



Trasta  
komercbanka

**JSC TRASTA KOMERCBANKA  
INTERIM CONDENSED FINANCIAL STATEMENTS  
AND CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2015**

(prepared according to FCMC Regulations  
On the Preparation of Public Quarterly Reports of Banks)

CONTENTS	PAGE
Management report of the Bank (Group holding company)	3
Financial Statements and Consolidated Financial Statements:	
Profit and loss statements	4
Balance sheet	5
Statements of Changes in Equity and reserves and Consolidated Statement of Changes in Equity and reserves	6
Statements of Cash Flows and Consolidated Statements of Cash Flows	7
Notes to the Financial Statements and Consolidated Financial Statements	9-25

**MANAGEMENT REPORT OF THE BANK (GROUP HOLDING COMPANY)**

In the 2nd quarter of 2015, the Bank continued the process of changes. The Bank introduced a new business model, focusing on the service of personal finances, trade finance and investments. The process of restructuring was also finalized, drawing a particular attention to the identification and management of risks. The Bank created a separate directorate for the purpose of risk management. On April 22, the Bank changed its corporate style. The colour and logotype have now become brighter, more up-to-date and open. The Bank launched its new website, which is technologically more advanced, informative and easy to use. The website design is responsive, which means that it is adaptable to mobile devices. Since one of the key priorities in the Bank's work is to stay abreast with evolving technologies, using them on a daily basis, in the 2nd quarter the Bank continued to implement its CRM system and IP telephony. It is planned to switch to the new telephony in autumn, 2015. The Bank continued its work on establishing the *TKB Lifestyle* website [lifestyle.tkb.lv](http://lifestyle.tkb.lv), which was launched on July 22. On this web-site the holders of Bank's cards can find exclusive offers and privileges, latest news from Bank's partners and use the TKB Concierge service.

Compared to the year end of 2014, the Bank's assets in the 2nd quarter of 2015 have not change significantly, amounting to EUR 593.18 million, which is by EUR 12.07 million more than the final figure of 2014. Accordingly, by the end of the reporting period, the amount of attracted deposits was EUR 509.0 million, but the Bank's loan portfolio reached EUR 96.27 million. The Bank ended 2nd quarter of 2015 at a loss of EUR 1.79 million, which is basically due to the investments made by the Bank in the business development and strategy change. Thanks to the prudent dividend payment policy in the pre-crisis years, now the Bank has at its disposal the retained earnings of previous periods in the amount of EUR 13.77 million. The Bank believes that these investments will underpin the Bank's long-term strategy and development. The Bank's capital and reserves as at 30 June 2015 amounted to EUR 40.34 million.

The Bank's consolidation group consists of the subsidiary companies: "*TKB Līzings*" and its subsidiary "TKB Leasing Tajikistan", "TKB LU" and "Project 1"; and also "Heckbert C7 Holdings" and its subsidiary „Ferrous Kereskedelmi KFT”. The amount of Group's assets as at the end of the reporting period was EUR 582.80 million, which is by EUR 8.67 million more than the final figure of 2014. The Group ended the 2nd quarter of 2015 at a loss of EUR 3.16 million.

The management confirms that the consolidated financial statements and the separate financial statements set out on pages 4 to 25 for the period from 1 January 2015 to 30 June 2015 have been prepared consistently applying relevant accounting methods and the management's judgments and estimates in relation to the preparation of these statements are reasonable and prudent. The management confirms that the applicable International Financial Reporting Standards have been used in the preparation of the financial statements and that these financial statements have been prepared on a going concern concept basis. The purpose of the statements is to present comprehensive information regarding the financial standing of the Bank and the Group, performance results, and the Bank's activities -related risks.

This financial report for the 2nd quarter of 2015 has not been audited and it has been prepared based on unaudited financial statements for this period.

This financial report was approved by the Board of the Bank on August 24, 2015 and it is available on the Bank's website at [www.tkb.eu](http://www.tkb.eu).

On behalf of the Bank's management:



Svetlana Krasovska  
First Vice-Chairman of the Board  
Riga,  
August 31, 2015

**PROFIT AND LOSS STATEMENTS**

EUR '000	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30.06.2015</u>	<u>30.06.2014</u>	<u>30.06.2015</u>	<u>30.06.2014</u>
Interest revenue		3 739	3 785	3 739	3 840
Interest expense		(1 581)	(1 366)	(1 581)	(1 366)
Dividends		0	0	0	0
Commission income		3 871	6 490	3 853	6 437
Commission expense		(552)	(626)	(551)	(625)
Net realized profit/loss on financial assets and liabilities at amortized cost		0	0	0	0
Net realized losses on available for sale financial assets		4	(67)	4	(67)
Net gains from trading financial assets		171	329	171	329
Net profit / loss on financial assets and financial liabilities at fair value through profit or loss statement		0	0	0	0
Changes in fair value due to risk minimization accounting		0	0	0	0
Net losses/gains from foreign currency trading and revaluation		532	650	676	853
Property, plant and equipment, investment property and intangible assets derecognition profit / loss		(18)	0	(29)	0
Other income		171	227	112	91
Other expenses		(1 185)	(688)	(243)	(197)
Administrative expenses		(7 371)	(6 137)	(7 098)	(6 058)
Depreciation		(443)	(458)	(438)	(454)
Result of forming reserves, net	9	(430)	(2 356)	(383)	(2 357)
Impairment losses		72	(12)	72	(12)
<b>Profit/(loss) before corporate income tax</b>		<b>(3 020)</b>	<b>(229)</b>	<b>(1 696)</b>	<b>414</b>
Corporate income tax		(143)	(163)	(94)	(121)
<b>Profit/loss for the period</b>		<b>(3 163)</b>	<b>(392)</b>	<b>(1 790)</b>	<b>293</b>

