in proportion to the remaining maturity)	114,457	91,282	114,457	90,520
Total Tier 2	**114,457**	**90,814**	**114,457**	**88,228**
Total equity	**316,868**	**272,467**	**309,920**	**266,531**
Capital requirement for credit risk on banking book	113,444	100,500	112,048	102,053
Total capital requirement for market risks on trading book	3,686	12,316	5,174	7,332
incl. capital requirement for foreign currency risk	1,023	6,753	718	1,769
incl. capital requirement for position risk	2,663	5,563	4,456	5,563
Capital requirement for counterparty credit risk	340	54	340	54
CVA	92	-	92	-
Capital requirement for operational risk	18,299	15,185	14,234	12,210
Total capital requirement	**135,861**	**128,055**	**131,888**	**121,649**
CET 1 Capital ratio (%)	**11.92**	**11.35**	**11.86**	**11.73**
Minimum CET 1 capital ratio (%)	7.00	-	7.00	-
Capital adequacy ratio (%)	**18.66**	**17.02**	**18.80**	**17.53**
Minimum capital adequacy ratio (%)	10.50	8.00	10.50	8.00

The minimum common equity tier 1 ratio set for the bank 8%, the minimum capital adequacy ratio set for the bank - 13.20%. In the reporting year, the bank complied with the requirements of supervisory authorities.

The group’s and bank’s capital requirement for credit risk exposures by the following exposure categories:

EUR'000

	Group	Group	Bank	Bank
Exposure category	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Commercial companies	48,546	38,035	48,087	47,425
Institutions	22,749	17,873	21,483	19,116
Low risk portfolio	15,572	16,208	15,572	16,208
Other items	16,592	19,666	9,031	10,586
Central governments or central banks	3,666	4,092	3,367	4,092
Past due exposures	1,990	2,453	1,990	2,453
Remaining risk exposures	4,329	2,173	12,518	2,173
Total capital requirement for credit risk	**113,444**	**100,500**	**112,048**	**102,053**

Note 34

Risk management

Risks are inherent in the group's and bank's business and risk management is one of the group's and bank's strategic values, which is based on the confidence that efficient risk management is critical for the success of the group and the bank. Managing risks permits keeping the group's and bank's exposure at a level meeting their willingness and ability to undertake risks.

In the ordinary course of business, the group and the bank are exposed to various risks, the most significant of them being credit risk, liquidity risk and market risk (including interest rate risk, currency risk), as well as operational risk.
Risk management stands for identification, assessment and control of potential risks; it is a structured, coordinated and ongoing process across all levels of the entity aimed at identifying and assessing potential threats and making decisions on the prevention of such threats, maintaining the appropriate balance between risks and profits and minimising potential adverse effects of risks on the entity's financial position and operations.

The risk management process includes the following:

- identification, assessment and measurement of the significant risks;
- setting restrictions and limits defining the maximum permissible exposure;
- regular monitoring of the compliance with the risk management policies and procedures and with any limits set;
- defining the risk assessment procedures and limits before commencing new transactions;
- quantitative risk assessment for the group and the bank;
- stress testing aimed at the following:
  - identification of situations which are likely to produce a considerable impact on the group's and/ or bank's operations;
  - assessment of the group's and/ or bank's ability to withstand any significant deterioration in external and internal conditions;
  - determination of ways to minimise certain risks;
  - formulation of contingency plans;
- regular revision and enhancement of the policies and instructions following the market changes.

For the purposes of risk management, a risk strategy has been articulated. This strategy defines risks assumed by the bank both individually and at the group level in carrying on its operations and providing services, the level of risk tolerance and actions to ensure compliance with this level. The risk strategy, which has been approved by the council of the bank, is based on the Operational Strategy of the ABLV Group 2014 – 2016. Apart from the risk strategy, risk management policies have been developed and approved by the council of the bank. The introduction and effectiveness of these policies are controlled by the board and the Chief Risk Officer (CRO), while the practical implementation is provided by the respective structural units, including the Risk Management Division whose functions are strictly segregated from the business functions.

To create a highly disciplined, conservative and constructive risk management and control environment, training seminars are organised for the staff.

The goal of the risk management policies is to ensure efficient risk management, identify and analyse the risks inherent in the group's and bank's business, set relevant limits, introduce reliable control procedures, as well as control risk and exposure compliance with the applicable limits using administrative and IT resources.

The risk management system has been constantly improved following the group's and bank's operational and financial market development. The improvement process is controlled by the Internal Audit Department on a regular basis.

Note 35

Credit risk

Credit risk is exposure to potential loss in case the group's or bank's counterparty or debtor will be unable to fulfil the contractual obligations to the group or the bank or pledged assets will not cover the group's or bank's requirements.

Credit risk management framework

Credit risk is managed according to the Credit Policy, which sets out the establishment and basic principles of the credit risk management system that would allow timely detection, analysis, assessment and prevention of any potential credit risks. The group and the bank believe that their exposure to credit risk arises mainly from loans, investments in fixed income securities, and balances due from credit institutions.

The credit risk management process comprises the following:
- placing and monitoring of credit risk and concentration risk limits;
- setting and monitoring of criteria for granting of loans;
- evaluation of customer's solvency and collateral;
- monitoring of credit quality, both individually and collectively;
- determination of the recoverable amount of loans and other assets;
- measurement and assessment of credit risk;
- revision of regulations concerning credit risk and concentration risk management.

The following is employed for the purposes of credit risk management:
- a system of limits, which sets restrictions as to the loan portfolio volume according to the Regulation, group's and/ or bank's financial plans and certain lending programmes;
- concentration limits, diversifying the loan portfolio by industries, collateral of the same type, geographical regions and currencies.

In order to measure credit risk, the group and the bank perform the following:
- analysis of loan portfolio quality, compliance with limits and concentration on a regular basis, at least once every quarter;
- credit risk stress testing on a regular basis, at least once every six months;
- assessment of capital adequacy on a regular basis, at least once every year.

Before entering into any cooperation with customers, the group and the bank perform a comprehensive review of the customer's solvency and collateral.
In analysing any potential cooperation with financial institutions, the bank assesses each potential counterparty, by analysing both its financial performance and other criteria, and further reviews these indicators on a regular basis. Meanwhile, to assess solvency of private individuals, the bank has developed an internal rating system whereby customers are divided in categories on the basis of their income level and quality of their credit histories. The group and the bank assess creditworthiness of corporate customers by conducting the financial due diligence for each new customer; subsequently, the borrower's financial position is reviewed on a regular basis. Corporate customers are also granted monitoring/ risk factors, and any instances of non-compliance with these factors indicate that credit risk might have increased before the financial position of such customer is reviewed.

Collateral is appraised by an independent appraiser accepted by the group and the bank. The bank may adjust (reduce) the value defined by the independent appraiser if, in the bank's opinion, the appraiser has not considered certain risk factors. For the purposes of loan collateral, the bank considers such reduced value. As collateral, the bank may accept real estate, new and used vehicles, commercial vehicles, goods held at customs or customer's warehouse, securities, technological equipment and machinery, receivables as the aggregation of property, etc. Based on the collateral type and liquidity, the group and the bank apply the maximum acceptable proportion of the loan to be issued.

The Credit Policy, the Lending Regulation and other regulations provide for the main criteria and types of acceptable collateral, the basic principles and frequency of collateral evaluations. Depending on the type of collateral and risk exposure, the bank's employees perform monitoring of the collateral value 1 – 4 times per year. On certain occasions, an independent appraiser may be involved. With regard to exposures in excess of EUR 3 million or 5% of the bank's equity, independent appraisals are conducted once every three years.

For effective credit risk management, the bank has set up the permanent Assets Evaluation Committee which performs a regular analysis of assets and memorandum items, i.e., their recoverability. Depending on the results of such analysis, the amount of the allowance for credit losses (impairment) is determined. For the purposes of such analysis, both specific and collective (portfolio) risks are considered.

