

**RIETUMU BANK AS**

Condensed Interim Bank Separate and  
Group Consolidated Financial  
Statements

For the six month period ended  
30 June 2014

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## **Report of Council and Board of Directors**

Dear Shareholders, Customers and Business Partners,

For the Group the first half of 2014 proved to be successful with another period of record highs in profits. The Bank also managed to enhance its reputation as one of the best managed and stable financial institutions in the Baltic States. Our customers represent corporate customers and high net worth individuals and we strive to offer a comprehensive range of banking products of the highest quality to our customers.

Relationship banking is one of the keys to our success and we believe in building long term relationships with our customers while treating our customers like business partners. In addition, we believe that in the long term we can be more successful by employing the very latest banking technologies and employing the most professional people. The Group operates both Western Europe and Eastern Europe and we believe we understand the business environments and our customers' requirements in both Western and Eastern Europe. The Group also operates an extensive network of representative offices through which we can maintain a close contact with our clients.

The Group is continually striving to diversify its income base and in this regard further expansion of e-commerce and trade finance activities were priorities for the first half of 2014. Net commission income from e-commerce activities increased significantly by 47.6% and trade financing almost doubled as compared to the first half of 2013 and we plan to continue strong growth in this area. The Group is in the process of building a processing centre that will support the e-commerce and payment card transactions.

The Group's consumer leasing company, InCredit, continued to show strong growth in profits of 12.3% in 2014. We also plan to increase our shipping finance portfolio in the second half of 2014. The Group plans to continue to support the Latvian consumer finance market which is stable but has strong growth potential given the development of the Latvian economy. The Group also started expanding its lending to lending to non-bank lenders that are growing their markets to other countries within the European Union.

In order to further strengthen its capital base and to enable future expansion of the Group's activities, the Bank raised Euro 45.6 m in the form of preference shares via a closed emission to a select group of the Bank's clients in March of 2014.

We are also planning to improve our mobile banking platforms and we plan to launch unique mobile banking applications in the second half of 2014.

We believe that 2014 will prove to be a very successful year and that we have laid much of the groundwork to continue stable financial results and increasing profits. We owe our success to our customers and business partners and we would like to express our appreciation to our customers and business partners for the trust that they have placed in us.

### **FINANCIAL MARKETS & TREASURY**

The Group closed first half of 2014 with record after tax profit attributable to the Bank's shareholders of EUR 35.3 m which represents an increase of 51.6% compared to 2013. The Group generated for its shareholders an after tax return on equity of 11.5% (2013: 10.09%) and an after tax return on assets of 1.2% (2013: 1%).

#### **Profitability**

Many of the Group's business units contributed to the increase in net profit and the income distribution was well diversified across the business units of the Group. Operating income reached EUR 71.9 m which represents an increase of 12% from 2013. The Group's goal is to maintain a cost to income ratio of less than 40% and in 2013 this ratio reached 29.4%. For the first half of 2014 the Group reached a profit margin of 59% compared to 43.4% in 2013.

### **Total Assets**

Total assets also reached record highs and as at 30 June 2014 the Group's total assets were EUR 3,082 m. This represents an increase of 5.3% compared to 2013. The Bank's follows a conservative approach to asset allocation and about 58% of the Group's assets invested in liquidity management portfolios. About 43% of the liquidity management portfolio is invested in short term money market placement with large mainly European banks.

### **Loans and receivables due from customers**

During the first half of 2014 loans and receivables due to customers decreased by 15.02% from EUR 1,125 m to Euro 956 m. This decrease occurred due to the fact that given the geopolitical situation that the Group decided to be more conservative in lending to Russian customers and to decrease the Group's exposure in the category of loan. The Group follows a conservative lending policy focusing on its strength which is create specific and tailor made products to meet customer's requirements. Loans and receivables due from customers represent about 31% of total assets and since 2010 this ratio has not exceeded 45%. The commercial loan portfolio represents about 87.3% of the total loans of EUR 956 m and the effective average interest rate for the first half of 2014 was 7.05%. Latvia, Russia and Belarus represent the largest commercial lending markets with real estate management, financial services and transport representing the largest industries in the commercial loan portfolio.

### **Current accounts and deposits due to customers**

During the first half of 2014, the funding sources of the Group remained unchanged in that the Group finances its activity through current accounts and deposits due to customers and shareholders' equity. Current accounts and deposits due to customers reached EUR 2,687 m up 4.7% compared to 2013. Current accounts represented EUR 2,356 m or 87.7% of total current accounts and customer deposits. Term deposits amounted to EUR 331 m as at 30 June 2014 and included in this are EUR 117 m of subordinated deposits. The Bank focuses on term deposits for 1 year or more and the average tenor of term deposits is 3.8 years with the average effective interest rate in 2014 of 3%.

### **Shareholders' equity**

Group total shareholders' equity reached EUR 336 m as of 30 June 2014 representing a 18.9% increase from 2013. Group total capital adequacy capital adequacy ratio was 22.32% (2013: 17.8%) respectively. The Bank has always aimed to maintain high capital adequacy ratios and this has been the basis for maintaining financial stability and growth in the Group for more than 20 years. In the first quarter of 2014, the Bank issued 13.25 m preference shares for Euro 45.6 m. As opposed to subordinated debt, preference shares do not have a maturity date and these preference shares will partly replace subordinated deposits.

**Financial results of the Group**

	<b>30 June 2014</b> <b>(6 months)</b>	<b>31 December</b> <b>2013</b>	<b>30 June 2013</b> <b>(6 months)</b>	<b>31 December</b> <b>2012</b>	<b>30 June 2012</b> <b>(6 months)</b>
<b>At period end</b> <b>(EUR '000)</b>					
Total assets	3,081,738	2,927,779	2,501,600	2,347,926	2,278,916
Loans and receivables due from customers	955,853	1,125,278	1,019,224	944,576	904,402
Due to customers	2,686,514	2,564,705	2,169,606	2,049,581	1,909,912
Total shareholder's equity	336,193	282,870	244,957	230,171	215,742
<b>For the period</b> <b>(EUR '000)</b>					
Net profit before tax	42,523	71,573	27,807	36,972	13,896
Net profit after tax	35,630	62,279	23,971	31,555	11,784
Net interest income	36,275	66,509	30,131	48,658	22,624
Net commission income	21,469	37,481	16,075	27,439	12,536
<b>Capital adequacy</b>	21.36% 22.32%*	17.80%	17.82% 19.28%*	18.79%	16.62% 17.42%*

**Financial results of the Bank**

	<b>30 June 2014</b> <b>(6 months)</b>	<b>31 December</b> <b>2013</b>	<b>30 June 2013</b> <b>(6 months )</b>	<b>31 December</b> <b>2012</b>	<b>30 June 2012</b> <b>(6 months)</b>
<b>At period end</b> <b>(EUR '000)</b>					
Total assets	3,075,059	2,920,546	2,483,326	2,332,040	2,262,162
Loans and receivables due from customers	1,011,542	1,175,947	1,074,682	1,002,420	965,333
Due to customers	2,698,365	2,579,621	2,171,109	2,051,397	1,914,467
Total shareholders' equity	328,470	272,201	238,402	224,272	204,291
<b>For the period</b> <b>(EUR '000)</b>					
Net profit before income tax	44,330	60,705	25,242	33,722	13,462
Net profit after tax	37,643	53,544	21,747	28,823	11,137
Net interest income	33,053	60,034	27,429	44,693	20,870
Net commission income	21,151	36,346	15,718	26,726	12,247
<b>Capital adequacy</b>	21.76% 22.88%*	18.49%	18.83% 20.27%*	19.51%	16.65% 17.46%*

\* Capital adequacy rate, including profit for 6 months (upon receiving the Financial and Capital Market Commission permission)

## **Statement of management's responsibility**

The management of the AS Rietumu Banka (the Bank) is responsible for the preparation of the condensed consolidated interim financial statements of the Bank and its subsidiaries (the Group) as well as for the preparation of the condensed interim financial statements of the Bank. The condensed Group consolidated and Bank's separate interim financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the condensed interim financial statements.

The condensed Group consolidated and Bank's separate interim financial statements on pages 9 - 61 are prepared in accordance with the source documents and present the financial position of the Group and the Bank as at 30 June 2014 and the results of its performance and cash flows for the six month period ended 30 June 2014.

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



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## **Independent Auditors' Report**

### **To the shareholders of AS Rietumu Banka**

We have audited the accompanying condensed interim separate financial information of AS Rietumu Banka ("the Bank"), which comprises the condensed interim separate statement of financial position as at 30 June 2014, the condensed interim separate statement of profit and loss, the condensed interim separate statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 61. We have also audited the accompanying condensed interim consolidated financial information of AS Rietumu Banka and its subsidiaries ("the Group"), which comprises the condensed interim consolidated statement of financial position as at 30 June 2014, the condensed interim consolidated statement of profit and loss, the condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 61.

#### *Management's Responsibility for the Financial Information*

Management is responsible for the preparation and fair presentation of this condensed interim separate and consolidated financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by EU and for such internal controls as management determines are necessary to enable the preparation of this financial information that is free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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

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



evaluating the overall presentation of the condensed interim separate and consolidated financial information.

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

#### *Opinion*

In our opinion, the condensed interim separate financial information of AS Rietumu Banka as at and for the six month period ended 30 June 2014 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by EU.

In our opinion, the condensed interim consolidated financial information of AS Rietumu Banka and its subsidiaries as at and for the six month period ended 30 June 2014 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by EU.

#### **Report on Other Legal and Regulatory Requirements**

In addition, our responsibility is to assess whether the accounting information included in the Consolidated Management Report, as set out on pages 3 to 5, the preparation of which is the responsibility of management, is consistent with the condensed interim separate and consolidated financial information. Our work with respect to the Consolidated Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the condensed interim separate and consolidated financial information of the Group. In our opinion, the Consolidated Management Report is consistent with the condensed interim separate and consolidated financial information.

KPMG Baltics SIA  
License No 55

Ondrej Fikrle  
Partner KPMG Baltics SIA  
Riga, Latvia  
28 August 2014

Valda Užāne  
Sworn Auditor  
Certificate No 4





**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED INCOME STATEMENT**

	Note	6 month period ended 30 June 2014		6 month period ended 30 June 2013	
		'000 EUR	'000 EUR	'000 EUR	'000 EUR
		Group	Bank	Group	Bank
Interest income	7	46,135	42,420	39,980	36,698
Interest expense	7	(9,860)	(9,367)	(9,849)	(9,269)
<b>Net interest income</b>		<b>36,275</b>	<b>33,053</b>	<b>30,131</b>	<b>27,429</b>
Fee and commission income	8	30,852	30,481	22,292	21,966
Fee and commission expense	9	(9,383)	(9,330)	(6,217)	(6,248)
<b>Net fee and commission income</b>		<b>21,469</b>	<b>21,151</b>	<b>16,075</b>	<b>15,718</b>
Net gain/(loss) on financial instruments at fair value through profit or loss		146	192	1,342	1,244
Net foreign exchange gain		10,321	10,427	10,320	10,543
Net gain/(loss) on the net monetary position		(150)	-	(3)	-
Net realised gain/(loss) on available-for-sale assets		407	407	1,487	636
Share of profit of equity accounted investees (net of income tax)		(23)	-	(30)	-
Other income/(expense)	10	3,495	3,137	4,740	1,106
<b>Operating Income</b>		<b>71,940</b>	<b>68,367</b>	<b>64,062</b>	<b>56,676</b>
Impairment losses	11	(8,239)	(7,095)	(7,160)	(7,291)
General administrative expenses	12	(21,178)	(16,942)	(29,095)	(24,143)
<b>Profit before income tax</b>		<b>42,523</b>	<b>44,330</b>	<b>27,807</b>	<b>25,242</b>
Income tax expense	13	(6,893)	(6,687)	(3,836)	(3,495)
<b>Profit for the period</b>		<b>35,630</b>	<b>37,643</b>	<b>23,971</b>	<b>21,747</b>
<b>Attributable to:</b>					
<b>Equity holders of the Bank</b>		35,288		23,277	
<b>Non-controlling interest</b>		342		694	