**BALANCE SHEET**

EUR '000	Note	The Group		The Bank	
		30.06.2015	31.12.2014	30.06.2015	31.12.2014
Cash and balances due from central banks		41 051	8 817	41 051	8 817
Due from credit institutions on demand	10	96 623	184 375	96 582	184 324
Held for trading financial assets	12 (1)	4 503	1 557	4 503	1 557
Financial assets classified at fair value through profit and loss statement		0	0	0	0
Available for sale financial assets	12 (2)	261 629	132 999	261 629	132 999
Loans and receivables	13	84 005	87 477	96 265	98 826
Held to maturity investments	11	33 408	106 942	33 408	106 942
Interests risk protected portfolio share' s fair value changes		0	0	0	0
Accrued income and deferred expenses		546	293	491	252
Property and equipment		10 121	10 369	10 076	10 314
Long-term projects costs	14	10 150	10 091	4 120	4 061
Intangible assets		656	366	653	365
Investments in share capital of subsidiary	15	7 024	9 755	14 849	14 849
Corporate income tax assets		594	588	412	412
Other assets	16	32 494	20 504	29 144	17 393
<b>TOTAL ASSETS</b>		<b>582 804</b>	<b>574 133</b>	<b>593 183</b>	<b>581 111</b>
Due to central banks		8 745	3 742	8 745	3 742
Due to credit institutions on demand		2 730	2 204	2 730	2 204
Financial liabilities held for trading		0	5	0	5
Financial liabilities classified at fair value through profit and loss statement		0	0	0	0
Financial liabilities at amortised cost	17	538 122	529 738	538 138	529 758
Financial liabilities resulting from transfer of financial assets		0	0	0	0
Interest risk protected portfolio share' s fair value changes		0	0	0	0
Accrued expenses and deferred income		1 286	1 092	1 340	1 051
Reserves for potential liabilities		0	0	0	0
Corporate income tax liabilities		4	1	0	0
Other liabilities	18	2 028	2 565	1 887	2 430
<b>TOTAL LIABILITIES</b>		<b>552 915</b>	<b>539 347</b>	<b>552 840</b>	<b>539 190</b>
Equity and reserves		29 889	34 786	40 343	41 921
<b>TOTAL LIABILITIES AND EQUITY AND RESERVES</b>		<b>582 804</b>	<b>574 133</b>	<b>593 183</b>	<b>581 111</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	19	5 339	5 912	5 339	5 912
Commitments to customers	19	11 292	13 201	11 992	15 983

**STATEMENTS OF CHANGES IN EQUITY AND RESERVES AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(1) The Group**

EUR '000	Share capital	Share premium	Reserve capital and other reserves	Available for sale financial asset revaluation reserves	Foreign exchange translation reserve	Retained earnings	Total	Non-controlling interest	Total equity and reserves
<b>BALANCE AS AT 31 DECEMBER 2013</b>	20 642	158	6 229	21	305	23 769	51 124	4 648	55 772
<i>Net loss for the period</i>		0	0	0	0	(280)	(280)	(112)	(392)
<i>Other comprehensive loss</i>		0	0	(41)	(4 017)	0	(4 058)	(1 343)	(5 401)
<b>Total comprehensive loss</b>		0	0	(41)	(4 017)	(280)	(4 338)	(1 455)	(5 793)
<b>BALANCE AS AT 30 JUNE 2014</b>	20 642	158	6 229	(20)	(3 712)	23 489	46 786	3 193	49 979
<b>BALANCE AS AT 31 DECEMBER 2014</b>	20 642	158	6 229	148	(4 980)	10 109	32 306	2 480	34 786
<i>Net loss for the period</i>		0	0	0	0	(2 889)	(2 889)	(274)	(3 163)
<i>Other comprehensive loss</i>		0	0	212	(1 492)	0	(1 280)	(454)	(1 734)
<b>Total comprehensive loss</b>		0	0	212	(1 492)	(2 089)	(4 169)	(728)	(4 897)
<b>BALANCE AS AT 30 JUNE 2015</b>	20 642	158	6 229	360	(6 472)	7 220	28 137	1 752	29 889

**(2) The Bank**

EUR' 000	Share capital	Share premium	Reserve capital and other reserves	Available for sale financial asset revaluation reserves	Retained earnings	Total equity and reserves
<b>BALANCE AS AT 31 DECEMBER 2013</b>	20 642	158	5 412	21	28 314	54 547
<i>Net profit for the period</i>		0	0	0	293	293
<i>Other comprehensive loss</i>		0	0	(41)	0	(41)
<b>Total comprehensive income</b>		0	0	(41)	293	252
<b>BALANCE AS AT 30 JUNE 2014</b>	20 642	158	5 412	(20)	28 607	54 799
<b>BALANCE AS AT 31 DECEMBER 2014</b>	20 642	158	5 412	148	15 561	41 921
<i>Net loss for the period</i>		0	0	0	(1 790)	(1 790)
<i>Other comprehensive income</i>		0	0	212	0	212
<b>Total comprehensive loss</b>		0	0	212	(1 790)	(1 578)
<b>BALANCE AS AT 30 JUNE 2015</b>	20 642	158	5 412	360	13 771	40 343

**STATEMENTS OF CASH FLOWS AND CONSOLIDATED STATEMENTS OF CASH FLOWS**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>30.06.2014</u>	<u>30.06.2015</u>	<u>30.06.2014</u>
<b>Cash flow as a result of operating activity:</b>				
Profit/(Loss) before corporate income tax	(3 020)	(229)	(1 696)	414
Amortisation and depreciation	443	458	438	454
Increase/(decrease) in allowance for impairment of loans	1 498	2 345	1 454	2 346
Other assets impairment loss / (gain)	(99)	13	(99)	11
Foreign currency revaluation (profit) loss	226	680	216	386
(Gain)/loss from revaluation of financial assets	(138)	486	(138)	486
(Gain)/loss from revaluation of other non-current assets	0	(54)	0	0
Gain on disposal of other non-current assets	18	0	29	0
Gain from partial disposal of subsidiary	0	0	0	0
Gain/(loss) from investment in equity accounted investee	907	444	0	0
Loss on disposal of fixed and intangible assets	0	0	0	0
<b>Increase in cash and cash equivalents from operating activities before changes in assets and liabilities</b>	<b>(165)</b>	<b>4 143</b>	<b>204</b>	<b>4 097</b>
Decrease of held for trading financial assets	(2 999)	(4 281)	(2 999)	(4 281)
(Increase)/decrease in due from credit institutions	7 496	9 010	7 496	9 010
(Increase)/decrease in loans	1 833	(2 324)	966	(3 215)
(Increase)/decrease in accrued income and deferred expense	(192)	(252)	(178)	(226)
Decrease / (increase) in other assets	1 568	(17 537)	1 796	(17 188)
Decrease in due to credit institutions	802	0	802	0
(Decrease)/increase in deposits	8 776	75 194	8 772	75 262
(Decrease)/increase in accrued expenses and deferred income	194	(66)	289	(46)
Increase/(decrease) in other liabilities	(539)	609	(545)	728
<b>(Decrease)/increase in cash and cash equivalents from operating activities before corporate income tax</b>	<b>16 774</b>	<b>64 496</b>	<b>16 603</b>	<b>64 141</b>
Corporate income tax paid	(146)	(174)	(94)	(113)
<b>(Decrease)/increase in cash and cash equivalents from operating activities</b>	<b>16 628</b>	<b>64 322</b>	<b>16 509</b>	<b>64 028</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible and intangible fixed assets, net	(485)	(166)	(488)	(148)
(Increase)/decrease in available-for-sale financial assets	(128 418)	(51 139)	(128 418)	(51 139)
Purchase of investments in share capital of subsidiary	0	0	0	0
Purchase of other non-current assets	(59)	(88)	(59)	(88)
Proceeds from sale of other non-current assets	0	0	0	0
<b>Decrease in cash and cash equivalents from investing activities</b>	<b>(128 962)</b>	<b>(51 393)</b>	<b>(128 965)</b>	<b>(51 375)</b>