The bank analyses the quality of its loan portfolio on a regular basis to identify loss events. If a loss event is identified, the loan is assessed for impairment. The age of past due loans is used as one of the quality criteria. The criteria applied to corporate loans also include the borrower's business performance and prospects, its existing and forecasted cash flows to meet the liabilities, compliance with the monitoring/ risk factors set, collateral value, etc. Loans are regarded as significant past due if contractual payments are more than 90 days in arrears. Loans are deemed to be impaired if the bank has established respective allowances as a result of loss events, as well as if contractual payments are more than 90 days overdue or if the loan recovery process is being planned. Information on delayed credit payments is disclosed starting from the first day of delay.

Loss events are the following:
- significant financial difficulties of the borrower;
- non-compliance with the agreement;
- benefits granted to the borrower for economic or legal reasons associated with the financial difficulties of the borrower, which would not be otherwise granted by the bank;
- relatively high likelihood of bankruptcy proceedings or other financial reorganisation initiated by the borrower;
- absence of pre-requisites for the implementation of funded projects;
- default on obligations by a party related to the borrower, which affects the borrower's ability to settle its obligations to the bank;
- decrease in the value of collateral if repayment of the loan is directly dependent on the collateral value;
- other events leading to the elevation of credit risk.

Credit quality analysis for the group:

EUR'000

	Mortgage	Business	Consumer	Other	Total gross loans	Fair value of collateral
						31/12/2014
Neither past due nor impaired loans	271,494	418,412	784	19,795	710,485	854,360
Past due but not impaired loans, incl.:	39,214	5,460	128	-	44,802	40,843
less than 30 days	27,200	3,044	82	-	30,326	27,644
31 to 59 days	10,811	2,029	17	-	12,857	11,559
60 to 89 days	1,203	387	29	-	1,619	1,640
more than 90 days	-	-	-	-	-	-
Impaired loans	51,481	12,654	44	2,022	66,201	50,963
Total gross loans	**362,189**	**436,526**	**956**	**21,817**	**821,488**	**946,166**
Impairment allowance	(23,936)	(5,442)	(34)	(1,963)	(31,375)	
Total net loans	**338,253**	**431,084**	**922**	**19,854**	**790,113**	
						31/12/2013
Neither past due nor impaired loans	280,870	341,159	1,205	23,974	647,208	922,968
Past due but not impaired loans, incl.:	46,733	10,510	205	-	57,448	47,824
less than 30 days	31,736	3,503	147	-	35,386	30,134
31 to 59 days	13,244	280	51	-	13,575	11,660
60 to 89 days	1,753	-	7	-	1,760	1,195
more than 90 days	-	6,727	-	-	6,727	4,835
Impaired loans	77,043	14,499	111	3,873	95,526	57,147
Total gross loans	**404,646**	**366,168**	**1,521**	**27,847**	**800,182**	**1,027,939**
Impairment allowance	(39,545)	(6,693)	(58)	(3,789)	(50,085)	
Total net loans	**365,101**	**359,475**	**1,463**	**24,058**	**750,097**	

Credit quality analysis for the bank:

EUR'000

	Mortgage	Business	Consumer	Other	Total gross loans	Fair value of collateral
						31/12/2014
Neither past due nor impaired loans	271,494	419,733	777	19,795	711,799	883,348
Past due but not impaired loans, incl.:	39,214	5,460	128	-	44,802	40,843
less than 30 days	27,200	3,044	82	-	30,326	27,644
31 to 59 days	10,811	2,029	17	-	12,857	11,559
60 to 89 days	1,203	387	29	-	1,619	1,640
more than 90 days	-	-	-	-	-	-
Impaired loans	51,481	11,476	44	2,022	65,023	40,771
Total gross loans	**362,189**	**436,669**	**949**	**21,817**	**821,624**	**964,962**
Impairment allowance	(23,936)	(5,446)	(32)	(1,963)	(31,377)	
Total net loans	**338,253**	**431,223**	**917**	**19,854**	**790,247**	
						31/12/2013
Neither past due nor impaired loans	280,871	352,329	1,205	23,974	658,379	922,968
Past due but not impaired loans, incl.:	46,733	10,510	205	-	57,448	47,824
less than 30 days	31,736	3,503	147	-	35,386	30,134
31 to 59 days	13,244	280	51	-	13,575	11,660
60 to 89 days	1,753	-	7	-	1,760	1,195
more than 90 days	-	6,727	-	-	6,727	4,835
Impaired loans	77,043	14,499	111	3,873	95,526	57,147
Total gross loans	**404,647**	**377,338**	**1,521**	**27,847**	**811,353**	**1,027,939**
Impairment allowance	(39,545)	(6,693)	(58)	(3,789)	(50,085)	
Total net loans	**365,102**	**370,645**	**1,463**	**24,058**	**761,268**	

Regular stress tests of the group's/ bank's loan portfolio, balances due from credit institutions as well as securities portfolio are performed to assess the credit risk exposure and identify potential critical situations. The maximum exposure to credit risk is assessed without taking into account collateral and other credit enhancements, while the minimum exposure is assessed taking into account the fair value of the collateral at the reporting date. If the loan is secured against a financial instrument, its fair value is determined according to the market value of the respective financial instrument; if the loan is secured against a bank deposit, the fair value of the collateral is the nominal value of the respective deposit; if the loan is secured against real estate, its fair value is determined according to the valuation provided by independent experts and adjusted (reduced) based on the bank's experience; the fair value of other collateral is their purchase value or carrying amount taking into consideration the valuation provided by independent experts and the bank.

As at 31 December 2014, the gross amount of loans having the maturity date for principal or interest changed totalled EUR 74.2 (61.3) million. These changes were made on the basis of the agreements between the group or the bank and customers amending respective loan conditions, as otherwise the loans might be past due. A loan is deemed to be restructured from the date of signing the above-mentioned agreement and until the time when no contractual payments have been past due for at least a year or the loan has been subject to a loss event.

The group and the bank manage the credit quality of their financial assets by applying internal ratings. Loans to customers are assigned internal ratings where higher-rating assets are standard assets with a sound credit standing, while lower-rating assets are those assets which have doubtful credit quality and require close monitoring by the group and the bank. Meanwhile, balances due from credit institutions and securities are granted credit ratings assigned by rating agencies. Higher-rating assets represent investment-grade assets, i.e., assets having a rating of no lower than BBB-, while lower-rating assets represent assets rated below investment grade.

Financial assets of the group by risk rating:

EUR' 000

Financial assets	Assets neither past due nor impaired: Higher rating	Assets neither past due nor impaired: Lower rating	Assets past due: Individually assessed	Assets past due: Portfolio allowance and impaired	Assets past due: Portfolio allowance and not impaired	**Gross financial assets**
						31/12/2014
Cash and deposits with central banks	259,872	-	-	-	-	259,872
Balances due from credit institutions	744,365	72,571	-	-	-	816,936
Derivatives	4,079	-	-	-	-	4,079
Financial assets at fair value through profit or loss	16,547	4,618	-	-	-	21,165
Available-for-sale financial assets	1,263,298	6,917	1,172	-	-	1,271,387
Held-to-maturity investments	884,819	71,098	4,469	-	-	960,386
Loans to customers	690,963	19,522	13,286	82,528	15,189	821,488
Mortgage	270,038	1,456	585	80,120	9,990	362,189
Business	400,346	18,066	12,599	345	5,170	436,526
Other	19,795	-	-	2,022	-	21,817
Consumer	784	-	102	41	29	956
Total financial assets, gross	**3,863,943**	**174,726**	**18,927**	**82,528**	**15,189**	**4,155,313**
						31/12/2013
Cash and deposits with central banks	356,768	-	-	-	-	356,768
Balances due from credit institutions	574,857	65,468	-	-	-	640,325
Derivatives	451	-	-	-	-	451
Financial assets at fair value through profit or loss	-	16,766	-	-	-	16,766
Available-for-sale financial assets	723,813	14,721	269	-	-	738,803
Held-to-maturity investments	569,002	83,831	319	-	-	653,152
Loans to customers	627,660	19,546	17,695	78,567	56,714	800,182
Mortgage	278,568	2,301	2,440	74,604	46,733	404,646
Business	323,914	17,245	14,502	526	9,981	366,168
Other	23,975	-	545	3,327	-	27,847
Consumer	1,203	-	208	110	-	1,521
Total financial assets, gross	**2,852,551**	**200,332**	**18,283**	**78,567**	**56,714**	**3,206,447**

