

RIETUMU BANK AS

Condensed Interim Bank Separate and
Group Consolidated Financial
Statements

For the six month period ended
30 June 2015

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Report of Council and Board

Dear Shareholders, Customers and Business Partners,

The first six months of 2015 proved to be very successful for the Rietumu Banka Group with profits of EUR 35.89 million and assets growing by 4.4%. The Group's revenues are well diversified over interest and commission and despite the low interest rate environment the Group continued to operate very efficiently with a cost to income ratio of 35.09% and operating income per employee of EUR 81 thousand.

Quality and Individual approach

The Group offers a comprehensive range of banking products to corporate customers and high net worth individuals. The Group has extensive experience in the EU and CIS countries and many of its customers operate in Latvia, the Baltic States, Western Europe, Russia and other CIS countries. The Group understands the business environments in both Western and Eastern Europe.

Given the geographical area that the Group operates in, the current turbulent geopolitical and economic environment has resulted in elevated risks in these regions. However, maintaining a close contact to our clients through our extensive network of representative offices, we have continued to successfully cooperate with our customers. In the first half of 2015 the Group made significant changes to its customer commission structure. The strategy behind these changes is that the Group wants to focus on larger European Union based customers to which we can offer a broader range of products.

The Bank improved the range of banking products available to our customer base with particular emphasis on employing the latest technologies. The Bank launched an Android application, Windows mobile token and an Apple watch extension. The Bank also increased its product range by improving online availability of investment services. The Bank is completing its own processing centre which will improve the range of e-commerce and card products available to clients while further improving the Group's efficiency.

In April 2015 the Bank hosted the first Rietumu Fintech Challenge in which a number of financial technology start-up companies participated. Two companies that participated in the challenge have since launched their products and one of these was supported financially by the Bank. The Bank plans to continue to promote the annual Fintech Challenge.

Financial review

The Group closed first half of 2015 with after tax profit attributable to the Bank's shareholders of EUR 35.5 m. The Group generated for its shareholders an annualized after tax return on equity of 19.98% (first half of 2014: 23.02%) and an annualized after tax return on assets of 2.02% (first half of 2014: 2.37%).

Income distribution was well diversified across the business units of the Group with many of the Group's business units contributed to the increase in net profit. Operating income reached EUR 77 m which represents an increase of 7% from 2014. The Group's goal is to maintain a cost to income ratio of less than 40% and in 2015 this ratio reached 35.09%. For the first half of 2015 the Group reached a profit margin of 54% compared to 59% in 2014.

Total assets also reached record highs and as at 30 June 2015 the Group's total assets were EUR 3,630 m. This represents an increase of 4.4% compared to 2014. The Bank follows a conservative approach to asset allocation with 54% of the Bank's assets invested in liquidity management portfolios. 24% of the liquidity management portfolio is invested in short term money market placement with large mainly European banks.

During the first half of 2015 loans and receivables due from customers increased by 5.83% from EUR 1,041 m to EUR 1,102 m. This increase partly occurred due to the depreciation of the Euro

relative to the USD. The Group follows a conservative lending policy that focuses on creating specific and tailor made products to meet customer's expectations.

Loans and receivables due from customers represent 30.36% of total assets and since 2010 this ratio has not exceeded 45%. The commercial loan portfolio represents 97.5% of the total loans and the effective average interest rate for the first half of 2015 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.

The funding sources of the Group remained unchanged in that the Group finances its activity through current accounts and deposits due to customers and shareholders' equity. Current accounts and deposits due to customers reached EUR 3,165 m up 2.7% compared to 2014. Current accounts represented 86.5% of total deposits balances. Term deposits amounted to EUR 427 m as at 30 June 2015 and included in this are EUR 133 m of subordinated deposits. The average tenor of term deposits is 3.8 years with the average effective interest rate in 2015 of 3.13%.

The Group total shareholders' equity reached EUR 377 m as of 30 June 2015 representing a 10.19% increase from 2014. The Group total capital adequacy ratio was 19.47% (2014: 22.32%) 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.