**STATEMENTS OF CASH FLOWS AND CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>30.06.2014</u>	<u>30.06.2015</u>	<u>30.06.2014</u>
<b>Cash flows from financing activities</b>				
Subordinated liabilities issue	3 510	640	3 510	640
Subordinated liabilities repayment	(50)	(2 548)	(50)	(2 548)
Issue of debt securities	0	0	0	0
<b>(Decrease)/increase in cash and cash equivalents from financing activities</b>	<b>3 460</b>	<b>(1 908)</b>	<b>3 460</b>	<b>(1 908)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(108 874)</b>	<b>11 021</b>	<b>(108 996)</b>	<b>10 745</b>
Cash and cash equivalents at the beginning of the period	277 278	210 647	277 227	210 627
Foreign currency revaluation (loss)/profit	(52)	(595)	80	(391)
<b>Cash and cash equivalents at the end of the period</b>	<b>168 352</b>	<b>221 073</b>	<b>168 311</b>	<b>220 981</b>

Cash and cash equivalents are calculated as follows

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>30.06.2014</u>	<u>30.06.2015</u>	<u>30.06.2014</u>
Due from credit institutions with a maturity of less than 3 months	130 031	146 747	129 990	146 655
Cash and balances due from the Bank of Latvia and other Central Banks	41 051	74 695	41 051	74 695
Due to credit institutions with a maturity of less than 3 months	(2 730)	(369)	(2 730)	(369)
<b>CASH AND CASH EQUIVALENTS</b>	<b>168 352</b>	<b>221 073</b>	<b>168 311</b>	<b>220 981</b>



NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

JSC "Trasta Komercbanka" (hereinafter - the Bank) has been registered as a joint stock company, in the Latvian Register of Companies with identification No. LV40003029667, and operates under the legislation of the Republic of Latvia and Credit institution license No.8 issued by the Bank of Latvia. The head office of the Bank is located in Miesnieku street 9, Riga, Latvia, LV-1050. The Bank provides full scope of banking services, however, the priority of the Bank is exclusive banking services for private individuals and companies.

This financial statements were approved by the Board of the Bank on 24 August 2015.

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) General principles

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 as adopted by European Union and do not include a complete set of financial statements as required by IAS 1 „*Presentation of Financial Statements*”. Therefore, to obtain a complete view of Bank’s activities, these interim condensed financial statements should be analyzed together with the Group’s and Bank’s financial statements for the previous reporting year.

The monetary unit used in the financial statements is **the euro (EUR)**, the monetary unit of the Republic of Latvia. All amounts in the financial statements are reported in **thousands of euro (EUR000’s)**.

The Bank maintains its accounts based on appropriate accounting methods and policies which have been applied on a consistent basis. Since the end of the previous reporting year, no other changes in accounting policies have been made.

(2) Consolidation principles

The Bank has consolidated its subsidiaries in the consolidated financial statements according to International Accounting Standard 27. The consolidation was based on control over the subsidiaries arising from the majority of voting rights in the subsidiaries.

(3) Foreign currency exchange rates

		<u>30.06.2015</u>	<u>31.12.2014.</u>	<u>30.06.2014</u>
EUR 1 =	USD	1.1189	1.2141	1.3658
	GBP	0.7114	0.7789	0.8015
	RUB	62.3550	72.337	46.3779

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**3 PERFORMANCE INDICATORS**

Position	30.06.2015	30.06.2014
Return on equity (ROE) (%) <sup>1</sup>	-8.46	1.06
Return on assets (ROA) (%) <sup>2</sup>	-0.59	0.12

<sup>1</sup> Ratio on profit/losses (after tax) against the Bank's average amount of capital and reserves.

<sup>2</sup> Ratio on profit/losses (after tax) against the Bank's average amount of assets.

**4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY)**

**(1) Paid fixed capital**

As on 30 June 2015, the Bank's paid-up share capital amounted to 20 642 thousand euro, consisting of 20,641,316 ordinary voting shares with the nominal value 1 EUR per share (2014: 20 642 thousand euro).

The total number of shareholders is 42, of which 11 are legal entities and 31 are individuals.

In July 2015, the shareholder meeting passed a resolution to increase the share capital by EUR 15,000 thousand, issuing 15,000,000 shares with the nominal value of EUR 1 per share. Consequently, the Bank's announced capital is EUR 35,642 thousand, which consists of 35,641,316 ordinary shares; each with nominal value of EUR 1. The deadline for subscription to the shares and payment thereof is March 10, 2016.

**List of shareholders:**

Shareholder	Country	Shareholding 30 June 2015		Shareholding 31 December 2014	
		%	EUR'000	%	EUR'000
I.Buimisters	Latvia	43.21	8 920	43.21	8 920
SIA "C&R Invest"	Latvia	14.63	3 019	14.63	3 019
C.E.G. Treherne	Great Britain	9.31	1 922	9.31	1 922
GCK Holdings					
Netherlands B.V.	Netherlands	7.42	1 531	7.42	1 531
Rikam Holding S.A.-SPF	Luxembourg	7.29	1 505	7.29	1 505
Figon Co Limited	Cyprus	3.41	703	3.41	703
Another shareholders		14.73	3 042	14.73	3 042

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**
**4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY) (continued)**
**(2) Composition of the board and council of the Bank (Group Holding Company)**
**Supervisory Council**

<b>Name, surname</b>	<b>Positions</b>	<b>Election date</b>
Igors Buimisters	Chairman of the Council	24.03.2006, reelected 28.03.2014.
Alfrēds Čepānis	Member of the Council	30.03.1999, reelected 28.03.2014.
Artemiy Yershov	Member of the Council	28.03.2014

During the reporting period no changes in the composition of the Council occurred.

**Management Board**

<b>Name, surname</b>	<b>Positions</b>	<b>Election date</b>
Gundars Grieze	Chairman of the Board	28.06.1999, reelected 26.03.2015
Svetlana Krasovska	First vice-chairman of the Board	24.10.1995, reelected 26.03.2015
Viktors Ziemelis	Vice-chairman of the Board	28.03.2003, reelected 26.03.2015
Māris Fogelis	Member of the Board	28.06.1999, reelected 26.03.2015
Edgars Diure	Member of the Board	23.03.2006, reelected 26.03.2015
Jeļena Ignatjeva	Member of the Board	26.03.2015.