The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 61 are authorised for issue on 28 August 2014 by:

  
 Leonid Esterkin  
 Chairman of the Council

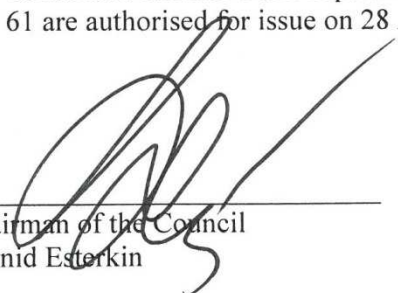
  
 Alexander Pankov  
 Chairman of the Board

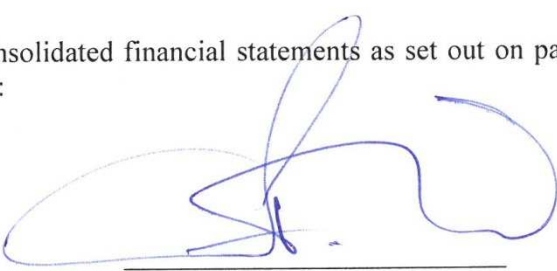
**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED STATEMENT OF  
OTHER COMPREHENSIVE INCOME**

	Note	6 month period ended 30 June 2014		6 month period ended 30 June 2013	
		'000 EUR Group	'000 EUR Bank	'000 EUR Group	'000 EUR Bank
<b>Profit / (loss) for the period</b>		<b>35,630</b>	<b>37,643</b>	<b>23,971</b>	<b>21,747</b>
<b>Other comprehensive income</b>					
<i>Items that are or may be reclassified to profit or loss</i>					
Foreign currency translation differences for foreign operations		(50)	-	345	-
Other reserves - net change		16	-	-	-
Available-for-sale financial assets – net change in fair value		(38)	(232)	(1,002)	(1,002)
Related tax		6	35	591	151
		<b>(66)</b>	<b>(197)</b>	<b>(66)</b>	<b>(851)</b>
<b>Other comprehensive income for the period</b>		<b>(66)</b>	<b>(197)</b>	<b>(66)</b>	<b>(851)</b>
<b>Total comprehensive income for the period</b>		<b>35,564</b>	<b>37,446</b>	<b>23,905</b>	<b>20,896</b>
<b>Attributable to:</b>					
<b>Equity holders of the Group</b>		<b>35,222</b>		<b>23,211</b>	
<b>Non-controlling interest</b>		<b>342</b>		<b>694</b>	

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Chairman of the Council  
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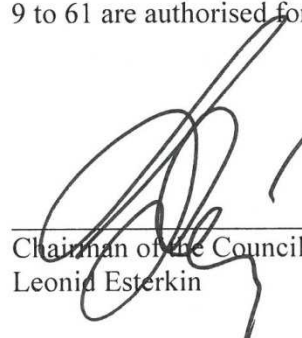
  
\_\_\_\_\_  
Chairman of the Board  
Alexander Pankov

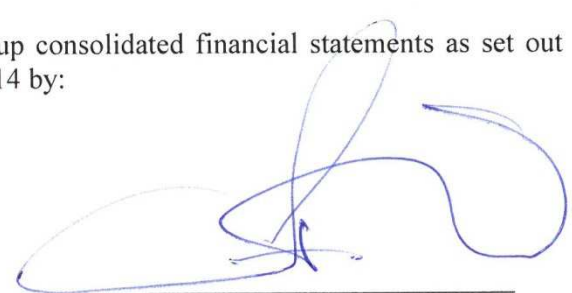
**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION**

	Note	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
<b>ASSETS</b>					
Cash and balances with the central bank	14	217,948	216,827	522,601	522,565
Financial instruments at fair value through profit or loss	15	13,180	13,127	18,650	17,833
Loans and receivables due from banks	16	1,204,820	1,202,702	856,437	853,612
Loans and receivables due from customers	17	955,853	1,011,542	1,125,278	1,175,947
Reverse repo	32	182,450	182,450	150,308	150,308
Available-for-sale assets	18	313,913	347,659	77,262	111,202
Non-current assets held for sale		479	-	1	-
Held-to-maturity investments	19	39,306	39,306	28,578	28,578
Investments in subsidiaries	20	-	29,600	-	29,140
Equity accounted investees	33	18	-	41	-
Investment property	23	78,261	4,891	70,875	4,455
Property and equipment	21	46,707	6,087	43,435	5,538
Intangible assets	22	3,455	2,202	3,487	2,168
Current tax asset		419	-	353	-
Deferred tax asset		275	-	472	280
Other assets	24	24,654	18,666	30,001	18,920
<b>Total Assets</b>		<b>3,081,738</b>	<b>3,075,059</b>	<b>2,927,779</b>	<b>2,920,546</b>

The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

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Leonid Esterkin

  
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Alexander Pankov

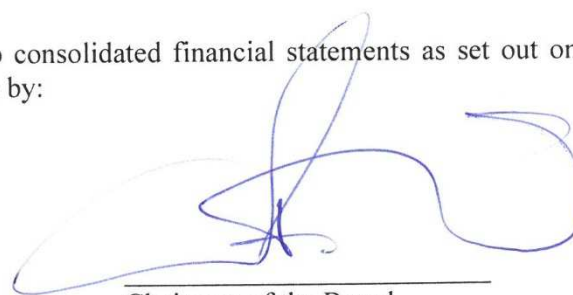
**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION**

	Note	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Financial instruments at fair value through profit or loss	15	45	45	615	615
Deposits and balances due to banks	25	18,661	17,061	34,499	32,016
Current accounts and deposits due to customers	26	2,686,514	2,698,365	2,564,705	2,579,621
Issued debt securities	27	18,468	18,468	18,474	18,474
Current tax liability		2,283	2,053	4,714	4,035
Deferred tax liability		3,124	239	2,803	-
Other liabilities and accruals	28	16,450	10,358	19,099	13,584
<b>Total Liabilities</b>		<b>2,745,545</b>	<b>2,746,589</b>	<b>2,644,909</b>	<b>2,648,345</b>
Share capital		160,843	160,843	142,287	142,287
Share premium		33,882	33,882	6,843	6,843
Revaluation reserve		2,205	-	2,217	-
Fair value reserve		970	3,520	1,002	3,717
Currency translation reserve		(3,647)	-	(3,597)	-
Other reserves		14,347	14,251	14,331	14,251
Retained earnings		126,291	115,974	117,763	105,103
<b>Total Equity Attributable to Equity Holders of the Bank</b>		<b>334,891</b>	<b>328,470</b>	<b>280,846</b>	<b>272,201</b>
<b>Non-controlling Interest</b>		<b>1,302</b>	<b>-</b>	<b>2,024</b>	<b>-</b>
<b>Total Shareholders' Equity</b>		<b>336,193</b>	<b>328,470</b>	<b>282,870</b>	<b>272,201</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>3,081,738</b>	<b>3,075,059</b>	<b>2,927,779</b>	<b>2,920,546</b>

The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 61 are authorised for issue on 28 August 2014 by:

  
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Chairman of the Council  
Leonid Esterkin

  
\_\_\_\_\_  
Chairman of the Board  
Alexander Pankov

**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED  
STATEMENT OF CASH FLOWS**

	Note	6 month period ended 30 June 2014		6 month period ended 30 June 2013	
		'000	'000	'000	'000
		EUR	EUR	EUR	EUR
		Group	Bank	Group	Bank
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before income tax		42,523	44,330	27,807	25,242
Amortization and depreciation	21,22	1,385	699	1,727	873
(Gain)/Loss from sale of investment property		220	(1)	(137)	60
Revaluation of investment property	23	(324)	-	120	-
Share on profit of equity accounted investees		23	-	53	-
Gain on disposal of property and equipment		(57)	-	-	-
Gain on sale of subsidiaries		(294)	-	-	-
Impairment losses	11	8,239	7,095	7,160	7,291
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>		<b>51,715</b>	<b>52,123</b>	<b>36,730</b>	<b>33,466</b>
Decrease in financial instruments at fair value through profit or loss		5,470	4,706	26,066	26,167
(Increase)/Decrease in loans and receivables due from banks – term deposits		(57,121)	(56,029)	42,410	42,323
(Increase)/Decrease in loans and receivables from customers		161,584	161,082	(82,333)	(79,462)
(Increase)/Decrease in receivable under reverse repurchase agreements		(32,142)	(32,142)	18,062	18,062
Increase in available-for-sale assets		(236,678)	(236,678)	(9,515)	(9,515)
Decrease in other assets		2,006	269	2,083	1,807
Decrease in derivative liabilities		(570)	(570)	(18)	(18)
Increase/(Decrease) in term deposit deposits due to banks		1,074	(104)	13	13
Increase in current accounts and deposits from customers		122,902	118,744	120,025	119,712
Increase in non-current assets held for sale		(478)	-	-	-
(Increase)/Decrease in other liabilities and accruals		(2,316)	(3,226)	8,438	7,131
<b>Increase in cash and cash equivalents from operating activities before corporate income tax</b>		<b>15,446</b>	<b>8,175</b>	<b>161,961</b>	<b>159,686</b>
Corporate income tax paid		(8,885)	(8,116)	(1,507)	(1,326)
<b>Net cash and cash equivalents from operating activities</b>		<b>6,561</b>	<b>59</b>	<b>160,454</b>	<b>158,360</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment and intangible assets	21,22	(3,693)	(1,282)	(1,424)	(1,207)
Proceeds from sale of property and equipment and other assets		59	-	10	7
(Purchase)/ sale of investment property		(822)	(436)	6,000	8,431
Proceeds from sale of subsidiaries	38	648	-	154	-
Consideration paid for acquisition of subsidiaries	22	(5,110)	(4,256)	(2,381)	(1,956)
(Increase)/decrease in held-to-maturity financial assets		(10,728)	(10,728)	1,144	1,144
<b>Cash and cash equivalents used in / from investing activities</b>		<b>(19,646)</b>	<b>(16,702)</b>	<b>3,503</b>	<b>6,419</b>

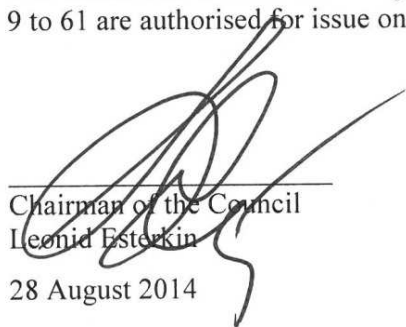
The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group financial statements.