Financial assets of the bank by risk rating:

EUR`000

31/12/2014

Financial assets	Assets neither past due nor impaired: Higher rating	Lower rating	Assets past due: Individually assessed	Portfolio allowance and impaired	Portfolio allowance and not impaired	Gross financial assets
Cash and deposits with central banks	258,908	-	-	-	-	258,908
Balances due from credit institutions	722,919	72,363	-	-	-	795,282
Derivatives	4,079	-	-	-	-	4,079
Financial assets at fair value through profit or loss	14,884	-	-	-	-	14,884
Available-for-sale financial assets	1,201,144	6,917	1,172	-	-	1,209,233
Held-to-maturity investments	856,975	71,098	4,469	-	-	932,542
Loans to customers	689,214	22,584	12,109	82,528	15,189	821,624
Mortgage	270,038	1,456	585	80,120	9,990	362,189
Business	398,604	21,128	11,422	345	5,170	436,669
Other	19,795	-	-	2,022	-	21,817
Consumer	777	-	102	41	29	949
Total financial assets, gross	**3,748,123**	**172,962**	**17,750**	**82,528**	**15,189**	**4,036,552**

31/12/2013

Financial assets	Higher rating	Lower rating	Individually assessed	Portfolio allowance and impaired	Portfolio allowance and not impaired	Gross financial assets
Cash and deposits with central banks	356,747	-	-	-	-	356,747
Balances due from credit institutions	568,797	50,240	-	-	-	619,037
Derivatives	451	-	-	-	-	451
Financial assets at fair value through profit or loss	-	16,766	-	-	-	16,766
Available-for-sale financial assets	723,813	7,724	269	-	-	731,806
Held-to-maturity investments	567,376	83,831	319	-	-	651,526
Loans to customers	638,831	19,546	17,695	78,567	56,714	811,353
Mortgage	278,569	2,301	2,440	74,604	46,733	404,647
Business	335,084	17,245	14,502	526	9,981	377,338
Other	23,975	-	545	3,327	-	27,847
Consumer	1,203	-	208	110	-	1,521
Total financial assets, gross	**2,856,015**	**178,107**	**18,283**	**78,567**	**56,714**	**3,187,686**

Credit risk concentration

To mitigate concentration risk, the group and the bank apply diversification and a system of limits. The group and the bank place limits on the amount of risk for individual borrowers, and for geographical and industry concentrations as well as exposures having one type of collateral, etc. With a view to limiting credit risk and concentration risk, the target levels and limits of the loan portfolio are defined as a percentage of eligible capital, considering risks associated with the lending product and the location and liquidity of collateral.
Concentration limits for individual industry sectors are determined on the basis of credit quality ratios in the relevant sector and industry trends both in Latvia and abroad.
Concentration limits for geographical regions are based on the possibilities of registering and recovering collateral, as well as the political and economic situation in the relevant country.
Concentration limits for a certain type of collateral are defined, considering the liquidity of collateral.
In the event that any group of loans is affected by economic factors deteriorating the condition of all loans belonging to this group, it is decided to place certain restrictions on lending in the specific industry, and potential credit losses are identified.
The exposure to any single borrower, including banks and brokers, is further restricted by sub-limits. The credit risk concentration is analysed also by estimating the credit exposure ratio to eligible capital. According to the Regulation, the group and the bank treat as large the credit exposure exceeding 10% of eligible capital.
For the purposes of the credit risk concentration analysis, the issuers incorporated in a country only for the attraction of funds are disclosed as attributable to the country or region where the guarantors of the issue are located.
The credit risk inherent in the group's and bank's securities portfolios is reflected by the credit rating granted to respective securities and issuers. The group's and bank's securities portfolios are well-diversified and portfolio diversification is based on issues, credit rating classes, issuers and maturities.

Apart from the effective management of credit risk concentration, the bank has set limits for credit institutions and financial companies in order to restrict balances held with one institution as well as defined the limit control regulations specifying the independent procedure for controlling compliance with the limits.

To enhance the effectiveness of credit risk management, which is associated with the assessment of existing and potential counterparties, the bank has designed an internal model for the assessment of credit institutions. By means of this model, the bank sets counterparty limits for credit institutions and controls compliance with these limits according to the procedure set out in internal regulations.

Analysis of concentration of the group's financial assets and liabilities by geographical area as at 31 December 2014:

EUR'000

Assets	Latvia	EMU countries	Other EU Member States	Other OECD countries	International organisatons	Other countries	Total
Cash and deposits with central banks	258,912	960	-	-	-	-	259,872
Balances due from credit institutions	8,949	492,078	67,811	192,096	-	56,002	816,936
Derivatives	-	82	3,911	-	-	86	4,079
Financial assets at fair value through profit or loss	4,069	7,199	1,727	5,483	-	2,687	21,165
Available-for-sale financial assets	12,528	299,806	230,858	640,855	57,767	29,413	1,271,227
Loans	563,572	27,407	14,349	13,144	-	171,641	790,113
Held-to-maturity investments	180,640	151,650	101,462	257,703	57,324	209,644	958,423
Total financial assets	**1,028,670**	**979,182**	**420,118**	**1,109,281**	**115,091**	**469,473**	**4,121,815**
Liabilities							
Derivatives	-	5,564	8	-	-	58	5,630
Financial liabilities at amortised cost	153,721	330,893	954,163	73,657	-	2,479,078	3,991,512
Total financial liabilities	**153,721**	**336,457**	**954,171**	**73,657**	-	**2,479,136**	**3,997,142**
Memorandum items	**37,822**	**3,383**	**3,341**	**206**	-	**26,097**	**70,849**

Analysis of concentration of the group's financial assets and liabilities by geographical area as at 31 December 2013:

EUR'000

Assets	Latvia	EMU countries	Other EU Member States	Other OECD countries	International organisatons	Other countries	Total
Cash and deposits with central banks	356,758	10	-	-	-	-	356,768
Balances due from credit institutions	6,720	288,583	199,770	72,841	-	72,411	640,325
Derivatives	-	98	1	334	-	18	451
Financial assets at fair value through profit or loss	12,907	239	-	1,278	-	2,342	16,766
Available-for-sale financial assets	21,286	170,907	123,689	356,640	40,245	25,916	738,683
Loans	565,518	33,936	21,076	7,608	-	121,959	750,097
Held-to-maturity investments	76,670	80,178	70,678	168,038	52,843	204,630	653,037
Total financial assets	**1,039,859**	**573,951**	**415,214**	**606,739**	**93,088**	**427,276**	**3,156,127**
Liabilities							
Derivatives	-	462	6	1,578	-	-	2,046
Financial liabilities at amortised cost	415,750	269,761	561,400	26,655	-	1,827,425	3,100,991
Total financial liabilities	**415,750**	**270,223**	**561,406**	**28,233**	**-**	**1,827,425**	**3,103,037**
Memorandum items	**22,433**	**2,416**	**1,022**	**71**	**-**	**42,387**	**68,329**

Analysis of concentration of the bank's financial assets and liabilities by geographical area as at 31 December 2014:

EUR'000

Assets	Latvia	EMU countries	Other EU Member States	Other OECD countries	International organisatons	Other countries	Total
Cash and deposits with central banks	258,908	-	-	-	-	-	258,908
Balances due from credit institutions	8,569	470,845	67,810	192,095	-	55,963	795,282
Derivatives	-	82	3,911	-	-	86	4,079
Financial assets at fair value through profit or loss	12,237	213	-	1,318	-	1,116	14,884
Available-for-sale financial assets	12,528	263,708	226,360	620,960	57,767	27,750	1,209,073
Loans	572,989	18,133	14,347	13,144	-	171,634	790,247
Held-to-maturity investments	176,846	142,847	92,895	253,546	56,504	207,941	930,579
Total financial assets	**1,042,077**	**895,828**	**405,323**	**1,081,063**	**114,271**	**464,490**	**4,003,052**
Liabilities							
Derivatives	-	5,564	8	-	-	58	5,630
Financial liabilities at amortised cost	181,507	335,594	925,236	72,815	-	2,408,604	3,923,756
Total financial liabilities	**181,507**	**341,158**	**925,244**	**72,815**	**-**	**2,408,662**	**3,929,386**
Memorandum items	**36,631**	**3,398**	**3,340**	**206**	**-**	**26,097**	**69,672**