During the reporting period Jeļena Ignatjeva was elected as a member of the Board. Tatjana Konnova left the office. Other changes in the composition of the Board did not occur.

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY) (continued)**

**(3) Structure of the Bank (Group Holding Company)**

**JSC "TRASTA KOMERCBANKA"**

<p><b>Operations Directorate</b> <i>Head of Directorate Jelena Ignatjeva</i></p> <p><i>incl.</i></p> <p><b>Information Technology</b> <i>Head of IT Ilze Āboliņa</i></p>	<p><b>Internal Audit</b> <i>Head of Internal Audit Olga Lomaša</i></p>
<p><b>Risks Directorate</b> <i>Risk Director Māris Fogelis</i></p> <p><i>incl.</i></p> <p><b>Risk Managementt</b> <i>Head of Risk Management Vija Šudņeva</i></p>	<p><b>Legal Department</b> <i>Head of Department Margarita Samoviča</i></p>
<p><b>Finances Directorate</b> <i>Head of Directorate Svetlana Krasovska</i></p>	<p><b>Administration</b> <i>Head of Administration Māris Jaunozols</i></p>
<p><b>Compliance Directorate</b> <i>Head of Directorate Edgars Diure</i></p> <p><i>incl.</i></p> <p><b>AML and Customer Compliance</b> <i>Head of AML and Customer Compliance Vija Arsenjeva</i></p>	<p><b>Security Department</b> <i>Head of Department Jevgeņijs Fokins</i></p>
	<p><b>Restructuring</b> <i>Head of Restructuring Gints Treijs</i></p>
	<p><b>Public Relations</b> <i>Head of Public Relations Jeļena Tarnovska</i></p>
	<p><b>Customer Directorate</b> <i>Head of Directorate Ilze Bišofa</i></p> <p><i>incl.</i></p> <p><b>Cyprus branch</b> <i>Head of Branch Constantinos Constantinou</i></p> <p><i>incl.</i></p> <p><b>Liepaja Branch</b> <i>Head of Branch Guntis Brūders</i></p> <p><i>incl.</i></p> <p><b>Daugavpils Branch</b> <i>Head of Branch Marija Rimvide-Mickeviča</i></p> <p><i>incl.</i></p> <p><b>Representative Office in Ukraine</b> <i>Head of Representative Office Aleksandrs Bikovecs</i></p> <p><i>incl.</i></p> <p><b>Representative Office in Kazakhstan</b> <i>Head of Representative Office Tatjana Coja</i></p> <p><i>incl.</i></p> <p><b>Representative Office in Tajikistan</b> <i>Head of Representative Office Mustafo Davljatbekov</i></p> <p><i>incl.</i></p> <p><b>Representative Office in Belarus</b> <i>Head of Representative Office Marija Okuloviča</i></p> <p><i>incl.</i></p> <p><b>Representative Office in Hong Kong</b> <i>Head of Representative Office Vadim Levitskiy</i></p>

## NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

### 4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY) (continued)

#### (4) Strategy and Objectives of the Bank (Group Holding Company)

The Bank has positioned itself as an international private bank for clientele whom the Bank provide with tailor - made services using innovative technologies.

The Bank chooses a sound and prudent policy avoiding excessive risks in any of its business activities.

The Bank is becoming a leading bank in the region with focus on innovative solutions and individual customer service.

#### Objectives of the Bank:

- ✓ To increase Bank's profitability and to strive to achieve the return on assets (ROA) up to 1%.
- ✓ To maintain the Bank's capital at a proper level for operation and to secure the internal capital adequacy ratio at least 13.68%.
- ✓ To increase the diversification of income, giving priority to operation with lower capital requirements.
- ✓ To increase the number of customers and to implement various programs for activation of existing customers, to diversify the customer segment structure, ensuring a rapid growth of new customers in the resident sector.
- ✓ To develop a competitive and cost-effective product portfolio that meets the demands, by analyzing needs of customers.
- ✓ To work out a development strategy for each product and activity plan for achievement of objectives
- ✓ To facilitate highly professional customer service.
- ✓ To strengthen the bank's position in the represented markets, to expand the Bank's activities in the EU countries and other markets.
- ✓ To increase the effectiveness of existing and develop new sales channels, to strengthen the Bank's cooperation with correspondent banks.
- ✓ To promote the development of staff competence and attract new highly qualified specialists; to ensure effective corporate governance and internal communications.
- ✓ To stay abreast with the newest developments in information technologies and facilitate their timely incorporation into customer service and other areas of Bank's activities; to modernize remote banking communication tools and service systems.
- ✓ To ensure the highest standards in the compliance sphere by continuing to raise the qualifications of the personnel and by introducing necessary technologies for improvement of control.
- ✓ To develop the image of recognizable and successful bank (*Open Private Banking*). To provide customers with personalized services at an affordable price.

#### Bank's values:

- ✓ Individual service: we provide individually - tailored service in the private banking segment.
- ✓ Professionalism: we build a highly professional team.
- ✓ Efficiency: all staff have the opportunity to become actively involved in the process of improving the Bank's operations
- ✓ Reliability: we are a reliable bank; it is how our customers see us.
- ✓ Availability: we work for both the private banking and retail customers; we develop our remote banking services.
- ✓ Innovations: we use the state-of-the-art technology solutions.

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**
**5 COMPOSITION OF THE CONSOLIDATED GROUP**

The consolidation group of the Bank consists of the Bank, and its subsidiaries: *TKB Līzings and its subsidiary* TKB Leasing Tajikistan and „TKB LU” and its subsidiary „Project 1”; and “Heckbert C7 Holdings” and its subsidiary “Ferrous Kereskedelmi KFT”. The description of “Heckbert C7 Holdings” and “Ferrous Kereskedelmi KFT” is provided in Note 15 herein. Services provided by the above mentioned companies of the Group extend the range of services offered by the Bank.

No	Name of commercial company	Registration place code , registration address	Type of activity of commercial company *	Share in the fixed capital (%)	Voting share in commercial company (%)	Grounds for inclusion in the Group**
1	TKB Līzings, Ltd., LV-40003591059	9 Miesnieku, Riga, LV	LC	100	100	SC
2	CJSC TKB Leasing Tajikistan TJ-0210013797	TJ, Dushanbe, Pr.Rudaki 100, Tajikistan	LC	75.10	75.10	SSC
3	TKB LU LLC UA-15561020000043994	UA, Odesa, Genuezka 24a-321	AC	100	100	SSC
4	Project 1 LLC UA-15561020000044353	UA, Odesa, Genuezka 24a-321	AC	100	100	SSC
5	Heckbert C7 Holdings Limited CY-HE134861	CY, Nicosia, Kritonos 21, Cyprus	AFI	75.36	75.36	SC
6	Ferrous Kereskedelmi KFT HU-01-09-717395	HU, Budapest, 3 Szegedi street, Hungary	AFI	100	100	SSC

\* - CI -credit institutions , EMI - electronic money institution, , IBC - investment brokerage company, IMC- investment management company , PF - pension fund, LC - leasing company , AFI - another financial institution, ASC - ancillary services company, AC - auxiliary company, FMC - financial management company.