The Bank is in the process of further strengthening its capital base and is completing the closed emission of preference shares in the amount of EUR 11m. Excluding the current emission the Bank has raised 16.4 m of preference shares in 2014 and 2015. As opposed to subordinated debt, preference shares do not have a maturity date and these preference shares will partly replace subordinated deposits.

The first 6 months of 2015 presented many new opportunities to the Bank and we believe that the remainder of the year will also prove to be very successful. We owe our success to our customers and business partners and the trust that they have placed in us. We are looking forward to continue developing the Bank in 2015 successfully.

Financial results of the Group

	30 June 2015 (6 months)	31 December 2014	30 June 2014 (6 months)	31 December 2013	30 June 2013 (6 months)
At period end (EUR '000)					
Total assets	3,630,036	3,477,763	3,081,738	2,927,779	2,501,600
Loans and receivables due from customers	1,102,137	1,041,444	955,853	1,125,278	1,019,224
Current accounts and deposits due to customers	3,165,111	3,082,706	2,686,514	2,564,705	2,169,606
Total shareholder's equity	376,747	341,903	336,193	282,870	244,957
For the period (EUR '000)					
Profit before income tax	41,315	87,021	42,523	71,573	27,807
Profit for the period	35,894	74,130	35,630	62,279	23,971
Net interest income	40,865	76,936	36,275	66,509	30,131
Net fee and commission income	20,943	45,722	21,469	37,481	16,075
Capital adequacy	18.65% 19.47%*	18.96%	21.36% 22.32%*	17.80%	17.82% 19.28%*

Financial results of the Bank

	30 June 2015 (6 months)	31 December 2014	30 June 2014 (6 months)	31 December 2013	30 June 2013 (6 months)
At period end (EUR '000)					
Total assets	3,629,119	3,475,041	3,075,059	2,920,546	2,483,326
Loans and receivables due from customers	1,153,662	1,087,989	1,011,542	1,175,947	1,074,682
Current accounts and deposits due to customers	3,189,229	3,107,957	2,698,365	2,579,621	2,171,109
Total shareholders' equity	362,382	323,380	328,470	272,201	238,402
For the period (EUR '000)					
Profit before income tax	43,029	83,786	44,330	60,705	25,242
Profit for the period	37,617	71,500	37,643	53,544	21,747
Net interest income	37,575	69,902	33,053	60,034	27,429
Net fee and commission income	20,807	45,488	21,151	36,346	15,718
Capital adequacy	19.04% 19.95%*	18.91%	21.76% 22.88%*	18.49%	18.83% 20.27%*

* 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 - 59 are prepared in accordance with the source documents and present the financial position of the Group and the Bank as at 30 June 2015 and the results of its performance and cash flows for the six month period ended 30 June 2015.

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 2015, the condensed interim separate statements of profit and loss, comprehensive income, changes in equity and cash flows for the six month period then ended, and condensed summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 59. 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 2015, the condensed interim consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the six month period then ended, and condensed summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 59.

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 2015 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 2015 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 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 financial information of the Group. In our opinion, the Consolidated Management Report is consistent with the condensed interim financial information.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner KPMG Baltics SIA
Riga, Latvia
30 July 2015

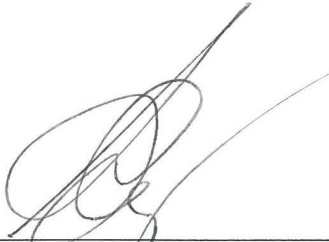
Valda Užāne
Sworn Auditor
Certificate No 4

CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED INCOME STATEMENT

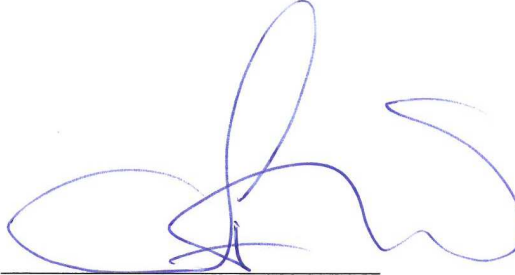
	Note	6 month period ended 30 June 2015		6 month period ended 30 June 2014	
		'000 EUR	'000 EUR	'000 EUR	'000 EUR
		Group	Bank	Group	Bank
Interest income	7	51,849	48,138	46,135	42,420
Interest expense	7	(10,984)	(10,563)	(9,860)	(9,367)
Net interest income		40,865	37,575	36,275	33,053
Fee and commission income	8	33,532	33,433	30,852	30,481
Fee and commission expense	9	(12,589)	(12,626)	(9,383)	(9,330)
Net fee and commission income		20,943	20,807	21,469	21,151
Net gain on financial instruments at fair value through profit or loss		404	65	146	192
Net foreign exchange gain		11,487	12,114	10,321	10,427
Net loss on the net monetary position		-	-	(150)	-
Net realised gain on available-for-sale assets		119	119	407	407
Share of loss of equity accounted investees (net of income tax)		(4)	-	(23)	-
Other income/(expense)	10	3,163	3,331	3,495	3,137
Operating Income		76,977	74,011	71,940	68,367
Impairment losses	11	(8,653)	(8,330)	(8,239)	(7,095)
General administrative expenses	12	(27,009)	(22,652)	(21,178)	(16,942)
Profit before income tax		41,315	43,029	42,523	44,330
Income tax expense	13a,b	(5,421)	(5,412)	(6,893)	(6,687)
Profit for the period		35,894	37,617	35,630	37,643
Attributable to:					
Equity holders of the Bank		35,473		35,288	
Non-controlling interest		421		342	

The accompanying notes on pages 18 to 59 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 59 are authorised for issue on 30 July 2015 by:



Chairman of the Council
Leonid Esterkin



Chairman of the Board
Alexander Pankov

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

	Note	6 month period ended 30 June 2015		6 month period ended 30 June 2014	
		'000 EUR	'000 EUR	'000 EUR	'000 EUR
		Group	Bank	Group	Bank
Profit for the period		35,894	37,617	35,630	37,643
<i>Items that are or may be reclassified to profit or loss</i>					
Foreign currency translation differences for foreign operations		(2,211)	-	(50)	-
Other reserves - net change		-	-	16	-
Available-for-sale financial assets – net change in fair value		4,436	4,678	(38)	(232)
Related tax	13c	-	-	6	35
Other comprehensive income for the period		2,225	4,678	(66)	(197)
Total comprehensive income for the period		38,119	42,295	35,564	37,446
Attributable to:					
Equity holders of the Group		37,698		35,222	
Non-controlling interest		421		342	

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

	Note	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
ASSETS					
Cash and balances with the central bank	14	832,865	832,823	158,574	158,552
Financial instruments at fair value through profit or loss	15	9,167	4,713	11,558	5,141
Loans and receivables due from banks	16	669,481	669,025	1,771,391	1,770,718
Loans and receivables due from customers	17	1,102,137	1,153,662	1,041,444	1,087,989
Reverse repo	32	199,420	199,420	153,235	153,235
Available-for-sale assets	18	472,794	514,139	100,192	144,666
Non-current assets held for sale		-	-	108	-
Held-to-maturity investments	19	191,418	187,932	92,825	89,808
Investments in subsidiaries	20	-	28,870	-	28,854
Equity accounted investees	33	18	-	22	-
Investment property	23	81,111	7,403	76,399	5,406
Property and equipment	21	44,210	6,359	45,045	6,470
Intangible assets	22	3,550	2,404	3,659	2,458
Current tax asset		309	-	271	-
Deferred tax asset		962	420	485	128
Other assets	24	22,594	21,949	22,555	21,616
Total Assets		3,630,036	3,629,119	3,477,763	3,475,041