Analysis of concentration of the bank's financial assets and liabilities by geographical area as at 31 December 2013:

EUR'000

Assets	Latvia	EMU countries	Other EU Member States	Other OECD countries	International organisatons	Other countries	Total
Cash and deposits with central banks	356,747	-	-	-	-	-	356,747
Balances due from credit institutions	6,551	267,505	199,770	72,841	-	72,370	619,037
Derivatives	-	98	1	334	-	18	451
Financial assets at fair value through profit or loss	12,907	239	-	1,278	-	2,342	16,766
Available-for-sale financial assets	21,286	163,911	123,689	356,640	40,245	25,916	731,687
Loans	580,831	29,743	21,076	7,659	-	121,959	761,268
Held-to-maturity investments	76,670	78,552	70,678	168,038	52,843	204,630	651,411
Total financial assets	**1,054,992**	**540,048**	**415,214**	**606,790**	**93,088**	**427,235**	**3,137,367**
Liabilities							
Derivatives	-	462	6	1,578	-	-	2,046
Financial liabilities at amortised cost	439,122	274,096	560,283	26,655	-	1,809,327	3,109,483
Total financial liabilities	**439,122**	**274,558**	**560,289**	**28,233**	**-**	**1,809,327**	**3,111,529**
Memorandum items	**22,801**	**2,416**	**1,022**	**71**	**-**	**42,387**	**68,697**

Note 36

Other financial risks

Liquidity risk

Liquidity is the group's and bank's ability to maintain or ensure sufficient cash and cash equivalents to meet the expected (everyday) or sudden (critical) legally justified claims of its creditors. This means the group's and bank's ability to turn their assets into cash with minimal loss or ensure reasonably priced credit facilities.

The Chief Risk Officer (CRO) is responsible for liquidity risk management. The Risk Management Division is responsible for liquidity risk assessment and control. The Chief Financial Officer (CFO) is responsible for liquidity management and the

Financial Market Division is responsible for ensuring the required liquidity level and compliance with the set limits according to the policies and instructions adopted.

The key principles and procedures to identify, analyse and control liquidity risk on a timely basis are laid down in the Liquidity Management Policy.

For ordinary liquidity risk management purposes, the bank applies the following indicators having certain limits and restrictions set:

- deposit coverage ratio;
- net liquidity positions by all currencies in total and by each separate currency;
- current liquidity ratio;
- large deposits on demand to liquid assets on demand;
- sum of term deposits of one customer (group of related customers).

To identify the potential deterioration in the liquidity position on a timely basis, an early warning indicators system has been designed:

- substantial daily reduction of the amounts to be claimed under savings accounts and term deposits with the remaining maturities of “Less than 30 days”;
- simultaneous decrease in the weighted average duration and the total balance of term deposits;
- substantial growth of deposits claimed before their contractual maturity;
- decrease in the proportion of liquid assets in the total assets of the bank;
- negative information reported in the mass media about the bank or its related parties that may harm the bank’s reputation;

As at 31 December 2014, the bank’s liquidity ratio was 74.74% (79.20%). The FCMC stipulates that the bank has to maintain the sufficient amount of liquid assets to meet its contractual liabilities, but no less than 60% of the bank’s total current liabilities.

The bank manages funding liquidity risk and controls the funding structure by assessing the following:

- the funding structure in order to define the bank’s dependence on certain types of resources;
- diversification of funding maturities;
- potential funding sources and the bank’s access to such sources.

The bank regularly evaluates and controls its liquid assets and collateral positions (assets, which can be used by the bank as collateral for funding). The bank diversifies these assets, taking into account potential restrictions (legal, regulatory, operating, etc.) as to funding (transactions), price fluctuations, discounts (the difference between the amount of funding and the fair value of related collateral), additional collateral requirements in critical situations, etc.

Contingency liquidity risk

Contingency liquidity risk relates to the organisation and planning for liquidity management in times of stress. Within the bank a specific crisis team is responsible for the liquidity management in times of crisis. This crisis team consists of the CEO, CRO, CFO, the Financial Market Division and the Risk Management Division. The group and the bank have defined principles to identify liquidity crisis stages and actions to overcome crisis situations. The main objective of bank’s contingency plans is to enable senior management to act effectively and efficiently at times of crisis. The contingency plans are established for addressing temporary and long-term liquidity disruptions caused by a general event in the market or a bank specific event. These plans ensure that all roles and responsibilities are clearly defined and the necessary management information is in place.

According to the internal classification of the group and the bank, several liquidity crisis stages are distinguished: potential liquidity crisis, short-term and long-term liquidity crisis. Each stage has quantitative and qualitative indicators fixed, which, if observed, also require certain actions to enhance liquidity.

The bank performs regular liquidity stress tests to identify the sources of potential liquidity problems, determine when the mandatory ratios may be breached or the crisis indicators listed in the Liquidity Crisis Manual may emerge as well as establish whether the bank’s liquidity management documents need to be revised.

Liquidity gap analysis

The group and the bank have prepared these consolidated financial statements on a going concern basis. The group's and bank's management closely monitor and manage the group's and bank's liquidity position on a daily basis in accordance with the liquidity risk management framework.

Assets and liabilities are distributed into maturity bands in the following liquidity gap analysis tables according to the signed agreements, except as stated below.

Securities in the bank's portfolio are included in the maturity range in which they can be sold without loss, i.e. at the market value, except for held-to-maturity investments. Securities of the held-to-maturity portfolio are disclosed in the maturity range based on the ability to perform repo transactions with these securities in exchange for a secured loan. The share of the securities qualifying for repo transactions is presented in the "on demand and up to 1 month" maturity range, while the share of the securities not qualifying for repo transactions is disclosed according to the maturity date.

According to the bank's experience, current accounts and other similar deposits constitute a sound source of financing. Current accounts and conceptually similar deposit types due "on demand" are classified in line with the bank's experience regarding the life cycle of these deposits with the bank, although customers may receive demand deposits from the bank at any time and without any penalties applied. The breakdown of demand deposits by maturity does not exceed 5 years and complies with the bank's historical experience regarding the length of the period and the extent of the outflow of demand deposits from the bank. This principle is not applied to demand deposits placed by large customers as the bank considers them less stable and these deposits are included in the maturity band of "on demand and up to 1 month".

Term deposits are disclosed according to contractual terms; however, customers may claim term deposits from the bank before the maturity date, subject to the deduction of a certain amount from the respective term deposit.

Impaired assets are stated net of allowances.