\*\* - SC - subsidiary company, SSC - subsidiary of the subsidiary company , PC - parent company, SPC - subsidiary of the parent company , OC - other company.

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**
**6 RISK CONTROL AND MANAGEMENT**

Information on the Bank's risk management policies is provided in the audited financial statements 2014 of AS TRASTA KOMERCBANKA, posted on the Bank's website ([www.tkb.eu](http://www.tkb.eu)), Note 41 of the statements (pp.69-76), and in the Information Disclosure Statements of 2014 (pp. 2 to 16), and since this publication of information it has not changed significantly.

**7 SUMMARY REPORT OF EQUITY AND MINIMUM CAPITAL REQUIREMENTS**

ID	Item	COREP ID	The Group		The Bank	
			30.06.2015	31.12.2014	30.06.2015	31.12.2014
1.	<b>Own funds (1.1.+1.2.)</b>	C 01.00 1	26 070	49 130	27 349	58 192
1.1.	Tier 1 capital (1.1.1.+1.1.2.) *	C 01.00 1.1.	18 166	32 346	24 120	41 408
1.1.1.	Common equity tier 1 capital	C 01.00 1.1.1.	18 166	32 346	24 120	41 408
1.1.2.	Additional tier 1 capital	C 01.00 1.1.2.	0	0	0	0
1.2.	Tier 2 capital *	C 01.00 1.2.	7 904	16 784	3 229	16 784
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	234 493	269 790	243 008	276 579
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	C 02.00 1.1.	189 035	231 243	198 830	239 538
2.2.	Total risk exposure amount for settlement/delivery	C 02.00 1.2.	0	0	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	C 02.00 1.3.	5 485	3 132	4 295	1 950
2.4.	Total risk exposure amount for operational risk	C 02.00 1.4.	39 972	35 415	39 882	35 091
2.5.	Total risk exposure amount for credit valuation adjustment	C 02.00 1.6.	1	0	1	0
2.6.	Total risk exposure amount related to large exposures in the trading book	C 02.00 1.7.	0	0	0	0
2.7.	Other risk exposure amounts	C 02.00 1.8.	0	0	0	0
3.	<b>Capital ratios and capital levels</b>					
3.1.	CET 1 capital ratio (1.1.1./2.*100)	C 03.00 1.	7.75	11.99	9.93	14.97
3.2.	Surplus (+)/Deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	C 03.00 2.	7 614	20 205	13 185	28 962
3.3.	Tier 1 capital ratio (1.1./2.*100)	C 03.00 3.	7.75	11.99	9.93	14.97
3.4.	Surplus (+)/ deficit (-) of Tier1 capital (1.1.-2.*6%)	C 03.00 4.	4 096	16 159	9 540	24 813
3.5.	Total capital ratio (1./2.*100)	C 03.00 5.	11.12	18.21	11.25	21.04
3.6.	Surplus(+)/Deficit(-) of total capital (1.-	C 03.00	7 311	27 547	7 908	36 066

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

	2.*8%)	6.				
4.	<b>Combined buffer requirement</b> (4.1.+4.2.+4.3.+4.4.+4.5.)	C 04.00 27.	0	0	0	0
4.1.	Capital conservation buffer (%)		2.5	2.5	2.5	2.5
4.2.	Institution specific countercyclical capital buffer (%)		0	0	0	0
4.3.	Systemic risk buffer (%)		0	0	0	0
4.4.	Systemical important institution buffer (%)		0	0	0	0
4.5.	Other Systemically Important Institution buffer (%)		0	0	0	0
5.	<b>Capital ratios due to Pillar II adjustments</b>					
5.1.	Own funds requirements related to Pillar II adjustments *	C 04.00 28.	0	(20 282)	0	(29 159)
5.2.	CET1 capital ratio including Pillar II adjustments	C 03.00 7.	7.75	8.23	9.93	9.70
5.3.	Tier 1 capital ratio including Pillar II adjustments	C 03.00 9.	7.75	8.23	9.93	9.70
5.4.	Total capital ratio including Pillar II adjustments	C 03.00 11.	11.12	10.69	11.25	10.50

\* Information about this decrease is provided in Notes 11, 13, 14, 15 and 16.

**8 THE BANK LIQUIDITY RATIO**

ID	Position	30.06.2015.	31.12.2014.
1.	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>417 663</b>	<b>401 079</b>
1.1.	Cash	1 139	1 499
1.2.	Claims on demand on Central Bank	39 912	7 318
1.3.	Claims on demand on solvent credit institutions	121 073	262 188
1.4.	Liquid securities	255 539	130 074
2.	<b>Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>503 518</b>	<b>499 853</b>
2.1.	Liabilities to credit institutions	2 730	2 204
2.2.	Deposits	486 213	478 909
2.3.	Issued debt securities	0	0
2.4.	Cash in transit	1 273	1 083
2.5.	Other current liabilities	2 054	2 848
2.6.	Off-balance liabilities	11 248	14 809
3.	<b>Liquidity ratio (1.:2.) (%)</b>	<b>82.95%</b>	<b>80.24%</b>
4.	<b>Minimum liquidity ratio</b>	30%	30%"



**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**9 RESULT OF FORMING RESERVES, NET**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>30.06.2014</u>	<u>30.06.2015</u>	<u>30.06.2014</u>
<b>Balance as at 1 January</b>	<b>25 323</b>	<b>21 149</b>	<b>23 691</b>	<b>19 645</b>
<i>incl. for due from credit institutions</i>	863	0	863	0
<i>incl. for loans</i>	24 460	21 149	22 828	19 645
Additional <i>individual</i> allowance	568	3 070	518	3 070
Change in <i>collective</i> allowance	(20)	(6)	(20)	(6)
Release of <i>individual</i> allowances	(118)	(708)	(115)	(707)
Interest on loans, which are recognized as impaired	0	0	0	0
Write-off credits	(2 618)	(749)	(1 092)	(749)
Effect of changes in currency exchange rates	1 071	(11)	1 071	(11)
<b>Balance as at 30 June</b>	<b>24 206</b>	<b>22 745</b>	<b>24 053</b>	<b>21 242</b>
<i>incl. for due from credit institutions</i>	0	0	0	0
<i>incl. for loans</i>	24 206	22 745	24 053	21 242