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Leonid Esterkin

Chairman of the Board
Alexander Pankov

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

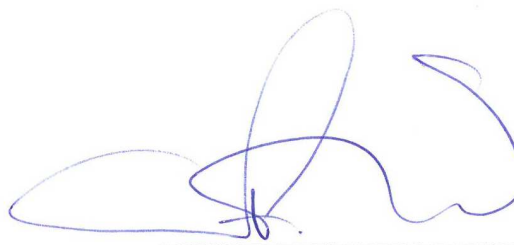
	Note	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
LIABILITIES AND SHAREHOLDERS' EQUITY					
Financial instruments at fair value through profit or loss	15	80	80	161	161
Deposits and balances due to banks	25	28,227	27,009	13,196	11,738
Current accounts and deposits due to customers	26	3,165,111	3,189,229	3,082,706	3,107,957
Issued debt securities	27	20,287	20,287	19,498	19,498
Current tax liability		686	645	1,602	1,499
Deferred tax liability		2,400	-	2,571	-
Other liabilities and accruals	28	36,498	29,487	16,126	10,808
Total Liabilities		3,253,289	3,266,737	3,135,860	3,151,661
Share capital		165,296	165,296	160,843	160,843
Share premium		43,623	43,623	33,882	33,882
Revaluation reserve		1,572	-	1,387	-
Fair value reserve		(600)	2,020	(5,036)	(2,658)
Currency translation reserve		(2,168)	-	43	-
Other reserves		104	23	104	23
Retained earnings		164,497	151,420	146,405	131,290
Total Equity Attributable to Equity Holders of the Bank		372,324	362,382	337,628	323,380
Non-controlling Interest		4,423	-	4,275	-
Total Shareholders' Equity		376,747	362,382	341,903	323,380
Total Liabilities and Shareholders' Equity		3,630,036	3,629,119	3,477,763	3,475,041

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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 2015		6 month period ended 30 June 2014	
		'000 EUR	'000 EUR	'000 EUR	'000 EUR
		<u>Group</u>	<u>Bank</u>	<u>Group</u>	<u>Bank</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		41,315	43,029	42,523	44,330
Amortization and depreciation	21,22	1,599	875	1,385	699
(Gain)/Loss from sale of investment property		(153)	-	220	(1)
Revaluation of investment property		-	-	(324)	-
Share of loss of equity accounted investees		4	-	23	-
(Losses) on disposal of property and equipment		-	-	(57)	-
(Losses) on sale of subsidiaries		-	-	(294)	-
Impairment losses	11	8,653	8,330	8,239	7,095
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		51,418	52,234	51,715	52,123
Decrease in financial instruments at fair value through profit or loss		2,391	428	5,470	4,706
(Increase)/Decrease in loans and receivables due from banks – term deposits		195,007	195,007	(57,121)	(56,029)
(Increase)/Decrease in loans and receivables from customers		(69,234)	(74,003)	161,584	161,082
(Increase) in receivable under reverse repurchase agreements		(46,185)	(46,185)	(32,142)	(32,142)
(Increase) in available-for-sale assets		(368,156)	(364,795)	(236,678)	(236,678)
(Increase)/Decrease in other assets		(1,883)	(2,070)	2,006	269
(Decrease) in derivative liabilities		(81)	(81)	(570)	(570)
Increase/ (Decrease) in term deposit deposits due to banks		280	280	1,074	(104)
Increase in current accounts and deposits from customers		82,405	81,272	122,902	118,744
(Increase)/Decrease in non-current assets held for sale		108	-	(478)	-
Increase/(Decrease) in other liabilities and accruals		5,127	3,433	(2,316)	(3,226)
Increase/(Decrease) in cash and cash equivalents from operating activities before corporate income tax		(148,803)	(154,480)	15,446	8,175
Corporate income tax paid		(7,022)	(6,557)	(8,885)	(8,116)
Net cash and cash equivalents from operating activities		(155,825)	(161,037)	6,561	59
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property and equipment and intangible assets	21,22	(845)	(719)	(3,693)	(1,282)
Proceeds from sale of property and equipment and other assets		24	9	59	-
(Purchase) of investment property		(2,774)	(260)	(822)	(436)
Proceeds from sale of subsidiaries		-	-	648	-
Consideration paid for acquisition of subsidiaries		(2)	(16)	(5,110)	(4,256)
(Increase) in held-to-maturity financial assets		(98,593)	(98,124)	(10,728)	(10,728)
Sale of non-controlling interest		(1,501)	-	-	-
Cash and cash equivalents used in / from investing activities		(103,691)	(99,110)	(19,646)	(16,702)