Liquidity gap analysis for the group's assets, liabilities and memorandum items as at 31 December 2014:

EUR'000

Assets	On demand and up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years and undated	**Total**
Cash and deposits with central banks	259,872	-	-	-	-	259,872
Balances due from credit institutions	758,394	25,003	9,245	-	24,294	816,936
Derivatives	627	1,659	1,793	-	-	4,079
Financial assets at fair value through profit or loss	20,872	-	293	-	-	21,165
Available-for-sale financial assets	1,208,011	12,468	9,042	33,673	8,033	1,271,227
Loans	99,750	22,369	77,172	384,900	205,922	790,113
Held-to-maturity investments	373,351	9,297	101,265	300,149	174,361	958,423
Other assets	71,170	-	2,846	-	74,255	148,271
Total assets	**2,792,047**	**70,796**	**201,656**	**718,722**	**486,865**	**4,270,086**
Liabilities						
Derivatives	2,180	1,656	1,794	-	-	5,630
Financial liabilities at amortised cost	311,414	219,221	667,420	2,674,748	118,709	3,991,512
Other liabilities	29,722	-	1,180	-	-	30,902
Total liabilities	**343,316**	**220,877**	**670,394**	**2,674,748**	**118,709**	**4,028,044**
Shareholders' equity	-	-	-	-	242,042	242,042
Total liabilities and shareholders' equity	**343,316**	**220,877**	**670,394**	**2,674,748**	**360,751**	**4,270,086**
Total memorandum items	21,687	1,859	15,140	4,456	27,707	70,849
Net liquidity position	2,427,044	(151,940)	(483,878)	(1,960,482)	98,407	x
Total liquidity position	2,427,044	2,275,104	1,791,226	(169,256)	(70,849)	x

Liquidity gap analysis for the group’s assets, liabilities and memorandum items as at 31 December 2013:

EUR'000

Assets	On demand and up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years and undated	Total
Cash and deposits with central banks	356,768	-	-	-	-	356,768
Balances due from credit institutions	620,897	4,007	2,005	-	13,416	640,325
Derivatives	16	434	1	-	-	451
Financial assets at fair value through profit or loss	5,544	-	11,222	-	-	16,766
Available-for-sale financial assets	721,439	4,932	3,815	-	8,497	738,683
Loans	109,801	21,732	109,877	281,453	227,234	750,097
Held-to-maturity investments	510,394	5,353	6,390	68,757	62,143	653,037
Other assets	82,233	-	-	-	77,717	159,950
Total assets	**2,407,092**	**36,458**	**133,310**	**350,210**	**389,007**	**3,316,077**
Liabilities						
Derivatives	231	1,814	1	-	-	2,046
Financial liabilities at amortised cost	782,846	140,223	532,611	1,549,075	96,236	3,100,991
Other liabilities	17,662	-	6,192	-	-	23,854
Total liabilities	**800,739**	**142,037**	**538,804**	**1,549,075**	**96,236**	**3,126,891**
Shareholders' equity	-	-	-	-	189,186	189,186
Total liabilities and shareholders' equity	**800,739**	**142,037**	**538,804**	**1,549,075**	**285,422**	**3,316,077**
Total memorandum items	21,253	4,222	11,214	16,616	15,024	68,329
Net liquidity position	1,585,100	(109,801)	(416,708)	(1,215,481)	88,561	x
Total liquidity position	1,585,100	1,475,299	1,058,591	(156,890)	(68,329)	x

Liquidity gap analysis for the bank’s assets, liabilities and memorandum items as at 31 December 2014:

EUR'000

Assets	On demand and up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years and undated	Total
Cash and deposits with central banks	258,908	-	-	-	-	258,908
Balances due from credit institutions	742,130	25,003	4,288	-	23,861	795,282
Derivatives	627	1,659	1,793	-	-	4,079
Financial assets at fair value through profit or loss	14,591	-	293	-	-	14,884
Available-for-sale financial assets	1,193,936	9,930	4,089	-	1,118	1,209,073
Loans	99,780	22,369	77,172	385,004	205,922	790,247
Held-to-maturity investments	373,351	9,297	100,014	279,554	168,363	930,579
Other assets	7,665	-	2,690	-	156,437	166,792
Total assets	**2,690,988**	**68,258**	**190,339**	**664,558**	**555,701**	**4,169,844**
Liabilities						
Derivatives	2,180	1,656	1,794	-	-	5,630
Financial liabilities at amortised cost	333,899	215,397	649,676	2,605,867	118,917	3,923,756
Other liabilities	13,557	-	-	-	-	13,557
Total liabilities	**349,636**	**217,053**	**651,470**	**2,605,867**	**118,917**	**3,942,943**
Shareholders' equity	-	-	-	-	226,901	226,901
Total liabilities and shareholders' equity	**349,636**	**217,053**	**651,470**	**2,605,867**	**345,818**	**4,169,844**
Total memorandum items	20,250	1,859	15,140	4,456	27,967	69,672
Net liquidity position	2,321,102	(150,654)	(476,271)	(1,945,765)	181,916	x
Total liquidity position	2,321,102	2,170,448	1,694,177	(251,588)	(69,672)	x

Liquidity gap analysis for the bank's assets, liabilities and memorandum items as at 31 December 2013:

EUR'000

Assets	On demand and up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years and undated	Total
Cash and deposits with central banks	356,747	-	-	-	-	356,747
Balances due from credit institutions	606,040	-	-	-	12,997	619,037
Derivatives	16	434	1	-	-	451
Financial assets at fair value through profit or loss	5,544	-	11,222	-	-	16,766
Available-for-sale financial assets	721,439	4,932	3,815	-	1,501	731,687
Loans	109,800	21,732	117,697	284,811	227,228	761,268
Held-to-maturity investments	510,394	5,353	6,390	67,131	62,143	651,411
Other assets	5,590	-	-	-	172,409	177,999
Total assets	**2,315,570**	**32,451**	**139,125**	**351,942**	**476,278**	**3,315,366**
Liabilities						
Derivatives	231	1,814	1	-	-	2,046
Financial liabilities at amortised cost	794,971	140,223	532,611	1,545,442	96,236	3,109,483
Other liabilities	11,412	-	5,388	-	-	16,800
Total liabilities	**806,614**	**142,037**	**538,000**	**1,545,442**	**96,236**	**3,128,329**
Shareholders' equity	-	-	-	-	187,037	187,037
Total liabilities and shareholders' equity	**806,614**	**142,037**	**538,000**	**1,545,442**	**283,273**	**3,315,366**
Total memorandum items	21,622	4,222	11,214	16,616	15,023	68,697
Net liquidity position	1,487,334	(113,808)	(410,089)	(1,210,116)	177,982	x
Total liquidity position	1,487,334	1,373,526	963,437	(246,679)	(68,697)	x

In estimating the amount of expected financial liabilities, the group and the bank have included in the maturity gap analysis also interest payable on financial liabilities and memorandum items effective as at 31 December 2014 and 2013 which is expected in the future but has not been assessed at the reporting date.

Financial liabilities, memorandum items and interest which is payable in the future, has been split, into relevant maturity bands based on the remaining period, as at the reporting date, to the contractual maturity date.

Financial liabilities and memorandum items of the group as at 31 December 2014:

EUR'000

Financial liabilities	Up to 1 month	1 - 12 months	1 - 5 years	More than 5 years	Total
Demand deposits from credit institutions	23,869	-	-	-	23,869
Derivative inflow amount	(17,177)	(24,830)	-	-	(42,007)
Derivative outflow amount	18,578	24,804	-	-	43,382
Financial liabilities at amortised cost	3,442,618	198,895	224,434	119,219	3,985,166
Total financial liabilities	**3,467,888**	**198,869**	**224,434**	**119,219**	**4,010,410**
Memorandum items	21,687	16,999	4,456	27,707	70,849
Total financial liabilities and memorandum items	**3,489,575**	**215,868**	**228,890**	**146,926**	**4,081,259**

Financial liabilities and memorandum items of the group as at 31 December 2013:

EUR'000

Financial liabilities	Up to 1 month	1 - 12 months	1 - 5 years	More than 5 years	Total
Demand deposits from credit institutions	10,654	-	-	-	10,654
Derivative inflow amount	(54,917)	(187,439)	-	-	(242,356)
Derivative outflow amount	54,624	188,649	-	-	243,273
Financial liabilities at amortised cost	2,721,232	130,361	162,368	121,192	3,135,153
Total financial liabilities	**2,731,593**	**131,571**	**162,368**	**121,192**	**3,146,724**
Memorandum items	21,254	15,435	16,616	15,024	68,329
Total financial liabilities and memorandum items	**2,752,847**	**147,006**	**178,984**	**136,216**	**3,215,053**

Financial liabilities and memorandum items of the bank as at 31 December 2014:

EUR'000

Financial liabilities	Up to 1 month	1 - 12 months	1 - 5 years	More than 5 years	Total
Demand deposits from credit institutions	28,962	-	-	-	28,962
Derivative inflow amount	(17,177)	(24,830)	-	-	(42,007)
Derivative outflow amount	18,578	24,804	-	-	43,382
Financial liabilities at amortised cost	3,368,054	196,950	227,884	119,427	3,912,315
Total financial liabilities	**3,398,417**	**196,924**	**227,884**	**119,427**	**3,942,652**
Memorandum items	20,250	16,999	4,456	27,967	69,672
Total financial liabilities and memorandum items	**3,418,667**	**213,923**	**232,340**	**147,394**	**4,012,324**