**10 DUE FROM CREDIT INSTITUTIONS ON DEMAND**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
Due from credit institutions registered in the Republic of Latvia	2 000	13 404	2 000	13 404
Due from credit institutions registered in the foreign countries	94 623	170 971	94 582	170 920
	<b>96 623</b>	<b>184 375</b>	<b>96 582</b>	<b>184 324</b>

**11 HELD TO MATURITY INVESTMENTS**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
<b>Other claims on credit institutions -</b>				
<b>- With a maturity of up to 3 months -</b>				
Due from credit institutions registered in the Republic of Latvia	0	0	0	0
Due from credit institutions registered in the foreign countries *	33 408	86 290	33 408	86 290
<b>- With a maturity of more than 3 months -</b>				
Due from credit institutions registered in the foreign countries *	0	21 515	0	21 515
	<b>33 408</b>	<b>107 805</b>	<b>33 408</b>	<b>107 805</b>
Impairment allowances, <i>individually assessed</i>	0	(863)	0	(863)
	<b>33 408</b>	<b>106 942</b>	<b>33 408</b>	<b>106 942</b>

\* On December 31, 2014, the claims against two Ukrainian banks, Nadra Bank and Delatabank, for a total of 12.8 million euro were included in this item. These banks in February and March 2015 were declared as insolvent. In order to satisfy its claims and recover the money, the Bank entered into transactions that resulted in the replacement of the claims against the aforementioned banks with the ownership to an unfinished construction facility in the centre of Kyiv (Note 16). In connection with these exposures, in 2014, the Bank made adjustment to the capital adequacy calculation (reduction) in the amount of 10,467 thousand euro (Note 7).

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**12 (1) HELD FOR TRADING FINANCIAL ASSETS**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
Fixed income securities	4 484	2 187	4 484	1 557
- Government debt securities -				
Investment amount of government debt securities	2 665	707	2 665	707
Government debt securities revaluation profit/(losses), net	(44)	10	(44)	10
	2 621	717	2 621	717
- Debt securities of other institutions -				
Investment amount of debt securities of other institutions	1 854	813	1 854	813
Revaluation losses of debt securities of other institutions, net	9	27	9	27
	1 863	840	1 863	840
Equity shares and other non-fixed income securities	0	0	0	0
Investments in equity shares	0	0	0	0
Changes on revaluation of equity investments, net	0	0	0	0
Derivatives	19	0	19	0
	<b>4 503</b>	<b>1 557</b>	<b>4 503</b>	<b>1 557</b>

**12 (2) AVAILABLE FOR FINANCIAL ASSETS**

EUR'000	<u>'The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
Fixed income securities	261 597	132 955	261 597	132 955
- Government debt securities -				
Investment amount of government debt securities	261 021	132 591	261 021	132 591
Government debt securities revaluation profit/(losses), net	436	224	436	224
	261 457	132 815	261 457	132 815
- Debt securities of other institutions -				
Investment amount of debt securities of other institutions	216	216	216	216
Revaluation losses of debt securities of other institutions, net	(76)	(76)	(76)	(76)
	140	140	140	140
Equity shares and other non-fixed income securities	32	44	32	44
Investments in equity shares and other non-fixed income securities	32	44	32	44
Changes on revaluation of equity investments, net	0	0	0	0
	<b>261 629</b>	<b>132 999</b>	<b>261 629</b>	<b>132 999</b>

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

12 (3) Presented below is the analysis of geographic concentration of financial instruments items:

<u>30 June 2015</u>	<u>Latvia</u>	<u>EU*</u>	<u>USA</u>	<u>Russia</u>	<u>Other countries</u>	<u>Total</u>
Fixed income securities	24 823	23 522	215 628	1	2 107	266 081
- Government debt securities -	24 683	22 597	215 303	0	1 495	264 078
- Debt securities of other institutions -	140	925	325	1	612	2 003
Equity shares and other non-fixed income securities	0	32	0	0	0	32
Fixed income securities - short positions	0	0	0	0	0	0
- Government debt securities -	0	0	0	0	0	0
	<b>24 823</b>	<b>23 554</b>	<b>215 628</b>	<b>1</b>	<b>2 107</b>	<b>266 113</b>

\* The government debt securities portfolio includes debt securities of different EU (Austria, Finland, Germany, Poland, Italy, Czech Republic, France, Romania, Lithuania and Estonia) countries. None of the items of financial instruments of national positions, except Latvia, Austria, Finland, Lithuania and the USA, exceeds 10% of the Bank's equity.

<u>31 December 2014</u>	<u>Latvia</u>	<u>EU*</u>	<u>USA</u>	<u>Russia</u>	<u>Other countries</u>	<u>Total</u>
Fixed income securities	17 688	13 147	103 181	0	496	134 512
- Government debt securities -	17 548	12 774	102 966	0	244	133 532
- Debt securities of other institutions -	140	373	215	0	252	980
Equity shares and other non-fixed income securities	0	44	0	0	0	44
Fixed income securities - short positions	0	0	0	0	0	0
- Government debt securities -	0	0	0	0	0	0
	<b>17 688</b>	<b>13 191</b>	<b>103 181</b>	<b>0</b>	<b>496</b>	<b>134 556</b>

\* The government debt securities portfolio includes debt securities of different EU countries (Austria, Finland, Germany, Poland, Italy and Estonia). None of the items of financial instruments of national positions, except Latvia and the USA, exceeds 10% of the Bank's equity.

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
<b>13 LOANS AND RECEIVABLES</b>				
Private non-financial corporations	86 011	87 702	79 688	78 670
Households	16 356	16 232	16 112	15 825
Financial institutions	4 374	6 251	23 073	25 446
Employees	1 470	1 752	1 446	1 713
<b>Total gross loans</b>	<b>108 211</b>	<b>111 937</b>	<b>120 319</b>	<b>121 654</b>
Impairment allowances, <i>individually assessed</i> *	(24 168)	(24 402)	(24 015)	(22 770)
Impairment allowances, <i>collectively assessed</i>	(38)	(58)	(38)	(58)
	<b>84 005</b>	<b>87 477</b>	<b>96 265</b>	<b>98 826</b>

\* According to the Bank's loan assessment, made by the Financial and Capital Market Commission, the Bank has to make additional provisions in the amount of EUR 3 613 thousand (on 31.12.2014. - EUR 3 473 thousand). In performing its loan assessment, the Bank applies the FCMC Regulations On Assets Quality Assessment and Provisioning which provides for making additional provisions in accordance with international accounting standards. Given that the Bank's assessment of the respective loans does not show any impairment in value, the Bank does not agree with the assessment of the FCMC. According to the FCMC Regulations in such a case the Bank has to perform its capital adequacy calculation adjustment (reduction) for this amount, less the risk-weighting factor that is EUR 3 256 thousand (on 31.12.2014. - EUR 3 132 thousand (Note 7)).