**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED  
STATEMENT OF CASH FLOWS**

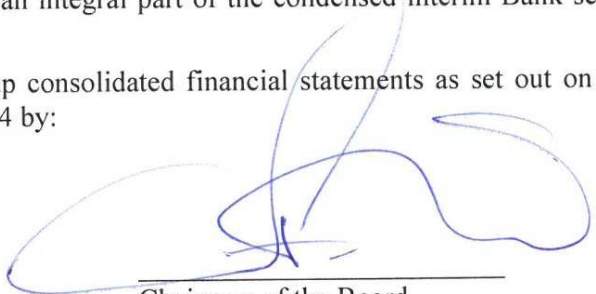
	Note	6 month period ended 30 June 2014		6 month period ended 30 June 2013	
		'000 EUR Group	'000 EUR Bank	'000 EUR Group	'000 EUR Bank
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Shares issued	29	18,556	18,556	-	-
Share premium	29	27,039	27,039	-	-
Interest on issued debt securities	27	(6)	(6)	130	130
Dividends paid		(27,431)	(26,772)	(7,206)	(7,206)
<b>Cash and cash equivalents from financing activities</b>		<b>18,158</b>	<b>18,817</b>	<b>(7,076)</b>	<b>(7,076)</b>
<b>Net cash flow for the period</b>		<b>5,073</b>	<b>2,174</b>	<b>156,881</b>	<b>157,703</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,218,730</b>	<b>1,219,695</b>	<b>841,360</b>	<b>841,972</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>1,223,803</b>	<b>1,221,869</b>	<b>998,241</b>	<b>999,675</b>

The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 61 are authorised for issue on 28 August 2014 by:

  
\_\_\_\_\_  
Chairman of the Council  
Leonid Esterkin

28 August 2014

  
\_\_\_\_\_  
Chairman of the Board  
Alexander Pankov

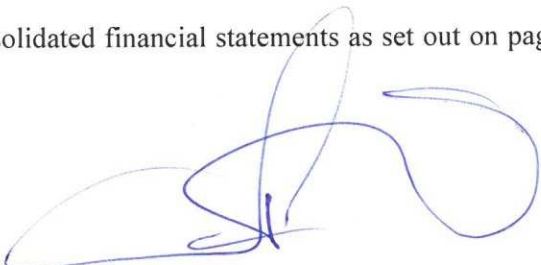
**CONDENSED INTERIM BANK'S SEPARATE  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Share premium	Revaluation reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
<b>Balance at 1 January 2013</b>	<b>142,287</b>	<b>6,843</b>	<b>2,496</b>	<b>2,126</b>	<b>14,251</b>	<b>56,269</b>	<b>224,272</b>
<i><b>Total comprehensive income</b></i>							
Profit for the period	-	-	-	-	-	21,747	<b>21,747</b>
Other comprehensive income	-	-	-	(851)	-	-	<b>(851)</b>
<i><b>Transactions with shareholders recorded directly in equity</b></i>							
Dividends paid	-	-	-	-	-	(7,206)	<b>(7,206)</b>
<i><b>Other</b></i>							
Release of revaluation reserve	-	-	(2,496)	-	-	2,496	-
<b>Balance at 30 June 2013</b>	<b>142,287</b>	<b>6,843</b>	<b>-</b>	<b>1,275</b>	<b>14,251</b>	<b>73,306</b>	<b>237,962</b>
<i><b>Total comprehensive income</b></i>							
Profit for the period	-	-	-	-	-	31,797	<b>31,797</b>
Other comprehensive income	-	-	-	2,442	-	-	<b>2,442</b>
<b>Balance at 31 December 2013</b>	<b>142,287</b>	<b>6,843</b>	<b>-</b>	<b>3,717</b>	<b>14,251</b>	<b>105,103</b>	<b>272,201</b>
<i><b>Total comprehensive income</b></i>							
Profit for the period	-	-	-	-	-	37,643	<b>37,643</b>
Other comprehensive income	-	-	-	(197)	-	-	<b>(197)</b>
<i><b>Transactions with shareholders recorded directly in equity</b></i>							
Shares issued	18,556	-	-	-	-	-	<b>18,556</b>
Share premium received	-	27,039	-	-	-	-	<b>27,039</b>
Dividends paid	-	-	-	-	-	(26,772)	<b>(26,772)</b>
<b>Balance at 30 June 2013</b>	<b>160,843</b>	<b>33,882</b>	<b>-</b>	<b>3,520</b>	<b>14,251</b>	<b>115,974</b>	<b>328,470</b>

The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 61 are authorised for issue on 28 August 2014 by:

  
Chairman of the Council  
Leonid Esterkin

  
Chairman of the Board  
Alexander Pankov

28 August 2014

**CONDENSED INTERIM GROUP CONSOLIDATED  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Attributable to Equity Holders of the Bank									
	Share capital '000 EUR	Share premium '000 EUR	Revaluation reserve '000 EUR	Fair value reserve '000 EUR	Foreign currency translation reserve '000 EUR	Other reserves '000 EUR	Retained earnings '000 EUR	Total '000 EUR	Non- controlling interest '000 EUR	Total Equity '000 EUR
<b>Balance at 1 January 2013</b>	<b>142,287</b>	<b>6,843</b>	<b>3,798</b>	<b>2,126</b>	<b>(3,002)</b>	<b>14,334</b>	<b>61,420</b>	<b>227,806</b>	<b>2,365</b>	<b>230,171</b>
<i>Transactions with shareholders recorded directly in equity</i>										
Dividends paid	-	-	-	-	-	-	(7,206)	(7,206)	-	(7,206)
<i>Change in ownership interest</i>										
Net result of sale and purchase of subsidiary share to third party without change in control	-	-	-	-	-	-	(65)	(65)	(1,848)	(1,913)
<i>Total comprehensive income</i>										
Profit for the current year	-	-	-	-	-	-	23,277	23,277	694	23,971
Other comprehensive income	-	-	415	(851)	371	(1)	-	(66)	-	(66)
<i>Other</i>										
Transfer to retained earning	-	-	(2,935)	-	-	-	2,935	-	-	-
<b>Balance at 30 June 2013</b>	<b>142,287</b>	<b>6,843</b>	<b>1,278</b>	<b>1,275</b>	<b>(2,631)</b>	<b>14,333</b>	<b>80,361</b>	<b>243,746</b>	<b>1,211</b>	<b>244,957</b>
<i>Transactions with shareholders recorded directly in equity</i>										
Dividends paid	-	-	-	-	-	-	(68)	(68)	-	(68)
<i>Change in ownership interest</i>										
Net result of sale and purchase of subsidiary share to third party without change in control	-	-	400	-	(553)	-	297	144	117	261
<i>Total comprehensive income</i>										
Profit for the current year	-	-	-	-	-	-	37,612	37,612	696	38,308
Other comprehensive income	-	-	100	(273)	(413)	(2)	-	(588)	-	(588)
<i>Other</i>										
Transfer to retained earning	-	-	439	-	-	-	(439)	-	-	-
<b>Balance at 31 December 2013</b>	<b>142,287</b>	<b>6,843</b>	<b>2,217</b>	<b>1,002</b>	<b>(3,597)</b>	<b>14,331</b>	<b>117,763</b>	<b>280,846</b>	<b>2,024</b>	<b>282,870</b>

The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.



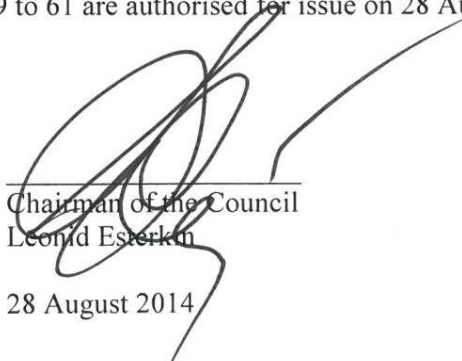
**Rietumu Banka AS**  
**Condensed Interim Bank Separate and Group Consolidated Financial Statements**  
**for the six month period ended 30 June 2014**

**Attributable to Equity Holders of the Bank**

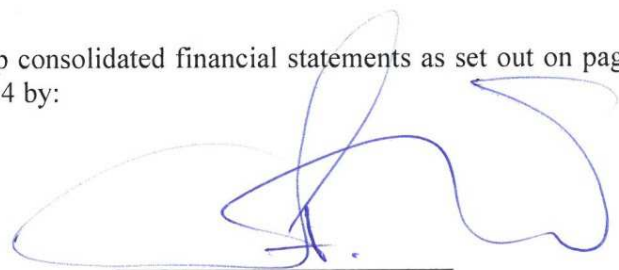
	Share capital	Share premium	Revaluation reserve	Fair value reserve	Foreign currency translation/ revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
<b>Balance at 31 December 2013</b>	<b>142,287</b>	<b>6,843</b>	<b>2,217</b>	<b>1,002</b>	<b>(3,597)</b>	<b>14,331</b>	<b>117,763</b>	<b>280,846</b>	<b>2,024</b>	<b>282,870</b>
<i>Transactions with shareholders recorded directly in equity</i>										
Preference shares issued	18,556	-	-	-	-	-	-	18,556	-	18,556
Share premium received	-	27,039	-	-	-	-	-	27,039	-	27,039
Dividends paid	-	-	-	-	-	-	(26,772)	(26,772)	-	(26,772)
<i>Transactions with non controlling interest</i>										
Dividends paid to non-controlling interest shareholders	-	-	-	-	-	-	-	-	(659)	(659)
Loss of control in subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	(405)	(405)
<i>Total comprehensive income</i>										
Profit for the period	-	-	-	-	-	-	35,288	35,288	342	35,630
Other comprehensive income	-	-	-	(32)	(50)	16	-	(66)	-	(66)
<i>Other</i>										
Amortization of revalued property	-	-	(12)	-	-	-	12	-	-	-
<b>Balance at 30 June 2014</b>	<b>160,843</b>	<b>33,882</b>	<b>2,205</b>	<b>970</b>	<b>(3,647)</b>	<b>14,347</b>	<b>126,291</b>	<b>334,891</b>	<b>1,302</b>	<b>336,193</b>

The accompanying notes on pages 18 to 61 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 61 are authorised for issue on 28 August 2014 by:

  
 Chairman of the Council  
 Leonid Esterkin

28 August 2014

  
 Chairman of the Board  
 Alexander Pankov

## **1 Background**

These condensed interim separate and consolidated financial statements include the financial statements of JSC “Rietumu bank” (the “Bank”) and its subsidiaries (together referred to as the “Group”). There have been no significant changes in Group structure since 31 December 2013.

JSC “Rietumu Banka” was established in the Republic of Latvia as a joint stock company and was granted its general banking licence in 1992.

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Bank of Latvia and the Financial and Capital Market Commission (“FCMC”).

The registered address of the Bank’s head office is Vesetas Street 7, Riga, Latvia.

## **2 Basis of preparation**

### **(a) Statement of compliance**

These condensed interim separate and consolidated financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. These condensed interim separate and consolidated financial statements do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the Bank Separate and Group Consolidated Financial Statements as at and for the year ended 31 December 2013.

The audited financial statements as at and for the year ended 31 December 2013 are available at the Bank’s web site: [www.rietumu.com](http://www.rietumu.com).

The Board approved the condensed interim separate and consolidated financial statements for issue on 28 August 2014. The shareholders have the power to reject the separate and consolidated financial statements prepared and issued by management and the right to request that new financial statements be issued.

### **(b) Basis of measurement**

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

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

### **(c) Functional and Presentation Currency**

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

The functional currencies of principal subsidiaries of the Bank are EUR except for the subsidiaries listed below:

“RB Securities” Ltd	USD (US dollar)
“Westtransinvest” Ltd	BYR (Belarus rouble)
“Westleasing-M” Ltd	RUB (Russian rouble)

### **3 Significant accounting policies**

The accounting policies applied by the Bank and the Group in these condensed interim separate and consolidated financial statements are the same as those applied by the Bank and the Group in their financial statements as at and for the year ended 31 December 2013.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

#### **New Standards and Interpretations**

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

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

#### **(a) IFRS 10 Consolidated Financial Statements (2011)**

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

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

#### **(b) IFRS 11 Joint Arrangements**

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

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

The Group is not a party to any joint arrangements.

#### **(c) IFRS 12: Disclosure of Interests in Other Entities**

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Note 37).

## **4 Risk management**

All aspects of the Bank's and the Group's risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2013.

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

- market risk
- credit risk
- liquidity risks

There have been no significant changes to sensitivities of financial assets and liabilities to financial risks other than presented in Note 39 compared to the quantitative information as presented in Bank's and the Group's financial statements for the year ended 31 December 2013, and therefore they are not disclosed in these condensed interim financial statements.

## **5 Capital management**

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

The Bank and the Group defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by the Financial and Capital Market Commission, banks must maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 30 June 2014, the individual minimum level is 17.70%. The Bank was in compliance with the FCMC determined individual capital ratio during the six-month periods ended 30 June 2014 and 30 June 2013, as well as during the year ended 31 December 2013.

The Group's risk based capital adequacy ratio, as at 30 June 2014, was 22.32% (31 December 2013: 17.80% and 30 June 2013: 19.28%).

The Bank's risk based capital adequacy ratio as at 30 June 2013 was 22.88% (31 December 2013: 18.49% and 30 June 2013 20.27%).

## **6 Use of estimates and judgments**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2013.

- Allowance for credit losses on loans and receivables
- Determining fair value of financial instruments;
- Impairment of available for sale financial assets;

## 6 Use of estimates and judgments, continued

- Impairment of held to maturity financial instruments;
- Determining fair value of property;
- Impairment of assets shown under other assets;
- Impairment of investment in subsidiaries;
- Impairment of goodwill;
- Useful life of equipment;
- Deferred tax asset recoverability.