Financial liabilities and memorandum items of the bank as at 31 December 2013:

EUR'000

Financial liabilities	Up to 1 month	1 - 12 months	1 - 5 years	More than 5 years	Total
Demand deposits from credit institutions	14,491	-	-	-	14,491
Derivative inflow amount	(54,917)	(187,439)	-	-	(242,356)
Derivative outflow amount	54,624	188,649	-	-	243,273
Financial liabilities at amortised cost	2,729,815	130,361	158,736	121,192	3,140,104
Total financial liabilities	**2,744,013**	**131,571**	**158,736**	**121,192**	**3,155,512**
Memorandum items	21,623	15,435	16,616	15,023	68,697
Total financial liabilities and memorandum items	**2,765,636**	**147,006**	**175,352**	**136,215**	**3,224,209**

Market risks

Market risk is exposure to potential losses due to the revaluation of assets and liabilities and memorandum items caused by changes in the market prices of financial instruments resulting from the fluctuations of currency exchange rates, interest rates and other factors. Market risk identification, assessment and management are laid down in several regulations, i.e., the Interest Rate Risk Management Policy, the Derivative Financial Instrument Policy, and the bank's Securities Portfolio Policy.

The group and the bank distinguish the following components of market risk:
- securities price risk – the risk of loss due to the revaluation of debt or equity securities positions caused by changes in the price of relevant securities;
- interest rate risk – potential adverse effects of interest rate fluctuations on the group's and bank's income and the economic value of their capital;
- currency risk – the risk of loss due to the revaluation of assets and liabilities and memorandum items denominated in foreign currencies caused by changes in foreign exchange rates, with gold treated as a foreign currency;
- commodity risk – the risk of loss due to the revaluation of commodity positions caused by changes in the price of the relevant commodity. Commodity hereunder is a tangible item which is or may be marketed on the secondary market, such as agricultural products, oil, precious metals (except for gold);

The bank and group has not delt in any securitizations.

Price risk

The “loss” indicator is used by the bank as one of the tools to manage price risk in order to identify any reductions in the securities prices below the mandatory level in a timely fashion. Based on the above, the heads of responsible structural units may decide whether the affected securities should be sold or kept in the portfolio.

Non-fixed income financial instruments are held in the bank’s trading portfolio. Price risk related to non-fixed income securities indicates to the potential decline of the market value of the securities during the holding period. To assess the risk level, the bank applies the historical simulation method using a confidence level of 99%, considering changes in the market value of securities during the reporting year and the average security holding period in the trading portfolio.
The exposure to equity secrurities not held in the bank’s and group’s trading portfolio has not been material in 2014 and as of the balance sheet date amounts to EUR 370 thousand

In 2014, the estimated value-at-risk of non-fixed income securities totalled EUR 1.2 (1.3) million.

Currency risk

The group and the bank are exposed to negative effects of fluctuations in foreign currency exchange rates on their financial position and cash flows. The exposure to currency risk is calculated for each separate currency and includes assets and liabilities denominated in foreign currencies, as well as cash flows arising from derivatives.
According to the bank’s policy, the bank may use derivatives to limit its exposure to currency risk. Any transactions involving derivatives with aim to earn profits are prohibited.

The bank has major open positions in EUR and USD (US dollars). From 1 January 2014, Latvia has joined the European Monetary Union; hence the currency position in EUR is not subject to currency risk. The bank’s open currency position in USD is rather small as it is hedged by using currency forwards/ futures. As at 31 December 2014, the bank’s open currency position in USD was 2.7% (3.0%) of bank’s equity and, therefore, the effect of changes in the USD exchange rate is insignificant, and the bank does not conduct a more detailed sensitivity analysis, only controlling this risk by applying the limits specified in the Limits Policy. As at 31 December 2014, all the above limits were met.
The bank’s Limits Policy defines major principles for limits application and control; limits for open foreign currency positions stipulate restrictions for each separate currency open position and total open position that are controlled on a daily basis.

Group's currency position as at 31 December 2014:

EUR'000

Assets	EUR	USD	RUB	Other currencies	**Total**
Cash and deposits with central banks	256,930	2,678	1	263	259,872
Balances due from credit institutions	54,204	697,724	12,765	52,243	816,936
Derivatives	4,079	-	-	-	4,079
Financial assets at fair value through profit or loss	10,009	9,958	1,198	-	21,165
Available-for-sale financial assets	112,005	1,147,423	6,924	4,875	1,271,227
Loans	585,466	192,353	1,108	11,186	790,113
Held-to-maturity investments	190,164	757,312	10,521	426	958,423
Other assets	147,825	42	1	403	148,271
Total assets	**1,360,682**	**2,807,490**	**32,518**	**69,396**	**4,270,086**
Liabilities					
Derivatives	5,630	-	-	-	5,630
Financial liabilities at amortised cost	1,096,764	2,798,006	29,729	67,013	3,991,512
Other liabilities	23,635	6,808	430	29	30,902
Total liabilities	**1,126,029**	**2,804,814**	**30,159**	**67,042**	**4,028,044**
Net long/ (short) balance sheet position	**-**	**2,676**	**2,359**	**2,354**	**x**
Net off-balance sheet position from FX transactions	-	(11,103)	(2,074)	1,176	x
Net open long/ (short) currency position	**-**	**(8,427)**	**285**	**3,530**	**x**
Sensitivity gap if exchange rate against the national currency drops by 10%	**-**	**843**	**(29)**	**(353)**	**x**

Group's currency position as at 31 December 2013:

EUR'000

Assets	EUR	USD	RUB	Other currencies	**Total**
Cash and deposits with central banks	353,737	2,812	-	219	356,768
Balances due from credit institutions	41,471	505,155	31,168	62,531	640,325
Derivatives	451	-	-	-	451
Financial assets at fair value through profit or loss	5,929	6,941	3,896	-	16,766
Available-for-sale financial assets	33,764	686,174	13,812	4,933	738,683
Loans	565,937	176,026	519	7,615	750,097
Held-to-maturity investments	72,790	562,093	17,736	418	653,037
Other assets	157,033	2,527	3	387	159,950
Total assets	**1,231,112**	**1,941,728**	**67,134**	**76,103**	**3,316,077**
Liabilities					
Derivatives	2,046	-	-	-	2,046
Financial liabilities at amortised cost	812,296	2,138,108	73,829	76,758	3,100,991
Other liabilities	23,395	408	33	18	23,854
Total liabilities	**837,737**	**2,138,516**	**73,862**	**76,776**	**3,126,891**
Net long/ (short) balance sheet position	**-**	**(196,788)**	**(6,728)**	**(673)**	**x**
Net off-balance sheet position from FX transactions	(221,214)	213,044	5,724	822	x
Net open long/ (short) currency position	**-**	**16,256**	**(1,004)**	**149**	**x**
Sensitivity gap if exchange rate against the national currency drops by 10%	**-**	**(1,626)**	**100**	**(15)**	**x**

Bank's currency position as at 31 December 2014:

EUR'000

Assets	EUR	USD	RUB	Other currencies	**Total**
Cash and deposits with central banks	255,966	2,678	1	263	258,908
Balances due from credit institutions	57,818	672,491	12,755	52,218	795,282
Derivatives	4,079	-	-	-	4,079
Financial assets at fair value through profit or loss	5,798	8,299	787	-	14,884
Available-for-sale financial assets	71,336	1,125,938	6,924	4,875	1,209,073
Loans	585,556	192,343	1,148	11,200	790,247
Held-to-maturity investments	174,982	744,650	10,521	426	930,579
Other assets	166,347	41	1	403	166,792
Total assets	**1,321,882**	**2,746,440**	**32,137**	**69,385**	**4,169,844**
Liabilities					
Derivatives	5,630	-	-	-	5,630
Financial liabilities at amortised cost	1,087,042	2,739,958	29,737	67,019	3,923,756
Other liabilities	9,718	3,792	18	29	13,557
Total liabilities	**1,102,390**	**2,743,750**	**29,755**	**67,048**	**3,942,943**
Net long/ (short) balance sheet position	**-**	**2,690**	**2,382**	**2,337**	**x**
Net off-balance sheet position from FX transactions	-	(11,103)	(2,074)	1,176	x
Net open long/ (short) currency position	**-**	**(8,413)**	**308**	**3,513**	**x**
Sensitivity gap if exchange rate against the national currency drops by 10%	**-**	**841**	**(31)**	**(351)**	**x**