**Loans by types of loans may be specified as follows:**

Mortgage loans	31 933	32 282	30 907	31 061
Commercial loans	28 935	30 874	47 634	50 069
Industrial loans	14 897	11 470	14 897	11 470
Finance lease	5 529	8 248	0	0
Overdrafts	11 092	12 796	11 092	12 796
Reverse REPO	0	0	0	0
Consumer loans	370	377	365	368
Factoring	1 955	2 181	1 955	2 181
Payment card loans	788	791	788	791
Other	12 712	12 918	12 681	12 918
	<b>108 211</b>	<b>111 937</b>	<b>120 319</b>	<b>121 654</b>

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
<b>14</b>	<b>LONG-TERM PROJECTS COSTS</b>			
Land parcels	2 112	2 112	272	272
Finished and unfinished construction costs	8 014	7 979	3 824	3 789
Prepayments for unfinished construction	24	0	24	0
	<b>10 150</b>	<b>10 091</b>	<b>4 120</b>	<b>4 061</b>

The investment property mentioned in this Note is associated with the facility which served as loan collateral and consisted of land and unfinished construction. To increase the realization options and value of the facility, the Bank has made additional investments to finish the construction of the facility. This Note includes also the object (including the related land plot) in the amount of EUR 6 030 thousand (in 2014: EUR 6 030 thousand) which the Bank has sold to a subsidiary within the Group for further sale. As a result of the sale transaction the Bank received income of EUR 1 899 thousand. Given the fact that this income was gained within the Group, the Group's profit and loss account was adjusted for this income amount and it was excluded from the consolidation. The Bank's equity capital was reduced for the income amount gained from this transaction. (Note 7).

**15 INVESTMENTS IN SHARE CAPITAL OF SUBSIDIARY**

The Bank has the following investments in the share capital of related companies and associates:

SIA TKB Līzings				
<i>Investment amount</i>	0	0	996	996
<i>Changes on revaluation of investments, net</i>	0	0	(996)	(996)
SAS Dewon *				
<i>Investment amount</i>	7 024	9 755	14 849	14 849
<i>Changes on revaluation of investments, net</i>	0	0	0	0
	<b>7 024</b>	<b>9 755</b>	<b>14 849</b>	<b>14 849</b>

\* At the end of 2009 the Bank purchased 100% of the share capital of Cyprus Company "Heckbert C7 Holdings", which owns 100% of the share capital of the company "Ferrous Kereskedelmi KFT" (Hungary), which is the owner of 25.085% of the Ukrainian gas company "Dewon" shares. The purpose of this transaction was to obtain control over 25.085% of the share capital of "Dewon". "Heckbert C7 Holdings" and "Ferrous Kereskedelmi KFT" do not perform any other commercial activities, except the holding of "Dewon" shares.

According to the Financial and Capital Market Commission's assessment of this investment, the Bank has to make capital adjustment for the book value of this investment. In 2015 and 2014, independent experts performed fair share assessment of the company "Dewon". The assessment did not show impairment in the fair value which is below the balance sheet value of the investment. Taking into account the independent experts' assessment, the Bank disagrees with the assessment of the FCMC. According to the FCMC assessment, the Bank has to perform its capital adequacy calculation adjustment (reduction) for this amount, less the risk-weighting factor - by EUR 13 661 thousand (on 31.12.2014 - EUR 13 661 thousand (Note 7)).

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
<b>16 OTHER ASSETS</b>				
Receivables from financial institutions	2 158	3 191	2 158	3 191
Real property hold for sale <sup>1</sup>	26 882	14 199	24 963	12 118
Spot foreign exchange assets <sup>2</sup>	307	125	307	125
Overpaid value added tax	464	19	464	11
Money in transit <sup>3</sup>	504	0	504	0
Other assets <sup>4</sup>	2 956	3 848	1 595	2 892
	<b>33 271</b>	<b>21 382</b>	<b>29 991</b>	<b>18 337</b>
Impairment loss	(777)	(878)	(847)	(944)
	<b>32 494</b>	<b>20 504</b>	<b>29 144</b>	<b>17 393</b>

<sup>1</sup> A real property hold for sale is the real property whose possession is taken by the Bank (as a result of takeover or acquisition) and which served as collateral for granted loans. The acquisition cost of this real property is measured at fair value. As a result of this transaction the amount received is channeled to settle customer's obligations to the Bank.

This item includes the ownership to the unfinished construction facility in the centre of Kiev for a total of 12,927 thousand euro, acquired in February and March 2015 by entering into transactions with two insolvent Ukrainian banks, Nadra Bank and Deltabank. The transactions were made based on the current market value assessment of the facility. In connection with this facility, the Bank made adjustment to its capital adequacy calculation (reduction) for the amount of 11 892 thousand euro, which was reduced by the risk weighted factor, (31.12.2014. - was not applied (Note 7))

<sup>2</sup> The fair value of *spot* foreign exchange contracts which is disclosed for each contract as asset or liability. The notional value of these contracts reflects the value of basis asset underlying the agreement whose changes in fair value are estimated and the due and payable amounts of cash flow.

<sup>3</sup> The funds, transferred from other correspondent accounts of the Bank, whose crediting has not been confirmed by the correspondent bank yet, are disclosed as money in transit.

<sup>4</sup> Other assets include various claims on debtors in relation to operating activities of the Bank.

**17 FINANCIAL LIABILITIES AT AMORTISED COST**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
Due to credit institutions	0	4 201	0	4 201
Due to customers	508 979	500 203	508 995	500 223
Subordinated liabilities	19 102	15 287	19 102	15 287
Debt securities issued <sup>1</sup>	10 041	10 047	10 041	10 047
	<b>538 122</b>	<b>529 738</b>	<b>538 138</b>	<b>529 758</b>

<sup>1</sup> In december 2014 , the Bank completed the issue of subordinated bonds within the scope of the public offer in the amount of EUR 10 million; a total of 10,000 bonds with the nominal value of one bond 1,000 euro. The maturity date of the bonds is December 04, 2021. The bond issue has been registered and included in the NASDAQ OMX Riga debt securities list.

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**18 OTHER LIABILITIES**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
Suspense accounts <sup>1</sup>	214	1 102	214	1 102
Spot foreign exchange liabilities (Note 16)	137	141	137	141
Money in transit <sup>2</sup>	1 273	1 083	1 273	1 083
Unpaid dividends of previous periods	21	21	21	21
Other liabilities	383	218	242	83
	<b>2 028</b>	<b>2 565</b>	<b>1 887</b>	<b>2 430</b>

<sup>1</sup> Suspense accounts represent payments received by the Bank where the beneficiary is not clearly identified. After clarification they are credited to customer accounts.