During the six months ended 30 June 2014 management reassessed its estimates and concluded that there have been changes to:

- Allowances for credit losses on loans and receivables (see note 17);
- Impairment of assets shown under other assets (see note 24);
- Impairment of available-for-sale assets (see note 18);
- Impairment of investment in subsidiaries (see note 20).

## 7 Net interest income

	<b>Six months ended 30 June</b>			
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Interest income</b>				
Loans and receivables due from customers	42,816	39,160	37,123	33,900
Loans and receivables due from financial institutions	1,636	1,577	1,212	1,153
Financial instruments at fair value through profit or loss	101	101	212	212
Available for sale assets	601	601	847	847
Held-to-maturity investments	704	704	205	205
Amounts receivable under reverse repurchase agreements	277	277	381	381
	<b>46,135</b>	<b>42,420</b>	<b>39,980</b>	<b>36,698</b>
<b>Interest expense</b>				
Current accounts and deposits due to customers	6,852	6,774	6,877	6,766
Deposits and balances due to financial institutions	30	8	475	14
Other interest expense	2,978	2,585	2,497	2,489
	<b>9,860</b>	<b>9,367</b>	<b>9,849</b>	<b>9,269</b>

Included within interest income from loans and receivables due from customers for the six months period ended 30 June 2014 is interest income of EUR 1,148 thousand (30 December 2013: EUR 1,349 thousand) relating to impaired loans issued by the Bank and by Group of EUR 1,148 thousand (30 December 2013: EUR 1,592 thousand).

## 8 Fee and commission income

	Six months ended 30 June			
	2014	2014	2013	2013
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Money transfers	10,238	10,238	7,807	7,807
Commission income from payment cards	5,098	5,098	3,775	3,775
Commission income from E-commerce	7,222	7,222	4,259	4,259
Revenue from customer asset management and brokerage commissions	1,855	1,825	2,309	1,998
Remote system fee	92	92	85	85
Commission from documentary operations	448	448	478	478
Commission from account servicing	808	808	801	801
Cash withdrawals	109	109	171	171
Other	4,982	4,641	2,607	2,592
	<b>30,852</b>	<b>30,481</b>	<b>22,292</b>	<b>21,966</b>

## 9 Fee and commission expense

	Six months ended 30 June			
	2014	2014	2013	2013
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Payment cards	2,173	2,173	1,773	1,773
E-commerce	4,015	4,015	2,086	2,086
On correspondent accounts	651	651	329	329
Brokerage fees	438	461	460	514
Cash withdrawal fees	3	3	14	14
Agent commissions	1,149	1,149	1,097	1,161
Other	954	878	458	371
	<b>9,383</b>	<b>9,330</b>	<b>6,217</b>	<b>6,248</b>

## 10 Other income/(expense)

	Six months ended 30 June			
	2014	2014	2013	2013
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Rental income from operating leases	1,225	370	3,118	347
Profit/(loss) from sale of investment property	(220)	1	137	(60)
Fair value change in investment property	324	-	(120)	-
Penalties received	539	334	778	354
Dividends received	115	2,224	67	269
Profit from sale of property and equipment	57	-	6	-
Profit from sale of subsidiaries	294	-	155	250
Other, net	1,161	208	599	(54)
	<b>3,495</b>	<b>3,137</b>	<b>4,740</b>	<b>1,106</b>

## 11 Impairment losses

	<b>Six months ended 30 June</b>			
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Impairment losses</b>				
Loans and receivables due from customers	(10,902)	(9,927)	(14,505)	(13,936)
Available-for-sale financial assets	-	-	-	(622)
Investments in subsidiaries	-	(3,796)	-	-
Intangible assets	(419)	-	-	-
Other non-financial assets	(3)	-	(63)	(34)
	<b>(11,324)</b>	<b>(13,723)</b>	<b>(14,568)</b>	<b>(14,592)</b>
<b>Reversals of impairment losses</b>				
Loans and receivables due from customers	3,061	6,604	6,820	6,736
Available-for-sale financial assets	11	11	165	165
Held-to-maturity investments	-	-	393	393
Other non-financial assets	13	13	30	7
	<b>3,085</b>	<b>6,628</b>	<b>7,408</b>	<b>7,301</b>
<b>Net impairment losses</b>	<b>(8,239)</b>	<b>(7,095)</b>	<b>(7,160)</b>	<b>(7,291)</b>

## 12 General administrative expenses

	<b>Six months ended 30 June</b>			
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Employee remuneration	9,403	7,945	9,382	7,474
Payroll related taxes on employee remuneration	2,287	1,866	2,550	2,056
Provision for bonus and payroll related taxes	1,717	1,717	3,879	3,879
Depreciation and amortization	1,385	699	1,727	873
Repairs and maintenance	849	389	1,119	381
Advertising and marketing	492	276	481	309
Salaries to Board of Directors and Council	2,364	1,821	1,219	1,100
Representative offices	790	567	901	633
Taxes other than on corporate income and payroll	1,017	625	983	630
IT related costs	946	922	838	838
Communications and information services	689	617	638	589
Rent	774	1,880	1,043	1,645
Professional services	523	331	670	403
Travel expenses	662	482	556	522
Credit card service	801	796	524	524
Charity and sponsorship	626	288	287	135
Representation	93	92	135	107
Insurance	131	104	135	100
Office supplies (stationery)	62	41	70	38
Subscription of information	58	58	71	53
Security	34	28	34	36
Other	595	518	1,853	1,818
Reverse of provisions for the management bonus	(5,120)	(5,120)	-	-
	<b>21,178</b>	<b>16,942</b>	<b>29,095</b>	<b>24,143</b>

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



## 13 Income tax expense

### (a) Income tax expense recognized in the profit and loss

	Six months ended 30 June			
	2014 '000 EUR Group	2014 '000 EUR Bank	2013 '000 EUR Group	2013 '000 EUR Bank
Current tax expense				
Current tax expense	7,148	6,691	4,797	4,264
Corrections of prior years	(692)	(558)	(214)	(216)
Deferred tax expense				
Origination and reversal of temporary differences	437	554	(747)	(553)
Total income tax expense in the profit and loss	<u>6,893</u>	<u>6,687</u>	<u>3,836</u>	<u>3,495</u>

	2014	2013
<b>The tax rate applicable in countries in which group entities operate:</b>		
Latvia	15.00%	15.00%
Belarus	18.00%	18.00%
Cyprus	12.50%	10.00%
Russia	20.00%	20.00%
Azerbaijan	20.00%	20.00%

### (b) Reconciliation of effective tax rate:

The Group	30 June 2014		30 June 2013	
	'000 EUR	%	'000 EUR	%
Profit before income tax	42,523		27,807	
Income tax at the applicable tax rate	6,378	15.00%	4,171	15.00%
Effect of different tax rate in other countries	15	0.04%	(17)	(0.06%)
Change in unrecognised deferred tax asset	49	0.12%		
Tax relief donations	(430)	(1.01%)	-	-
Non-deductible expenses/(non-taxable income)	1,573	3.69%	(104)	(0.38%)
Under/(over) provided in prior years	(692)	(1.63%)	(214)	(0.76%)
	<u>6,893</u>	<u>16.21%</u>	<u>3,836</u>	<u>13.80%</u>

The Bank	30 June 2014		30 June 2013	
	'000 EUR	%	'000 EUR	%
Profit before tax	44,330		25,242	
Income tax at the applicable tax rate	6,650	15.00%	3,786	15.00%
Non-deductible expenses	2,963	6.68%	(75)	(0.30%)
Tax exempt income	(2,225)	(5.02%)	-	-
Tax relief donations	(143)	(0.32%)	-	-
Under/(over) provided in prior years	(558)	(1.26%)	(216)	(0.86%)
	<u>6,687</u>	<u>15.08%</u>	<u>3,495</u>	<u>13.84%</u>

## 13 Income tax expense, continued

### (c) Income tax recognized in other comprehensive income and directly in equity

Group	30 June 2014 '000 EUR		30 June 2013 '000 EUR	
	Tax Base	Deferred income tax	Tax Base	Deferred income tax
<b>Deferred tax expense</b>				
Change in revaluation reserve	(12)	-	(2,935)	439
Change in fair value reserve	(38)	6	(1,002)	151
Change in other reserves	(16)	-	(1)	-

Bank	30 June 2014 '000 EUR		30 June 2013 '000 EUR	
	Tax Base	Deferred income tax	Tax Base	Deferred income tax
<b>Deferred tax expense</b>				
Change in revaluation reserve	-	-	(2,935)	439
Change in fair value reserve	(232)	35	(1,002)	151

## 14 Cash and balances with the central bank

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

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
Cash	6,443	5,322	5,690	5,654
Balances with the central bank	211,505	211,505	516,911	516,911
	<b>217,948</b>	<b>216,827</b>	<b>522,601</b>	<b>522,565</b>

Cash and cash equivalents consist of the following:

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
Cash	6,443	5,322	5,690	5,654
Balances with the central bank	211,505	211,505	516,911	516,911
Demand loans and receivables due from banks	1,022,226	1,021,413	729,834	728,352
Demand deposits and balances due to banks	(16,371)	(16,371)	(33,705)	(31,222)
<b>Total</b>	<b>1,223,803</b>	<b>1,221,869</b>	<b>1,218,730</b>	<b>1,219,695</b>

## 15 Financial instruments at fair value through profit or loss

	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Bonds				
- with rating from AAA to A	3,443	3,443	7,582	7,582
- with rating from BBB+ to BBB-	7,842	7,842	9,021	9,021
- non-investment grade	1,048	1,048	-	-
Equity investments	548	495	1,331	514
Derivative financial instruments	299	299	716	716
<b>Financial assets at fair value through profit or loss</b>	<b>13,180</b>	<b>13,127</b>	<b>18,650</b>	<b>17,833</b>
Derivative financial instruments	(45)	(45)	(615)	(615)
<b>Financial liabilities at fair value through profit or loss</b>	<b>(45)</b>	<b>(45)</b>	<b>(615)</b>	<b>(615)</b>

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

### Derivative financial assets and liabilities

The Group and the Bank	30 June 2014 '000 EUR		31 Dec 2013 '000 EUR	
	Carrying value	Notional amount	Carrying value	Notional amount
<b>Assets</b>				
Forward contracts	30	17,240	73	6,938
Option premium	193	n/a	205	n/a
Swap contracts	76	9,486	438	9,969
<b>Total derivative financial assets</b>	<b>299</b>		<b>716</b>	
<b>Liabilities</b>				
Swap contracts	31	7,906	507	18,142
Forward contracts	14	10,580	108	9,799
<b>Total derivative liabilities</b>	<b>45</b>		<b>615</b>	

## 16 Loans and receivables due from banks

	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
<b>Demand accounts</b>				
Latvian commercial banks	7,406	7,294	11,928	11,612
OECD banks	914,281	914,281	654,924	654,924
Other non-OECD banks	100,539	99,838	62,982	61,816
<b>Total Demand accounts</b>	<b>1,022,226</b>	<b>1,021,413</b>	<b>729,834</b>	<b>728,352</b>
<b>Deposit accounts</b>				
OECD banks	181,289	181,289	118,228	118,228
Other non-OECD banks	1,305	-	8,375	7,032
<b>Total loans and deposits</b>	<b>182,594</b>	<b>181,289</b>	<b>126,603</b>	<b>125,260</b>
	<b>1,204,820</b>	<b>1,202,702</b>	<b>856,437</b>	<b>853,612</b>

### Concentration of placements with banks and other financial institutions

As at 30 June 2014 and 31 December 2013, the Bank and the Group had balances with none bank, which exceeded 10% of total loans and receivables due from banks.