Bank's currency position as at 31 December 2013:

EUR'000

Assets	EUR	USD	RUB	Other currencies	**Total**
Cash and deposits with central banks	353,716	2,812	-	219	356,747
Balances due from credit institutions	27,469	497,895	31,151	62,522	619,037
Derivatives	451	-	-	-	451
Financial assets at fair value through profit or loss	5,929	6,941	3,896	-	16,766
Available-for-sale financial assets	26,768	686,174	13,812	4,933	731,687
Loans	577,108	176,026	519	7,615	761,268
Held-to-maturity investments	71,164	562,093	17,736	418	651,411
Other assets	175,243	2,368	1	387	177,999
Total assets	**1,237,848**	**1,934,309**	**67,115**	**76,094**	**3,315,366**
Liabilities					
Derivatives	2,046	-	-	-	2,046
Financial liabilities at amortised cost	820,778	2,138,118	73,829	76,758	3,109,483
Other liabilities	16,355	407	28	10	16,800
Total liabilities	**839,179**	**2,138,525**	**73,857**	**76,768**	**3,128,329**
Net long/ (short) balance sheet position	**398,669**	**(204,216)**	**(6,742)**	**(674)**	**x**
Net off-balance sheet position from FX transactions	(221,214)	213,044	5,724	822	x
Net open long/ (short) currency position	**-**	**8,828**	**(1,018)**	**148**	**x**
Sensitivity gap if exchange rate against the national currency drops by 10%	**-**	**(883)**	**102**	**(15)**	**x**

The Law on Credit Institutions requires that bank's open positions in each foreign currency may not exceed 10% of equity and that the total bank's foreign currency open position may not exceed 20% of equity.
As at 31 December 2014, the bank was in compliance with the above requirements of the Law on Credit Institutions.

Interest rate risk

Interest rate risk represents the adverse effect of market interest rate fluctuations on the bank's financial position. The Risk Management Division ensures interest rate risk assessment and management for both trading and non-trading portfolios. The Financial Market Division is responsible for maintaining interest rate risk within specified limits.

Assessment of interest rate risk is conducted to cover, to the maximum extent possible, all risk elements – repricing risk, yield curve risk, basis risk, and option risk.
Interest rate risk is assessed both in terms of income and economic value. The term "economic value" means the shareholders' equity's economic value that is the difference between the economic value of assets and that of liabilities. For the purposes of assessment of extraordinary circumstances, stress tests are applied.

For the purposes of hedging interest rate risk, the limits of acceptable reduction in economic value and modified duration of the investments' held for undefined period portfolio are fixed. Bank's derivative financial instruments policy specifies that derivative financial instruments cen be utilised to hedge interest rate risk.

The distribution of assets, liabilities and memorandum items into maturity bands follows the following principles:

- financial instruments with a fixed interest rate are presented by the earlier of the repayment/settlement/maturity date;
- financial instruments with a variable interest rate are presented according to next contractual repricing date or interest rate repricing date;
- demand deposits are shown in those maturity bands which are determined on the basis of sensitivity to changes in interest rates, which the bank evaluates from the following two aspects:
  - by analysing the depositors' willingness to place their demand deposits under the terms of the bank's proposed term deposits, depending on changes in deposit interest rates offered in the bank's price list;
  - by analysing the impact of market interest rate index changes on the demand deposit decay rate of the bank, stating the proportion of deposits that are sensitive to market interest rate index changes and their expected life cycle with the bank.

Derivatives are represented in both long and short off-balance sheet position.

The effect of interest rate risk on the economic value is calculated according to the duration method, i.e., the parallel increase in interest rates by 1 per cent (or 100 basis points), while the effect on profit/ loss is analysed applying the gap analysis, i.e., analysing the maturity gaps of interest rate sensitive assets and liabilities and aggregating the effect calculated (profit or loss) for each maturity band up to one year.

The bank regularly conducts interest rate sensitivity analyses, applying the gap technique. Based on the results of this analysis, the bank's management assesses whether interest rate stress tests need to be performed and, if necessary, suggests stress testing scenarios for potential adverse changes in interest rates. These stress tests are aimed at assessing the effect of adverse changes in interest rates on the bank's net interst income and economic value in the event of a tough market situation.

When assessing the effect of interest rate risk on equity, potential changes in the market value of available-for sale debt securities due to market interest rate fluctuations are considered. The profit is affected by changes in interest income due to market interest rate fluctuations taking into consideration all the assets and liabilities exposed to interest rate risk.

The following table presents the group's and bank's sensitivity to changes in interest rates and the effect of such changes on equity and profit:

EUR'000

		Group/ bank		Group/ bank	
		01/01/2014-31/12/2014		01/01/2013-31/12/2013	
		+100bps	-100bps	+100bps	-100bps
Total for all currencies	Effect of changes on equity	(20,580)	20,580	(9,462)	9,462
	Effect of changes on profit	(2,971)	2,971	1,259	(1,259)
USD	Effect of changes on equity	(19,150)	19,150	(9,108)	9,108
	Effect of changes on profit	(3,359)	3,359	1,480	(1,480)
EUR	Effect of changes on equity	(1,430)	1,430	(354)	354
	Effect of changes on profit	388	(388)	(221)	221

Commodity risk

Precious metals represent the category of commodities exposing the group and the bank to commodity risk. The group's and bank's regulations set position limits and lay down the procedure for calculating the minimum capital requirement for commodity risk in respect of precious metals (except for gold), which are recognised on the group's and bank's statement of financial position at the date of the calculation.

Settlement risk

Settlement risk is the risk to which the group and the bank are exposed in unfinished transactions with foreign currency, securities or commodities, except for repo transactions, securities or commodity lending or borrowing transactions. Settlement risk comprises the risk of payments/delivery and the risk of free deliveries, and the capital requirement for settlement risk represents the total of capital requirements for these two risks. To limit the exposure to the risk of payments/delivery, the group and the bank place limits for the holders of their financial instruments. Where the group and the bank assume the risk of payments/delivery in customer transactions with financial instruments, the regulations set out actions to be taken by the group and the bank in the event of overdue payments and lay down the procedure for calculating the minimum capital requirement for settlement risk. The group and the bank have established the payment procedure for their counterparties in financial trading, thereby limiting their exposure to the risk of free deliveries.

Counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default on its obligations to the group or the bank before the final settlement of the transaction's cash flows.
The group and the bank is exposed to counterparty credit risk in derivatives deals. To limit counterparty credit risk, internal rules developed by the group and the bank specify limits for counterparties, define positions to be included in these limits, set out the procedure and frequency for monitoring compliance with the limits and the procedure to attract the collateral. Sufficiency of collateral is controlled on a daily basis. The group and the bank use Mark-to-Market Method for calculating the minimum capital requirement for counterparty credit risk.

Note 37

Non-financial risks

During the course of their operations, the group and the bank encounter also non-financial risks (including operational risk, reputational risk, etc.) with exposure to sudden loss. The cause of such risks may be, for instance, clerical errors or fraud, break-downs in information systems, insufficient internal control and procedures, etc. The bank makes every effort to maintain the lowest possible risk level, meanwhile striving at not exceeding a reasonable level of expense. Internal control within the bank's structural units and the control exercised by the Risk Management Division are one of the measures taken to prevent the potential loss.