<sup>2</sup> The funds, transferred from other correspondent accounts of the Bank, whose crediting has not been confirmed by the correspondent bank yet, are disclosed as money in transit.

**19 OFF-BALANCE SHEET ITEMS**

**Off-balance liabilities**

EUR'000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
Contingent liabilities	5 339	5 912	5 339	5 912
<i>including guarantees</i>	259	448	259	448
<i>including rent commitments</i>	5 080	5 464	5 080	5 464
Commitments to customers	11 292	13 201	11 992	15 983
<i>including letters of credit</i>	0	309	0	309
<i>including unused credit limits</i>	10 077	12 286	10 777	15 068
<i>including other liabilities <sup>1</sup></i>	1 215	606	1 215	606
	<b>16 631</b>	<b>19 113</b>	<b>17 331</b>	<b>21 895</b>

<sup>1</sup> Other liabilities include Bank's liabilities for the acquisition of fixed assets and acquisition of securities as well as future costs related to long-term projects.

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**
**20 THE GROUP'S AND BANK'S TRANSACTIONS WITH RELATED PARTIES**

Related parties are defined as shareholders of the Bank who have a significant influence in the Bank, as well as their spouses, parents and children, the Bank's subsidiaries, chairpersons and members of the council and management board, internal service manager and members and other employees of the Bank, who are authorized to perform planning, management and control activities on behalf of the Bank, or are in charge of these activities, as well as their spouses, parents, children and companies in which the above-mentioned persons have a controlling interest.

The Bank has offered standard services to related parties, such as the settlement of accounts, the purchase and sale of securities, securities management on behalf of clients, and brokerage etc. These transactions are conducted on normal business terms.

(1) Amount of the Group transactions with related persons is presented below

<u>EUR ' 000</u>	<u>Share- holders</u>	<u>Council and board</u>	<u>Subsi- diaries</u>	<u>Equity accounted investees</u>	<u>Other related parties <sup>1</sup></u>	<u>Total</u>
<b>30.06.2015</b>						
<b>Assets</b>						
Loans	312	382	0	2 323	3 191	6 208
<i>Allowance for loans</i>	<i>(14)</i>	<i>(5)</i>	<i>0</i>	<i>0</i>	<i>(1)</i>	<i>(20)</i>
<b>Loans, net</b>	<b>298</b>	<b>377</b>	<b>0</b>	<b>2 323</b>	<b>3 190</b>	<b>6 188</b>
<b>Liabilities</b>						
Deposits	10	213	0	0	628	851
<b>Commitments and guarantees</b>						
Unused credit lines	90	40	0	0	12	142
<b>30.06.2015</b>						
<b>Income statement</b>						
Interest income	9	12	0	72	54	147
Fee and commission income	1	0	0	0	4	5
Interest expense	0	0	0	0	0	0
Release of impairment/ impairment) of loans	0	1	0	0	0	1
Other expenses	(78)	(64)	0	(7)	0	(149)
<b>31.12.2014</b>						
<b>Assets</b>						
Loans	327	385	0	2 141	3 205	6 058
<i>Allowance for loans</i>	<i>(14)</i>	<i>(6)</i>	<i>0</i>	<i>0</i>	<i>(1)</i>	<i>(21)</i>
<b>Loans, net</b>	<b>313</b>	<b>379</b>	<b>0</b>	<b>2 141</b>	<b>3 204</b>	<b>6 037</b>
<b>Liabilities</b>						
Deposits	18	296	0	0	688	1 002
<b>Commitments and guarantees</b>						
Unused credit lines	101	46	0	0	14	161
<b>30.06.2014</b>						
<b>Income statement</b>						
Interest income	11	13	0	118	35	177
Fee and commission income	2	0	0	0	1	3
Interest expense	0	0	0	0	0	0
Release of impairment/ impairment) of loans	0	1	0	0	0	1
Other expenses	(27)	(34)	0	(12)	(7)	(80)

<sup>1</sup> Other related parties are spouses, children of the shareholders and council and board members and companies in which they have a controlling interest.



**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**
**20 THE GROUP'S AND BANK'S TRANSACTIONS WITH RELATED PARTIES (continued)**

(2) Amount of the Bank transactions with related persons is presented below

<u>EUR '000</u>	<u>Share- holders</u>	<u>Council and board</u>	<u>Subsi- diaries</u>	<u>Equity accounted investees</u>	<u>Other related parties</u> <sup>1</sup>	<u>Total</u>
<b>30.06.2015</b>						
<b>Assets</b>						
Loans	290	382	18 703	2 323	3 191	24 889
<i>Allowance for loans</i>	<i>(14)</i>	<i>(5)</i>	0	0	<i>(1)</i>	<i>(20)</i>
<b>Loans, net</b>	<b>276</b>	<b>377</b>	<b>18 703</b>	<b>2 323</b>	<b>3 190</b>	<b>24 869</b>
<b>Liabilities</b>						
Deposits	10	213	68	0	628	919
<b>Commitments and guarantees</b>						
Unused credit lines	90	40	701	0	12	843
<b>30.06.2015</b>						
<b>Income statement</b>						
Interest income	9	12	385	72	54	532
Fee and commission income	1	0	2	0	4	7
Interest expense	0	0	0	0	0	0
Release of impairment/ impairment) of loans	0	1	0	0	0	1
Other expenses	(78)	(64)	(150)	(7)	0	(299)
<b>31.12.2014</b>						
<b>Assets</b>						
Loans	291	385	19 196	2 141	3 205	25 218
<i>Allowance for loans</i>	<i>(14)</i>	<i>(6)</i>	0	0	<i>(1)</i>	<i>(21)</i>
<b>Loans, net</b>	<b>277</b>	<b>379</b>	<b>19 196</b>	<b>2 141</b>	<b>3 204</b>	<b>25 197</b>
<b>Liabilities</b>						
Deposits	18	296	71	0	688	1 073
<b>Commitments and guarantees</b>						
Unused credit lines	101	46	2 782	0	14	2 943
<b>30.06.2014</b>						
<b>Income statement</b>						
Interest income	9	13	412	118	35	587
Fee and commission income	2	0	3	0	1	6
Interest expense	0	0	0	0	0	0
Release of impairment/ impairment) of loans	0	1	0	0	0	1
Other expenses	(27)	(34)	(276)	(12)	(7)	(356)

<sup>1</sup> Other related parties are spouses, children of the shareholders and council and board members and companies in which they have a controlling interest.

**21 EVENTS AFTER BALANCE SHEET DATE**

In the period from the last day of the reporting period until the publication date of these financial statements there have not been any subsequent events that could materially affect these statements or notes thereto, except the events mentioned in Note 4 herein.

\* \* \* \* \*