## 17 Loans and receivables due from customers

	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Companies				
Finance leases	25,240	-	35,267	-
Loans	884,127	988,818	1,034,529	1,144,186
Individuals				
Finance leases	25,965	-	23,344	-
Loans	105,767	104,421	113,481	112,196
Specific impairment allowance	(83,288)	(81,697)	(79,435)	(80,435)
Collective impairment allowance	(1,958)	-	(1,908)	-
<b>Net Loans and receivables from customers</b>	<b>955,853</b>	<b>1,011,542</b>	<b>1,125,278</b>	<b>1,175,947</b>

## 17 Loans and receivables due from customers, continued

### (a) Finance leases

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

	<b>30 June 2014</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Gross investment in finance leases, receivable				
Less than one year	26,429	-	34,758	-
Between one and five years	38,467	-	37,706	-
Total gross investment in finance leases	64,896	-	72,464	-
Unearned finance income	(13,691)	-	(13,853)	-
Net investment in finance lease before allowance	51,205	-	58,611	-
Impairment allowance	(2,138)	-	(3,729)	-
<b>Net investment in finance lease</b>	<b>49,067</b>	<b>-</b>	<b>54,882</b>	<b>-</b>

	<b>30 June 2014</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
The net investment in finance leases comprises:				
Less than one year	20,508	-	32,292	-
Between one and five years	28,559	-	22,590	-
<b>Net investment in finance lease</b>	<b>49,067</b>	<b>-</b>	<b>54,882</b>	<b>-</b>

## 17 Loans and receivables due from customers, continued

### Credit quality of loan portfolio

#### (i) Ageing structure of loan portfolio

The Group	Total EUR'000	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying value of overdue loans
			Less than 30 days	31-90 days	91- 180 days	More than 180 days	
<b>As at 30 June 2014</b>							
Net carrying amount	<b>955,853</b>	817,714	91,890	33,349	1,256	11,644	138,139
Out of which impaired	<b>110,902</b>	78,413	9,074	12,505	1,161	9,749	32,489
Assessed fair value of collateral	<b>1,412,430</b>	1,207,932	131,271	41,928	1,166	30,133	204,498
<b>As at 31 Dec 2013</b>							
Net carrying amount	<b>1,125,278</b>	1,027,658	53,737	27,103	1,615	15,165	97,620
Out of which impaired	<b>120,092</b>	87,485	17,547	4,946	97	10,017	32,607
Assessed fair value of collateral	<b>1,659,088</b>	1,505,613	64,987	54,189	1,409	32,890	153,475
<b>The Bank</b>							
The Bank	Total EUR'000	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying value of overdue loans
			Less than 30 days	31-90 days	91- 180 days	More than 180 days	
<b>As at 30 June 2014</b>							
Net carrying amount	<b>1,011,542</b>	872,174	90,270	32,800	4,656	11,642	139,368
Out of which impaired	<b>85,048</b>	54,825	7,453	11,955	1,066	9,749	30,223
Assessed fair value of collateral	<b>1,500,280</b>	1,289,844	130,557	41,522	8,224	30,133	210,436
<b>As at 31 Dec 2013</b>							
Net carrying amount	<b>1,175,947</b>	1,071,204	51,673	36,642	1,518	14,910	104,743
Out of which impaired	<b>102,144</b>	70,798	16,591	4,742	-	10,013	31,346
Assessed fair value of collateral	<b>1,737,751</b>	1,572,706	63,753	67,242	1,409	32,641	165,045

## 17 Loans and receivables due from customers, continued

### (ii) Analysis of loan by type of collateral

The following table provides the analysis of the loan portfolio, net of impairment, by types of collateral.

#### The Group

EUR'000	30 June 2014	% of loan portfolio	31 December 2013	% of loan portfolio
Commercial buildings	367,928	38.50	358,373	31.85
Commercial assets pledge	292,744	30.63	304,075	27.02
Traded securities	53,107	5.56	163,832	14.56
Other mortgage	89,304	9.34	99,288	8.82
Without collateral	41,225	4.31	32,685	2.90
Land mortgage	60,275	6.31	86,834	7.72
Mortgage on residential properties	36,881	3.86	35,935	3.19
Guarantee	8,201	0.85	15,528	1.38
Deposit	5,095	0.53	5,552	0.49
Not traded securities	1,064	0.11	1,067	0.10
Other	29	0.00	22,109	1.97
<b>Total</b>	<b>955,853</b>	<b>100.00</b>	<b>1,125,278</b>	<b>100.00</b>

#### The Bank

EUR'000	30 June 2014	% of loan portfolio	31 December 2013	% of loan portfolio
Commercial buildings	410,220	40.55	400,406	34.05
Commercial assets pledge	306,475	30.30	318,978	27.13
Traded securities	53,107	5.25	163,832	13.93
Other mortgage	78,731	7.78	110,991	9.44
Land mortgage	60,275	5.96	86,834	7.39
Without collateral	49,968	4.94	38,016	3.23
Mortgage on residential properties	39,341	3.89	38,500	3.27
Guarantee	7,240	0.72	11,691	0.99
Deposit	5,095	0.50	5,552	0.47
Non-traded securities	1,064	0.11	1,067	0.09
Other	26	0.00	80	0.01
<b>Total</b>	<b>1,011,542</b>	<b>100.00</b>	<b>1,175,947</b>	<b>100.00</b>

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

## 17 Loans and receivables due from customers, continued

### (iii) Impaired loans

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
Impaired loans gross	169,803	166,745	177,822	182,579
Specific impairment allowance	(83,288)	(81,697)	(79,435)	(80,435)
<b>Net Loans and receivables from customers</b>	<b>86,515</b>	<b>85,048</b>	<b>98,387</b>	<b>102,144</b>
<b>Fair value of collateral related to impaired loans</b>	<b>142,142</b>	<b>140,574</b>	<b>131,111</b>	<b>133,776</b>

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

#### The Group

	30 June 2014 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance	31 Dec 2013 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance
Standard	877,868	(344)	(796)	1,035,865	(350)	(925)
Watch	33,564	(4,860)	(24)	42,433	(5,905)	(18)
Substandard	57,358	(21,887)	(62)	72,263	(28,177)	(80)
Doubtful	46,030	(30,911)	(93)	40,427	(30,127)	(141)
Lost	26,279	(25,286)	(983)	15,633	(14,876)	(744)
<b>Total</b>	<b>1,041,099</b>	<b>(83,288)</b>	<b>(1,958)</b>	<b>1,206,621</b>	<b>(79,435)</b>	<b>(1,908)</b>

#### The Bank

	30 June 2014 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance	31 Dec 2013 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance
Standard	934,654	(344)	-	1,082,316	(350)	-
Watch	31,943	(4,727)	-	41,585	(5,840)	-
Substandard	58,212	(22,213)	-	80,542	(32,370)	-
Doubtful	44,443	(30,436)	-	40,104	(30,048)	-
Lost	23,987	(23,977)	-	11,835	(11,827)	-
<b>Total</b>	<b>1,093,239</b>	<b>(81,697)</b>	<b>-</b>	<b>1,256,382</b>	<b>(80,435)</b>	<b>-</b>



## 17 Loans and receivables due from customers, continued

### (iv) Movements in the impairment allowance

Movements in the loan impairment allowance for the 30 June 2014 and year ended 31 December 2013 are as follows:

EUR'000	30 June 2014	30 June 2014	31 Dec 2013	31 Dec 2013
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
<b>Allowance for impairment</b>				
Balance at 1 January	81,343	80,435	74,870	74,270
Charge for the period:				
<i>Specific impairment allowance</i>	10,573	9,927	26,074	26,047
<i>Collective impairment allowance</i>	329	-	613	-
Reversal of specific impairment allowance loss				
<i>Specific impairment allowance</i>	(2,797)	(6,604)	(10,145)	(10,078)
<i>Collective impairment allowance</i>	(264)	-	(55)	-
Effect of foreign currency translation	(126)	(54)	(770)	(560)
Transfer to other non-financial assets	(1,804)	-	-	-
Write offs	(2,008)	(2,007)	(9,244)	(9,244)
<b>Balance at the end of period</b>	<b>85,246</b>	<b>81,697</b>	<b>81,343</b>	<b>80,435</b>

### (v) Restructured loans

As at 30 June 2014, the Group held restructured loans of EUR 97,889 thousand (31 December 2013: EUR 92,303 thousand) and the Bank held restructured loans of EUR 99,652 thousand (31 December 2013: EUR 98,575 thousand). Main forms of restructuring were the reduction of the interest rate, postponing of interest payments or principal payments.

### (c) Industry analysis of the loan portfolio

	30 June 2014	30 June 2014	31 Dec 2013	31 Dec 2013
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Financial services	231,039	282,178	364,234	422,261
Real estate management	273,326	320,704	291,114	333,783
Construction	32,468	32,468	35,154	35,154
Transport and communication	126,227	129,019	123,182	126,681
Individuals	105,369	84,290	90,910	90,910
Wholesale and retailing	57,644	57,618	60,401	60,382
Investments in finance lease	48,881	-	54,751	-
Manufacturing	24,368	24,204	26,023	25,977
Food industry	9,058	9,058	10,431	10,431
Tourism	6,088	6,087	6,234	6,228
Other	41,385	65,916	62,844	64,140
	<b>955,853</b>	<b>1,011,542</b>	<b>1,125,278</b>	<b>1,175,947</b>

## 17 Loans and receivables due from customers, continued

### (d) Geographical analysis of the loan portfolio

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Latvia	245,655	299,951	263,446	316,892
OECD countries	93,515	93,490	104,184	104,169
Other non-OECD countries	616,683	618,101	757,648	754,886
	<b>955,853</b>	<b>1,011,542</b>	<b>1,125,278</b>	<b>1,175,947</b>

### (e) Significant credit exposures

As at 30 June 2014 and 31 December 2013 the Bank and the Group had no borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loan and receivables from customers.

According to regulatory requirements, the Bank and the Group is not allowed to have a credit exposure to one client or a group of related clients of more than 25% of its equity. As at 31 December 2013 and 30 June 2014 the Bank and the Group were in compliance with this requirement.

## 18 Available-for-sale assets

	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
<b>Equity investments</b>				
<i>Equity shares</i>				
RB Opportunity Fund I net value	-	35,000	-	35,000
Impairment allowance through PL	-	(4,062)	-	(4,062)
Revaluation subsequent to impairment	-	2,999	-	3,194
Net value	-	33,937	-	34,132
RBAM Fixed Income Fund	-	-	2,442	2,442
Revaluation since acquisition	-	-	406	406
Net value	-	-	2,848	2,848
Viaduct Invest FCP SIF USD				
Evergreen 35 Repo Fund	29,287	29,287	29,311	29,311
Revaluation since acquisition	114	114	3	3
Net value	29,401	29,401	29,314	29,314
Corporate shares	2,449	610	2,081	240
Revaluation since acquisition	93	93	-	-
Impairment allowance	(1,648)	-	(1,649)	-
Net value	894	703	432	240
<i>Bonds</i>				
- with rating from AAA to A	218,501	218,501	26,640	26,640
Revaluation since acquisition	97	97	323	323
Net value	218,598	218,598	26,963	26,963
- with rating from BBB+ to BBB-	57,553	57,553	13,694	13,694
Revaluation since acquisition	770	770	351	351
Net value	58,323	58,323	14,045	14,045
- non-investment	5,127	5,127	3,576	3,576
Revaluation since acquisition	66	66	95	95
Impairment allowance	-	-	(11)	(11)
Net value	5,193	5,193	3,660	3,660
- not rated	1,503	1,503	-	-
Revaluation since acquisition	1	1	-	-
Net value	1,504	1,504	-	-
	<b>313,913</b>	<b>347,659</b>	<b>77,262</b>	<b>111,202</b>

## 19 Held-to-maturity investments

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	<u>Group</u>	<u>Bank</u>	<u>Group</u>	<u>Bank</u>
<b>Corporate bonds</b>				
Latvia	14,961	14,961	7,487	7,487
Other EU countries	5,401	5,401	-	-
USA	8,182	8,182	21,074	21,074
Russia	17	17	17	17
Other non- EU countries	10,745	10,745	-	-
<b>Total corporate bonds</b>	<b><u>39,306</u></b>	<b><u>39,306</u></b>	<b><u>28,578</u></b>	<b><u>28,578</u></b>

## 20 Investments in subsidiaries

The subsidiaries of the Bank are as follows:

	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR
	<u>Bank</u>	<u>Bank</u>
Incorporated in		
- Latvia	26,093	21,837
- Cyprus	10,956	10,956
- Russia	2,450	2,450
- Belarus	2,430	2,430
- Azerbaijan	4	4
<b>Total gross investments</b>	<b><u>41,933</u></b>	<b><u>37,677</u></b>
Impairment allowance	(12,333)	(8,537)
<b>Net Investments in subsidiaries</b>	<b><u>29,600</u></b>	<b><u>29,140</u></b>