Operational risk

Operational risk is a risk of direct or indirect loss caused by non-complying or incomplete internal processes, human error or systems failure, as well as external factors. Operational risk comprises legal risk but excludes strategic and reputational risk.
Operational risk is inherent in all products, activities, processes, and systems of the group and the bank.
The Operational Risk Management Policy is approved by the council of the bank. The board of the bank is responsible for considering the risk analysis results and setting limits and other qualitative and quantitative indicators based on such results, so defining the level of operational risk acceptable for the group and the bank. The Chief Risk Officer (CRO) is responsible for monitoring the operational risk management process and making related final decisions within the limits fixed in the policy. The Risk Management Division is responsible for the centralisation and coordination of the operational risk management.
Given that businesses and processes for which operational risk is being assessed are different and specific, each risk event management is a responsibility of the head of a respective structural unit, according to the relevant internal regulations.

The key principles allowing efficient operational risk management are as follows:
- setting up an adequate operational risk management system;
- employing an adequate method to identify and assess operational risk;
- monitoring operational risk on a regular basis;
- controlling and/ or mitigating operational risk adequately;
- ensuring business continuity.

The following risk mitigation techniques are employed for the purposes of operational risk management:

- process automation – investments in data processing and information security technologies to automate processes;
- outsourcing – partial elimination of causes of operational risk by making use of the experience and possibilities of outsourcing service providers;
- a system of limits – setting of limits for certain transactions, employees/ structural units and group's and bank's business activities;
- prudent organisation of group's and bank's business processes, applying the following principles: segregation of functions, independent performance evaluation, authorisation of transactions;
- insurance – it is used to minimise operational risk loss caused by low-probability events having significant potential losses, and it is also recommended when the process is not fully or partially automated.

To manage the group's and bank's exposure to operational risk, an operational risk event database has been established. The key objectives of the database are as follows:

- collection of data about operational risk events and losses of the group and the bank;
- analysis of operational risk events and losses;
- assessment of the frequency of operational risk events and significance of operational risk losses;
- prevention of potential losses, based on the event assessment;
- definition of the major tendencies and making forecasts of future operational risk losses.

Information is registered and categorised in the database following the good practice principles defined by the Operational Riskdata eXchange Association (ORX). In addition to events resulting in actual losses, information about events for which no actual losses have been registered is also aggregated in the database, which enables the bank to identify potential losses and take all required measures to prevent such losses.

In the reporting year, an operational risk stress test was carried out to assess the related potential loss. The test was based on external and internal events registered in the risk event database and results of scenario analysis, which supplemented the model with probable risk events and potential related losses. Individual risk assessment models were designed for low-risk events and low-probability (rare) events having a significant effect (potential losses). The scenarios included changes in the bank's operational environment affected by both internal and external factors and the bank assessed a potential effect on its income and ability to continue as a going concern in the event of any material deterioration of circumstances in the sectors having the highest operational risk concentration for the bank's risk profile.

During the reporting year, 1,349 (2,084) events were registered in the database, of which only 49 (67) events were those which resulted in actual losses amounting to EUR 404.4 (107.0) thousand. The considerable number of the identified and registered events and, at the same time, rather a small amount of loss testify to the active involvement of the group's and bank's employees in the operational risk management and to the effectiveness of the control environment.

Money laundering and terrorism financing risk

Money laundering and terrorism financing (MLTF) risk is the risk that the bank may be involved in money laundering and terrorism financing.

MLTF risk management and control are delegated to the Chief Compliance Officer (CCO). Experts of the Compliance Division perform MLTF risk management and design and implement risk mitigation activities to ensure the bank's compliance with the existing anti-MLTF laws, regulations and standards and prevent any involvement of the bank and the group in money laundering and terrorism financing.

To ensure effective customer monitoring and MLTF risk management, the bank has set up a permanent Customer Control Committee whose functions include approval of procedures and instructions related to customer identification, acceptance and due diligence, consideration of the results of investigating suspicious transactions and adoption of relevant decisions, analysis of KYC (due diligence) results within the limits of its competence and decision-making on abstaining from/ termination or continuation of business relationships with a certain customer, as well as presentation to the board of recommendations for improvement of the MLTF risk prevention system.

The Customer Policy defines the principles of customer attraction and servicing based on the bank's and group's operational strategy that are implemented according to the local statutory requirements as well as good banking practice.

To mitigate MLTF risk, the bank has formulated and documented an internal MLTF risk management and prevention system encompassing activities and measures aimed at ensuring compliance with the requirements of the Anti-Money Laundering and Counter-Terrorism Financing Law, Cabinet Regulations, FCMC Regulations and other applicable regulations. All the group's employees and authorised representatives involved in customer servicing and KYC processes are subject to the procedure prescribed by the aforementioned documents and relevant internal regulations.

Bank's MLTF risk management regulations lay down the following:

- criteria to commence cooperation with customers and counterparties;
- potential customers;
- procedure for commencing business relationships;
- procedure for customer identification and establishing actual beneficiaries;
- indicators of unusual and suspicious transactions, the procedure for establishing and investigating such indicators;
- procedure for abstaining from and reporting suspicious transactions to the Financial Intelligence Unit;
- customer risk identification;
- KYC procedures;
- customer transactions monitoring and customer due diligence;
- the procedure for ensuring processing of check sheets.

Reputational risk

Reputational risk is a non-quantifiable risk and the consequences and losses that may be caused by this risk can hardly be determined. Reputational risk management by the bank (measurement, applicable methods, control) is governed by the Reputational Risk Management Policy. The bank intends to set reputational risk indicators and aggregate information about their level and then formulate a methodology to quantify reputational risk. It should also be noted that reputational risk is closely linked to operational risk (including legal risk) and for this reason those risks are hard to distinguish. At present, the bank has decided not to segregate reputational risk and not to establish a separate capital requirement for this risk.

Information system risk

The bank has formulated the Information Technology Security Policy, the Information System Risk Analysis Regulations, the Security Requirements for Information Systems Being Designed, and other regulations dealing with information system risk management. Information system risk is included in operational risk based on the Operational Risk Management Policy adopted by the bank and, therefore, for capital adequacy purposes it was resolved not to segregate it from the capital requirement for operational risk. The bank analyses the data of the operational risk event and loss database to identify whether it is possible and necessary to establish a separate capital requirement for information system risk.

The bank conducts risk analysis on the basis of a documented methodology, which enables the effective planning of risk management measures. According to the risk analysis results, the bank chooses appropriate risk management (security) tools. Risk management measures are determined by the bank based on the relationship between security costs and potential loss. The bank specifically focuses and makes every effort to prevent risks associated with unauthorised access to the bank's information by third parties or leakage of confidential information via global networks (Internet, etc.), e-mail, modems, optical discs, USB flash and other information media.
When commencing each new project for the designing, acquisition and alteration (modification) of information systems, the bank conducts risk analysis pertaining to these changes and takes measures to minimise the risk exposure.

Note 38

Litigation and claims

In the ordinary course of business, the bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral, as well as other proceedings related to specific transactions. The management believe that any legal proceedings pending as at 31 December 2014 will not result in material losses for the bank and/ or the group.

Note 39

Events after reporting date

As of the last day of the reporting year until the date of signing these consolidated financial statements there have been no events requiring adjustment of or disclosure in these consolidated financial statements or notes thereto.

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INDEPENDENT AUDITORS' REPORT

To the shareholders of ABLV Bank AS

Report on the financial statements

We have audited the accompanying consolidated financial statements of ABLV Bank AS and its subsidiaries (the "Group") and the accompanying financial statements of ABLV Bank AS (the "Bank"), set out on pages 10 through 79 of the accompanying 2014 Consolidated Annual Report, which comprise the Group and the Bank statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2014 (set out on pages 3 through 7 of the accompanying 2014 Consolidated Annual Report) and have not noted any material inconsistencies between the financial information included in it and the consolidated financial statements for the year ended 31 December 2014.

We have assured ourselves that the Bank has prepared the corporate management report for the year 2013 and verified information presented in the report according to the requirements listed in the article 56^2 third paragraph clause 1 in the Law on Financial Instruments Market.

SIA Ernst & Young Baltic
Licence No. 17

Iveta Vimba
Latvian Certified Auditor
Certificate No 153
Member of the Board

Riga,
25 February 2015