### *Movements in the impairment allowances*

	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR
	<u>Bank</u>	<u>Bank</u>
<b>Balance at the beginning of the period</b>	8,537	5,363
Charge for the period	3,796	3,273
Reversal of impairment loss	-	(99)
<b>Balance at the end of period</b>	<b><u>12,333</u></b>	<b><u>8,537</u></b>

## 21 Property and equipment

### The Group

<b>Cost/Revalued amount '000 EUR</b>	<b>Land and buildings</b>	<b>Construction in progress</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
At 1 January 2014	39,834	60	2,426	19,299	<b>61,619</b>
Additions	26	11	675	2,748	<b>3,460</b>
Disposals	-	-	(62)	(150)	<b>(212)</b>
Transfers	104	(104)	-	-	-
Transfers to investment property	-	(28)	-	-	<b>(28)</b>
Sale of subsidiaries	-	-	-	(24)	<b>(24)</b>
Purchase of subsidiaries	132	92	-	792	<b>1,016</b>
FX translation effect	(40)	(2)	(9)	15	<b>(36)</b>
<b>At 30 June 2014</b>	<b>40,056</b>	<b>29</b>	<b>3,030</b>	<b>22,680</b>	<b>65,795</b>
<b>Depreciation and impairment losses</b>					
At 1 January 2014	3,106	-	1,879	13,199	<b>18,184</b>
Depreciation charge	402	-	125	593	<b>1,120</b>
Disposals depreciation	-	-	(62)	(148)	<b>(210)</b>
Sale of subsidiaries	-	-	-	(3)	<b>(3)</b>
FX translation effect	(4)	-	(22)	23	<b>(3)</b>
<b>At 30 June 2014</b>	<b>3,504</b>	<b>-</b>	<b>1,920</b>	<b>13,664</b>	<b>19,088</b>
<b>Carrying value</b>					
<b>At 30 June 2014</b>	<b>36,552</b>	<b>29</b>	<b>1,110</b>	<b>9,016</b>	<b>46,707</b>
At 31 December 2013	36,728	60	547	6,100	43,435

## 21 Property and equipment, continued

### The Group, continued

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

## 21 Property and equipment, continued

### The Bank

'000 EUR	Vehicles	Office equipment	Total
<b>Cost/Revalued amount</b>			
1 January 2014	2,364	14,403	16,767
Additions	674	374	1,048
Disposals	(62)	(107)	(169)
<b>At 30 June 2014</b>	<b>2,976</b>	<b>14,670</b>	<b>17,646</b>
<b>Depreciation and impairment losses</b>			
At 1 January 2014	1,809	9,420	11,229
Depreciation charge	123	376	499
Disposals	(62)	(107)	(169)
<b>At 30 June 2014</b>	<b>1,870</b>	<b>9,689</b>	<b>11,559</b>
<b>Net book value</b>			
<b>At 30 June 2014</b>	<b>1,106</b>	<b>4,981</b>	<b>6,087</b>
At 31 December 2013	555	4,983	5,538
'000 EUR	Vehicles	Office equipment	Total
<b>Cost/Revalued amount</b>			
1 January 2013	2,128	14,666	16,794
Additions	374	1,450	1,824
Disposals	(138)	(1,713)	(1,851)
Transferred from advances	-	-	-
<b>At 31 December 2013</b>	<b>2,364</b>	<b>14,403</b>	<b>16,767</b>
<b>Depreciation and impairment losses</b>			
At 1 January 2013	1,699	9,931	11,630
Depreciation charge	181	763	944
Disposals	(71)	(1,274)	(1,345)
<b>At 31 December 2013</b>	<b>1,809</b>	<b>9,420</b>	<b>11,229</b>
<b>Net book value</b>			
<b>At 31 December 2013</b>	<b>555</b>	<b>4,983</b>	<b>5,538</b>
At 31 December 2012	429	4,735	5,164

## 22 Intangible assets

### The Group

'000 EUR	<u>Goodwill</u>	<u>Software</u>	<u>Other</u>	<u>Total</u>
<b>Cost</b>				
At 1 January 2014	1,069	10,977	2,124	<b>14,170</b>
Additions	-	224	9	<b>233</b>
Purchase of subsidiaries	419	-	-	<b>419</b>
Sale of subsidiary	-	(3)	-	<b>(3)</b>
<b>At 30 June 2014</b>	<b>1,488</b>	<b>11,198</b>	<b>2,133</b>	<b>14,819</b>

### Amortisation and impairment losses

At 1 January 2014	-	9,943	740	<b>10,683</b>
Amortization charge	-	198	67	<b>265</b>
Impairment losses	419	-	-	<b>419</b>
Sale of subsidiary	-	(3)	-	<b>(3)</b>
<b>At 31 December 2014</b>	<b>419</b>	<b>10,138</b>	<b>807</b>	<b>11,364</b>

### Carrying value

<b>At 30 June 2014</b>	<b>1,069</b>	<b>1,060</b>	<b>1,326</b>	<b>3,455</b>
At 31 December 2013	<b>1,069</b>	<b>1,034</b>	<b>1,384</b>	<b>3,487</b>

'000 EUR	<u>Goodwill</u>	<u>Software</u>	<u>Other</u>	<u>Total</u>
<b>Cost</b>				
At 1 January 2013	3,329	11,147	2,120	<b>16,596</b>
Additions	-	378	260	<b>638</b>
Disposals	-	(783)	-	<b>(783)</b>
Reclassification	-	235	(235)	<b>-</b>
Write off	(2,260)	-	-	<b>(2,260)</b>
Sale of subsidiary	-	-	(21)	<b>(21)</b>
<b>At 31 December 2013</b>	<b>1,069</b>	<b>10,977</b>	<b>2,124</b>	<b>14,170</b>

### Amortisation and impairment losses

At 1 January 2013	2,260	10,000	624	<b>12,884</b>
Amortisation charge	-	724	138	<b>862</b>
Disposals	-	(781)	-	<b>(781)</b>
Write off	(2,260)	-	-	<b>(2,260)</b>
Sale of subsidiary	-	-	(22)	<b>(22)</b>
<b>At 31 December 2013</b>	<b>-</b>	<b>9,943</b>	<b>740</b>	<b>10,683</b>

### Carrying value

<b>At 31 December 2013</b>	<b>1,069</b>	<b>1,034</b>	<b>1,384</b>	<b>3,487</b>
<b>At 31 December 2012</b>	<b>1,069</b>	<b>1,147</b>	<b>1,496</b>	<b>3,712</b>



## 22 Intangible assets, continued

In 2014 Group companies acquired the following subsidiaries:

	<b>“Euro Textile Group” Ltd</b>	<b>“Green Energy Trio” Ltd</b>	<b>“Pack &amp; Q” Ltd</b>
Date of acquisition	17.03.2014	28.02.2014	16.06.2014
Acquired shares %	100%	100%	100%

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

	<b>“Euro Textile Group” Ltd</b>	<b>“Green Energy Trio” Ltd</b>	<b>Pack &amp; Q” Ltd</b>	<b>Total</b>
<b>Assets</b>	<b>’000 EUR</b>	<b>’000 EUR</b>	<b>’000 EUR</b>	<b>’000 EUR</b>
Loans and advances due from banks	-	-	32	32
Property and equipment	-	440	576	1,016
Investment property	5,048	-	-	5,048
Other assets	4	-	47	51
<b>Liabilities</b>				
Deposits and balances due to banks	(1,180)	-	-	(1,180)
Current accounts and deposits due to customers	(7)	(150)	(25)	(182)
Deferred tax liability	(1)	-	-	(1)
Other liabilities	(11)	(53)	(29)	(93)
<b>Net identifiable assets and liabilities</b>	<b>3,853</b>	<b>237</b>	<b>601</b>	<b>4,691</b>

<b>Goodwill</b>	<b>147</b>	<b>272</b>	<b>-</b>	<b>419</b>
<b>Consideration paid</b>	<b>4,000</b>	<b>509</b>	<b>601</b>	<b>5,110</b>

On 28 February 2014, the Group acquired a new subsidiary “Green Energy Trio” Ltd, the main operating activity of which is providing heating services in one city in Latvia. Subsequently to the acquisition, the Group invested into purchasing new equipment with the aim to significantly extend the operations. The property and equipment were valued using cost replacement method, the cost being derived by prices of the equipment valid during last five years.

On 17 March 2014, the Group acquired shares in “Euro Textile Group” Ltd in the process exercising its right to collateral of a bad loan. The investment property was allocated a provisional fair value as the Group is waiting to obtain external valuation before 31 December 2014.

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

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

## 22 Intangible assets, continued

### The Bank

'000 EUR	Goodwill	Software	Other	Total
<b>Cost</b>				
At 1 January 2014	1,069	10,962	97	12,128
Additions	-	225	9	234
<b>At 30 June 2014</b>	<b>1,069</b>	<b>11,187</b>	<b>106</b>	<b>12,362</b>
<b>Amortization and impairment losses</b>				
At 1 January 2014	-	9,928	32	9,960
Amortization charge	-	198	2	200
<b>At 30 June 2014</b>	<b>-</b>	<b>10,126</b>	<b>34</b>	<b>10,160</b>
<b>Net book value</b>				
<b>At 30 June 2014</b>	<b>1,069</b>	<b>1,061</b>	<b>72</b>	<b>2,202</b>
<b>At 31 December 2013</b>	<b>1,069</b>	<b>1,034</b>	<b>65</b>	<b>2,168</b>

'000 EUR	Goodwill	Software	Other	Total
<b>Cost</b>				
At 1 January 2013	1,069	11,133	86	12,288
Additions	-	377	246	623
Disposals	-	(783)	-	(783)
Reclassification	-	235	(235)	-
<b>At 31 December 2013</b>	<b>1,069</b>	<b>10,962</b>	<b>97</b>	<b>12,128</b>
<b>Amortization and impairment losses</b>				
At 1 January 2013	-	9,988	31	10,019
Amortization charge	-	723	1	724
Disposals	-	(783)	-	(783)
<b>At 31 December 2013</b>	<b>-</b>	<b>9,928</b>	<b>32</b>	<b>9,960</b>
<b>Net book value</b>				
<b>At 31 December 2013</b>	<b>1,069</b>	<b>1,034</b>	<b>65</b>	<b>2,168</b>
<b>At 31 December 2012</b>	<b>1,069</b>	<b>1,145</b>	<b>55</b>	<b>2,269</b>

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

## 23 Investment property

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Balance at 1 January	70,875	4,455	74,729	10,670
Collateral from loans assumed	643	643	3,142	3,142
Transferred from other assets (Prepayments for property obtained in auctions)	2,640	-	-	-
Transferred from property	28	-	9	-
Purchase of subsidiary	5,048	-	-	-
Additions	2,427	14	4,159	10
Sale of subsidiary	(1,850)	-	-	-
Sale of investment property	(1,825)	(221)	(14,142)	(9,199)
Revaluation of property	324	-	2,965	294
Investment in subsidiaries	-	-	-	(462)
Transferred to non-current assets held for sales	-	-	(1)	-
Currency revaluation	(49)	-	14	-
<b>Balance at the end of reporting period</b>	<b>78,261</b>	<b>4,891</b>	<b>70,875</b>	<b>4,455</b>

Investment property comprises office buildings and other commercial properties, such as land or parts of buildings, and premises owned by the Group companies, which the Group does not occupy and which are leased to third parties or held for fair value increase. The Group's investment property comprises of a juice processing terminal, residential property, plots of land, and a hotel and leisure facility.

## 24 Other assets

	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
<i>Other financial assets</i>				
Cash in transit	15	-	-	-
<i>Other non-financial assets</i>				
Collateral assumed on non-performing loans	9,424	9,424	10,013	10,013
Prepayments	1,771	1,103	2,368	723
Prepayments for property obtained in auctions	865	-	3,514	-
Guarantee receivable from borrower	3,732	3,561	3,560	3,560
Recoverable VAT	1,669	-	2,617	-
Other	11,533	6,892	10,490	6,951
Impairment allowance on collateral assumed	(4,355)	(2,314)	(2,561)	(2,327)
	<b>24,654</b>	<b>18,666</b>	<b>30,001</b>	<b>18,920</b>

### *Analysis of movements in the value of collateral assumed on no-performing loans*

	Six months ended		12 months ended	
	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Balance at the beginning of the period	10,013	10,013	12,230	12,230
Sale of collateral completed	(589)	(589)	(2,217)	(2,217)
<b>Balance at the end of the period</b>	<b>9,424</b>	<b>9,424</b>	<b>10,013</b>	<b>10,013</b>

### *Analysis of movements in the impairment allowance*

	Six months ended		12 months ended	
	30 June 2014 '000 EUR Group	30 June 2014 '000 EUR Bank	31 Dec 2013 '000 EUR Group	31 Dec 2013 '000 EUR Bank
Balance at the beginning of the period	2,561	2,327	2,901	2,462
Charge for the period	3	-	381	267
Recovery	(13)	(13)	(45)	(12)
Transfer from loans and receivables due from customers	1,804	-	2	-
Written off	-	-	(391)	(390)
Sale of subsidiary	-	-	(287)	-
<b>Balance at the end of the period</b>	<b>4,355</b>	<b>2,314</b>	<b>2,561</b>	<b>2,327</b>

## 25 Deposits and balances due to banks

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
Vostro accounts	16,371	16,371	33,705	31,222
Term deposits	2,290	690	794	794
	<b>18,661</b>	<b>17,061</b>	<b>34,499</b>	<b>32,016</b>

### Concentration of deposits and balances from banks and other financial institutions

As at 30 June 2014 the Bank and the Group had balances with three banks and financial institutions (three as at 31 December 2013), which exceeded 10% of the total deposits and balances from banks. The gross value of these balances was EUR 8,880 thousand as of 30 June 2014 and EUR 15,711 thousand as of 31 December 2013.

## 26 Current accounts and deposits due to customers

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
Current accounts and demand deposits				
- Private companies residents	96,209	108,909	85,348	101,994
- Individuals residents	59,842	59,842	55,651	55,251
- Government – non-residents	89	89	-	-
- Private companies non-residents	1,809,310	1,809,310	1,761,675	1,761,675
- Individuals non-residents	390,127	390,127	326,286	326,286
<b>Total current account and demand deposits</b>	<b>2,355,577</b>	<b>2,368,277</b>	<b>2,228,960</b>	<b>2,245,206</b>
Term deposits				
- Private companies	2,717	2,671	4,731	3,685
- Individuals	41,314	40,511	33,915	33,631
- Private companies non-residents	116,206	116,206	142,782	142,782
- Individuals non-residents	53,525	53,525	48,984	48,984
Subordinated deposits				
- Individuals	11,168	11,168	10,013	10,013
- Private companies non-residents	28,999	28,999	27,726	27,726
- Individuals non-residents	77,008	77,008	67,594	67,594
<b>Total term deposits</b>	<b>330,937</b>	<b>330,088</b>	<b>335,745</b>	<b>334,415</b>
<b>Total current accounts and deposits from customers</b>	<b>2,686,514</b>	<b>2,698,365</b>	<b>2,564,705</b>	<b>2,579,621</b>

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

### (a) Blocked accounts

As of 30 June 2014 and 31 December 2013, the Bank maintained customer deposit balances of EUR 10,139 thousand and EUR 11,979 thousand, respectively which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

### (b) Concentrations of current accounts and customer deposits

As of 30 June 2014 and 31 December 2013, the Bank and the Group had no customers, whose balances exceeded 10% of total customer accounts.

## 27 Issued debt securities

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
Subordinated bonds				
- Individuals residents	3,227	3,227	3,227	3,227
- Private companies non-residents	5,723	5,723	5,893	5,893
- Individuals non-residents	9,518	9,518	9,354	9,354
<b>Total</b>	<b>18,468</b>	<b>18,468</b>	<b>18,474</b>	<b>18,474</b>

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

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

## 28 Other liabilities and accruals

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
Annual leave	1,438	1,238	1,170	1,037
Deferred income	2,634	1,288	1,197	1,191
Management bonus	4,015	3,997	7,430	7,400
Deposits guarantee fund	1,083	1,050	1,309	1,290
VAT payable	1,735	33	748	107
Dividends payable	24	6	14	6
Prepayments	1,162	338	2,203	113
Other liabilities	4,359	2,408	5,028	2,440
	<b>16,450</b>	<b>10,358</b>	<b>19,099</b>	<b>13,584</b>

Other liabilities include accounts payable to suppliers.

## 29 Share capital and reserves

### (a) Re-registration of share capital in EUR

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

### (b) Issue of preference shares

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

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

### (c) Revaluation reserve

The difference between annual amortization of property based on revalued amount (that is recognized in profit or loss) and between annual amortization of property based on cost of property is transferred from Revaluation reserve to retained earnings.

### (c) Dividends

As at reporting date dividends in amount up to 50% from 6 months profit were proposed.

## 30 Commitments and guarantees

	30 June 2014 '000 EUR	30 June 2014 '000 EUR	31 Dec 2013 '000 EUR	31 Dec 2013 '000 EUR
	Group	Bank	Group	Bank
<b>Contracted amount</b>				
Loan and credit line commitments	33,303	37,165	29,250	32,104
Credit card commitments	9,729	9,729	9,896	9,897
Undrawn overdraft facilities	9,941	9,941	7,975	7,975
Guarantees and letters of credit	13,173	13,173	13,909	13,909
<b>Total</b>	<b>66,146</b>	<b>70,008</b>	<b>61,030</b>	<b>63,885</b>

## 31 Litigations

In the ordinary course of business, the Bank is subject to legal actions and complaints. As at 30 June 2014 there were 20 legal proceedings outstanding against the Bank. Total amount disputed in these proceedings is EUR 4,518 thousand. No provisions were recognised as at 30 June 2014 and 31 December 2013, as the management based on the professional advice to the Bank considers that the loss is not likely to eventuate.

## 32 Reverse repo

	<b>30 June 2014</b> <b>'000 EUR</b>	<b>30 June 2014</b> <b>'000 EUR</b>	<b>31 Dec 2013</b> <b>'000 EUR</b>	<b>31 Dec 2013</b> <b>'000 EUR</b>
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Natixis	72,789	72,789	50,930	50,930
Commerzbank AG	59,610	59,610	-	-
KBC Bank NV	50,025	50,025	35,001	35,001
Brissard International	26	26	-	-
Nomura International plc	-	-	35,071	35,071
Merrill Lynch International	-	-	29,306	29,306
<b>Total</b>	<b>182,450</b>	<b>182,450</b>	<b>150,308</b>	<b>150,308</b>

## 33 Equity accounted investees

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

Name	Country of incorporation	Principal activities	Ownership %	Amount of investment	
				30 June 2014	31 December 2013
"AED Rail Service" Ltd	Latvia	Information services for the railway	43.00%	18	41
"Dzelzcelu Tranzits Ltd	Latvia	Information services for the railway	49.12%	-	-
<b>Total</b>				<b>18</b>	<b>41</b>



## 34 Related party transactions

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

### (a) Shareholders, Members of the Council and Board (the Bank)

<b>Loans and receivables:</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
Loans and receivables at the beginning of the period	952	863
Loans issued during the period	94	387
Forex translation effect	(7)	(1)
Due to changes in the structure of related parties	-	(137)
Loan repayment during the period	(381)	(160)
Loans and receivables at the end of the period	<b>658</b>	<b>952</b>
Interest income earned during the period	11	21

<b>Deposits</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
Deposits at the beginning of the period	13,867	14,881
Deposits received during the period	5,047	3,569
Forex translation effect	(1)	(5)
Due to changes in the structure of related parties	-	(50)
Deposits repaid during the period	(1,422)	(4,528)
Deposits at the end of the period	<b>17,491</b>	<b>13,867</b>
Interest expense on deposits charged during the period	552	1,135

Total remuneration included in General administrative expenses (Note 12):

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
Members of the Council	118	117
Members of the Board of Directors	1,703	983
	<b>1,821</b>	<b>1,100</b>

### (b) Subsidiaries and associated companies (the Bank)

<b>Loans and receivables:</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
Loans and receivables at the beginning of the period	111,873	117,272
Loans issued during the period	21,179	51,946
Due to changes in the structure of related parties	(758)	(5)
Forex translation effect	(212)	(1,302)
Loan repayment during the period	(26,639)	(56,038)
Loans and receivables at the end of the period	<b>105,443</b>	<b>111,873</b>
Interest income earned	3,038	6,912

## 34 Related party transactions, continued

<b>Deposits</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
Deposits at the beginning of the period	47	184
Deposits received during the period	-	1,001
Forex translation effect	-	-
Deposits repaid during the period	46	(1,138)
Deposits at the end of the period	<b>1</b>	<b>47</b>
Interest expense on deposits	-	-

### The Group

#### Transactions with members of the Council and the Board of Directors

The outstanding balances as of 30 June 2014 and 31 December 2013 with members of the Council and the Board are as follows:

	<b>30 June 2014</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
<i>Loans and receivables</i>		
Shareholders, Members of Council and Board	1,021	1,538
Key management personnel and relatives	102	112
Companies controlled by Shareholders, Members of Council and Board	16,988	18,102
<i>Term deposits</i>		
Shareholders, Members of Council and Board	10,320	11,713
Key management personnel and relatives	7,844	2,760
Companies controlled by Shareholders, Members of Council and Board	10,932	10,929

Total remuneration included in administrative expenses (Note 12):

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
Members of the Council	118	155
Members of Board of Directors	2,246	1,064
	<b>2,364</b>	<b>1,219</b>

## 35 Fair value of financial instruments

### (a) Financial instruments measured at fair value

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

#### The Group

<b>30 June 2014</b>	<b>Level (1)</b>	<b>Level (2)</b>	<b>Level (3)</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	12,828	352	-	13,180
Available for sale assets	283,833	29,401	679	313,913
<b>Financial liabilities</b>				
Financial investments at fair value through profit or loss	-	45	-	45
<b>31 Dec 2013</b>	<b>Level (1)</b>	<b>Level (2)</b>	<b>Level (3)</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	17,118	1,532	-	18,650
Available for sale assets	44,278	32,984	-	77,262
<b>Financial liabilities</b>				
Financial investments at fair value through profit or loss	-	615	-	615

#### The Bank

<b>30 June 2014</b>	<b>Level (1)</b>	<b>Level (2)</b>	<b>Level (3)</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	12,828	299	-	13,127
Available for sale assets	283,833	29,401	34,425	347,659
<b>Financial liabilities</b>				
Financial investments at fair value through profit or loss	-	45	-	45
<b>31 Dec 2013</b>	<b>Level (1)</b>	<b>Level (2)</b>	<b>Level (3)</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	17,117	716	-	17,833
Available for sale assets	44,278	66,924	-	111,202
<b>Financial liabilities</b>				
Financial investments at fair value through profit or loss	-	615	-	615

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

### (b) Financial instruments not measured at fair value

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

## 35 Fair value of financial instruments, continued

### The Group

30 June 2014	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
<b>Financial assets</b>					
Cash and balances with central banks	-	-	217,948	217,948	217,948
Loans and receivables from banks	-	-	1,204,820	1,204,820	1,204,820
Loans and receivables from customers	-	-	955,853	955,853	955,853
Reverse repo	-	-	182,450	182,450	182,450
Held to maturity instruments	38,645	-	-	38,645	39,306
<b>Financial liabilities</b>					
Deposits and balances due to banks	-	-	18,661	18,661	18,661
Deposits and balances due to customers	-	-	2,686,514	2,686,514	2,686,514
Issued debt securities	-	-	18,468	18,468	18,468
<hr/>					
<b>31 December 2013</b>					
<b>Financial assets</b>					
Cash and balances with central banks	-	-	522,601	522,601	522,601
Loans and receivables from banks	-	-	856,437	856,437	856,437
Loans and receivables from customers	-	-	1,125,278	1,125,278	1,125,278
Reverse repo	-	-	150,308	150,308	150,308
Held to maturity instruments	28,640	-	-	28,640	28,578
<b>Financial liabilities</b>					
Deposits and balances due to banks	-	-	34,499	34,499	34,499
Deposits and balances due to customers	-	-	2,564,705	2,564,705	2,564,705
Issued debt securities	-	-	18,474	18,474	18,474

The fair value of financial assets and liabilities measured at amortized cost, except for held to maturity investments, is measured using discounted cash flows. Discounting rate is derived from market interest rate adjusted for risk related to individual instruments.

## 35 Fair value of financial instruments, continued

### The Bank

30 June 2014	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
<b>Financial assets</b>					
Cash and balances with central banks	-	-	216,827	216,827	216,827
Loans and receivables from banks	-	-	1,202,702	1,202,702	1,202,702
Loans and receivables from customers	-	-	1,011,542	1,011,542	1,011,542
Reverse repo	-	-	182,450	182,450	182,450
Held to maturity instruments	38,645	-	-	38,645	39,306
<b>Financial liabilities</b>					
Deposits and balances due to banks	-	-	17,061	17,061	17,061
Deposits and balances due to customers	-	-	2,698,365	2,698,365	2,698,365
Issued debt securities	-	-	18,468	18,468	18,468
<hr/>					
<b>31 December 2013</b>					
<b>Financial assets</b>					
Cash and balances with central banks	-	-	522,565	522,565	522,565
Loans and receivables from banks	-	-	853,612	853,612	853,612
Loans and receivables from customers	-	-	1,175,947	1,175,947	1,175,947
Reverse repo	-	-	150,308	150,308	150,308
Held to maturity instruments	28,640	-	-	28,640	28,578
<b>Financial liabilities</b>					
Deposits and balances due to banks	-	-	32,016	32,016	32,016
Deposits and balances due to customers	-	-	2,579,621	2,579,621	2,579,621
Issued debt securities	-	-	18,474	18,474	18,474

## 36 Operating segments

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

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

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

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

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

## 36 Operating segments, continued

The following table shows the operating segment structure of gross revenue of the Group for six months period ended at 30 June 2014 and financial assets and liabilities of the Group as at 30 June 2014:

`000 EUR	Lending & investment	Customer services	Financial markets & Treasury	Investment and non- banking segments	Total
<b>External revenue</b>					
Net interest income	33,655	200	(4,288)	6,708	<b>36,275</b>
Net fee and commission income	619	21,056	1,205	(1,411)	<b>21,469</b>
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	192	(46)	<b>146</b>
Net foreign exchange income	-	2,165	8,262	(106)	<b>10,321</b>
Net gain/(loss) on the net monetary position	-	-	-	(150)	<b>(150)</b>
Net recognised gain on available-for-sale assets	-	-	407	-	<b>407</b>
Share of profit of equity accounted investees (net of income tax)	-	-	-	(23)	<b>(23)</b>
Other income/(expense)	522	(201)	(100)	3,274	<b>3,495</b>
<b>Inter segment revenue</b>	<b>(18,197)</b>	<b>4,062</b>	<b>13,694</b>	<b>441</b>	<b>-</b>
<b>Total segment revenue</b>	<b>16,599</b>	<b>27,282</b>	<b>19,372</b>	<b>8,687</b>	<b>71,940</b>
Impairment losses on financial assets	(7,143)	4	11	(1,111)	(8,239)
<b>Reportable segment profit before income tax</b>	<b>7,031</b>	<b>16,865</b>	<b>15,737</b>	<b>2,890</b>	<b>42,523</b>
<b>Reportable segment assets</b>	<b>827,113</b>	<b>111,032</b>	<b>1,937,516</b>	<b>130,567</b>	<b>3,006,228</b>
<b>Reportable segment liabilities</b>	<b>-</b>	<b>2,244,516</b>	<b>476,421</b>	<b>2,751</b>	<b>2,723,688</b>

### 36 Operating segments, continued

The following table shows the operating segment structure of gross revenue of the Group for six months period ended at 30 June 2013 and financial assets and liabilities of the Group as at 31 December 2013:

`000 EUR	Lending & investment	Customer services	Financial markets & Treasury	Investment and non- banking segments	Total
<b>External revenue</b>					
Net interest income	27,352	121	(3,670)	6,328	<b>30,131</b>
Net fee and commission income	579	15,129	1,463	(1,096)	<b>16,075</b>
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	1,244	98	<b>1,342</b>
Net foreign exchange income	-	-	10,543	(223)	<b>10,320</b>
Net gain/(loss) on the net monetary position	-	-	-	(3)	<b>(3)</b>
Net recognised gain on available-for- sale assets	-	-	636	851	<b>1,487</b>
Share of profit of equity accounted investees (net of income tax)	-	-	-	(30)	<b>(30)</b>
Other income/(expense)	689	13	(1,353)	5,391	<b>4,740</b>
<b>Inter segment revenue</b>	<b>(16,108)</b>	<b>3,004</b>	<b>11,965</b>	<b>1,139</b>	<b>-</b>
<b>Total segment revenue</b>	<b>12,512</b>	<b>18,267</b>	<b>20,828</b>	<b>12,455</b>	<b>64,062</b>
Impairment losses on financial assets	(6,158)	(11)	(507)	(484)	<b>(7,160)</b>
<b>Reportable segment profit before income tax</b>	<b>4,089</b>	<b>12,961</b>	<b>13,719</b>	<b>(2,962)</b>	<b>27,807</b>
<b>Reportable segment assets</b>	<b>918,395</b>	<b>65,452</b>	<b>1,776,140</b>	<b>90,001</b>	<b>2,849,988</b>
<b>Reportable segment liabilities</b>	<b>-</b>	<b>2,026,814</b>	<b>586,919</b>	<b>4,560</b>	<b>2,618,293</b>



## 36 Operating segments, continued

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
<b>Revenues</b>		
Total revenue for reportable segments	71,940	64,062
Unallocated amounts	-	-
Consolidated revenue	71,940	64,062
<b>Profit or loss</b>		
Total profit or loss for reportable segments	42,523	27,807
Unallocated amounts	-	-
Consolidated profit before income tax	42,523	27,807
	<b>30 June 2014</b>	<b>31 Dec 2013</b>
	<b>'000 EUR</b>	<b>'000 EUR</b>
<b>Assets</b>		
Total assets for reportable segments	3,006,228	2,849,988
Other unallocated amounts	75,510	77,791
Consolidated total amounts	3,081,738	2,927,779
<b>Liabilities</b>		
Total liabilities for reportable segments	2,723,688	2,618,293
Other unallocated amounts	21,857	26,616
Consolidated total amounts	2,745,545	2,644,909

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

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

### 37 Non-controlling interest in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations as at 30 June 2014 for the period of 6 months ended 30 June 2014:

`000 EUR	InCredit Group SIA	Other subsidiaries	Total
<b>NCI percentage</b>	<b>49%</b>		
Loans and advances due from customers	24,553		
Other assets	771		
Deposits and balances due to financial institutions	(19,945)		
Other liabilities	(2,860)		
<b>Net assets</b>	<b>2,519</b>		
<b>Carrying amount of NCI</b>	<b>1,234</b>	<b>68</b>	<b>1,302</b>
Revenue	3,599		
Profit	641		
<b>Total comprehensive income</b>	<b>641</b>		
<b>Profit/(loss) allocated to NCI</b>	<b>314</b>	<b>28</b>	<b>342</b>
Cash flows from operating activities	(1,838)		
Cash flows from investment activities	(53)		
Cash flows from financing activities, before dividends to NCI	(2,692)		
Cash flows from financing activities - cash dividends to NCI	(1,692)		
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(199)</b>		

### 37 Interest in other entities, continued

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2013 and for the period of six months ended 30 June 2013:

`000 EUR	InCredit Group SIA	Other subsidiaries	Total
<b>NCI percentage</b>	<b>49%</b>		
Loans and advances due from customers	22,101		
Other assets	1,046		
Deposits and balances due to financial institutions	(17,652)		
Other liabilities	(2,617)		
<b>Net assets</b>	<b>2,878</b>		
<b>Carrying amount of NCI as at 31 Dec 2013</b>	<b>1,410</b>	<b>614</b>	<b>2,024</b>
Revenue	2,961		
Profit	542		
<b>Total comprehensive income</b>	<b>542</b>		
<b>Profit/(loss) allocated to NCI for six months period ended 30 June 2013</b>	<b>266</b>	<b>428</b>	<b>694</b>
Cash flows from operating activities	(2,504)		
Cash flows from investment activities	(51)		
Cash flows from financing activities, before dividends to NCI	(2,463)		
Cash flows from financing activities - cash dividends to NCI	(2,463)		
<b>Net increase (decrease) in cash and cash equivalents for six months period ended 30 June 2013</b>	<b>(93)</b>		

A part of profit of subsidiary Westtransinvest Ltd earned in six months period ended 30 June 2013 was allocated to non-controlling interest. The non-controlling interest was subsequently purchased by the Group by the end of the same period.

As at 31 December 2013, a non-controlling interest of EUR 499 thousand related to RB Asset Management JSC IPS is included in Other subsidiaries. The subsidiary was disposed off in 2014 and the financial information as at the date of disposal is presented in Note 38.

### 38 Disposal of subsidiaries

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

<b>Disposed shares %</b>	<b>“Armitana property” Ltd 100%</b>	<b>“Aquarium investments “JSC IPS (former “RB Asset management” JSC IPS) 65.10%</b>	<b>Total '000 EUR</b>
<b>Assets</b>	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>
Loans and advances due from banks	1	1,161	1,162
Property and equipment	6	15	21
Investment property	1,850	-	1,850
Other assets	76	73	149
Deferred tax asset	104	-	104
<b>Liabilities</b>			
Deposits and balances due to banks	(758)	-	(758)
Current accounts and deposits due to customers	(1,275)	-	(1,275)
Current tax liability	(38)	(30)	(68)
Other liabilities	(367)	(59)	(426)
<b>Net identifiable assets and liabilities</b>	<b>(401)</b>	<b>1,160</b>	<b>759</b>
<b>Attributable to equity holders of the Bank</b>	<b>(401)</b>	<b>755</b>	<b>354</b>
<b>Consideration received</b>	<b>-</b>	<b>648</b>	<b>648</b>

### 39 Change in financial risk sensitivity

An analysis of sensitivity of the Bank's and the Group's net income and other comprehensive income for the period to changes in the foreign currency exchange rates based on positions existing as at 30 June 2014 and as at 31 December 2013 and a scenario of a 5% change in USD to EUR or USD to LVL exchange rates, while the other variable remain constant, is as follows:

<b>Group and Bank '000 EUR</b>	<b>30 June 2014</b>		<b>31 Dec 2013</b>	
	<b>Profit for the period</b>	<b>Other comprehensive income</b>	<b>Profit for the period</b>	<b>Other comprehensive income</b>
5% appreciation of USD against EUR	(7,600)	9,218	-	-
5% depreciation of USD against EUR	7,600	(9,218)	-	-
5% appreciation of USD against LVL	-	-	(3,142)	3,759
5% depreciation of USD against LVL	-	-	3,142	(3,759)

An analysis of sensitivity of the Bank's and the Group's net income for the year and equity to changes in securities prices based on positions existing as at 30 June 2014 and as at 31 December 2013 and a scenario of a 5% change in all securities prices, while the other variables remain constant, is as follows:

<b>Group</b> <b>'000 EUR</b>	<b>30 June 2014</b>		<b>31 Dec 2013</b>	
	<b>Profit for the period</b>	<b>Other comprehensive income</b>	<b>Profit for the period</b>	<b>Other comprehensive income</b>
5% increase in securities prices	644	15,696	896	3,863
5% decrease in securities prices	(644)	(15,696)	(896)	(3,863)

<b>Bank</b> <b>'000 EUR</b>	<b>30 June 2014</b>		<b>31 Dec 2013</b>	
	<b>Profit for the period</b>	<b>Other comprehensive income</b>	<b>Profit for the period</b>	<b>Other comprehensive income</b>
5% increase in securities prices	641	17,383	855	5,561
5% decrease in securities prices	(641)	(17,383)	(855)	(5,561)