The accompanying notes on pages 18 to 59 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**

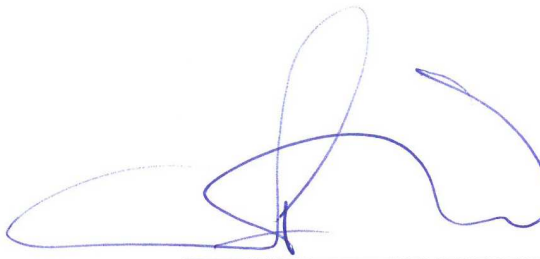
	Note	6 month period ended 30 June 2015		6 month period ended 30 June 2014	
		'000 EUR Group	'000 EUR Bank	'000 EUR Group	'000 EUR Bank
CASH FLOW FROM FINANCING ACTIVITIES					
Shares issued	29	4,453	4,453	18,556	18,556
Share premium	29	9,741	9,741	27,039	27,039
Issued debt securities	27	789	789	-	-
Interest on issued debt securities	27	-	-	(6)	(6)
Dividends paid		(2,830)	(2,242)	(27,431)	(26,772)
Cash and cash equivalents from financing activities		12,153	12,741	18,158	18,817
Net cash flow for the period		(247,363)	(247,406)	5,073	2,174
Cash and cash equivalents at the beginning of the period		1,698,340	1,699,103	1,218,730	1,219,695
Cash and cash equivalents at the end of the period	14	1,450,977	1,451,697	1,223,803	1,221,869

The accompanying notes on pages 18 to 59 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 59 are authorised for issue on 30 July 2015 by:



Chairman of the Council
Leonid Esterkin




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
Balance at 1 January 2014	142,287	6,843	-	3,717	14,251	105,103	272,201
<i>Total comprehensive income</i>							
Profit for the period	-	-	-	-	-	37,643	37,643
Other comprehensive income	-	-	-	(197)	-	-	(197)
<i>Transactions with shareholders recorded directly in equity</i>							
Preference shares issued (Note 29)	18,556	-	-	-	-	-	18,556
Share premium received (Note 29)	-	27,039	-	-	-	-	27,039
Dividends paid	-	-	-	-	-	(26,772)	(26,772)
Balance at 30 June 2014	160,843	33,882	-	3,520	14,251	115,974	328,470
<i>Total comprehensive income</i>							
Profit for the period	-	-	-	-	-	33,857	33,857
Other comprehensive income	-	-	-	(6,178)	-	-	(6,178)
<i>Transactions with shareholders recorded directly in equity</i>							
Dividends paid	-	-	-	-	-	(18,541)	(18,541)
Payment of reserves	-	-	-	-	(14,228)	-	(14,228)
Balance at 31 December 2014	160,843	33,882	-	(2,658)	23	131,290	323,380
<i>Total comprehensive income</i>							
Profit for the period	-	-	-	-	-	37,617	37,617
Other comprehensive income	-	-	-	4,678	-	-	4,678
<i>Transactions with shareholders recorded directly in equity</i>							
Preference shares issued (Note 29)	4,453	-	-	-	-	-	4,453
Share premium received (Note 29)	-	9,741	-	-	-	-	9,741
Dividends paid	-	-	-	-	-	(17,487)	(17,487)
Balance at 30 June 2015	165,296	43,623	-	2,020	23	151,420	362,382

The accompanying notes on pages 18 to 59 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 59 are authorised for issue on 30 July 2015 by:


Chairman of the Council
Leonid Esterkin


Chairman of the Board
Alexander Pankov

**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
Balance at 1 January 2014	142,287	6,843	2,217	1,002	(3,597)	14,331	117,763	280,846	2,024	282,870
<i>Transactions with shareholders recorded directly in equity</i>										
Preference shares issued (Note 29)	18,556	-	-	-	-	-	-	18,556	-	18,556
Share premium received (Note 29)	-	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)
<i>Change in ownership interest</i>										
Loss of control in subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	(405)	(405)
Total comprehensive income										
Profit for the current year	-	-	-	-	-	-	35,288	35,288	342	35,630
Other comprehensive income	-	-	-	(32)	(50)	16	-	(66)	-	(66)
<i>Other</i>										
Depreciation of revalued property	-	-	(12)	-	-	-	12	-	-	-
Balance at 30 June 2014	160,843	33,882	2,205	970	(3,647)	14,347	126,291	334,891	1,302	336,193
<i>Transactions with shareholders recorded directly in equity</i>										
Dividends paid	-	-	-	-	-	-	(18,541)	(18,541)	-	(18,541)
Payment of other reserves	-	-	-	-	-	(14,228)	-	(14,228)	-	(14,228)
<i>Change in ownership interest</i>										
Loss of control in subsidiaries	-	-	(756)	-	-	-	756	-	-	-
<i>Transactions with non controlling interest</i>										
Transactions with third parties related to units of funds controlled by the Group	-	-	-	-	-	-	-	-	2,310	2,310
Total comprehensive income										
Profit for the current year	-	-	-	-	-	-	37,837	37,837	663	38,500
Other comprehensive income	-	-	-	(6,006)	3,690	(15)	-	(2,331)	-	(2,331)
<i>Other</i>										
Sale of revalued property	-	-	(50)	-	-	-	50	-	-	-
Depreciation of revalued property	-	-	(12)	-	-	-	12	-	-	-
Balance at 31 December 2014	160,843	33,882	1,387	(5,036)	43	104	146,405	337,628	4,275	341,903

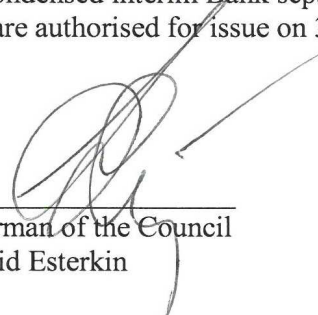
The accompanying notes on pages 18 to 59 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

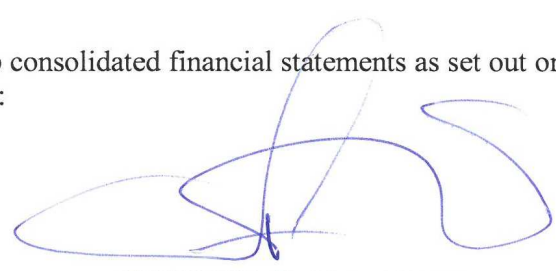
Rietumu Banka AS
Condensed Interim Bank Separate and Group Consolidated Financial Statements
for the six month period ended 30 June 2015

	Attributable to Equity Holders of the Bank									
	Share capital	Share premium	Revaluation reserve	Fair value reserve	Foreign currency translation 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
Balance at 31 December 2014	160,843	33,882	1,387	(5,036)	43	104	146,405	337,628	4,275	341,903
Transactions with shareholders recorded directly in equity										
Preference shares issued (Note 29)	4,453	-	-	-	-	-	-	4,453	-	4,453
Share premium received (Note 29)	-	9,741	-	-	-	-	-	9,741	-	9,741
Dividends paid	-	-	-	-	-	-	(17,487)	(17,487)	-	(17,487)
Transactions with non controlling interest										
Transaction with third parties related to units of funds controlled by the Group	-	-	-	-	-	-	96	96	2,201	2,297
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(588)	(588)
Change in ownership interest										
Loss of control in fund with non-controlling interest (Note 37)	-	-	-	-	-	-	-	-	(1,860)	(1,860)
Purchase of subsidiaries with non-controlling interest	-	-	195	-	-	-	-	195	(26)	169
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	35,473	35,473	421	35,894
Other comprehensive income	-	-	-	4,436	(2,211)	-	-	2,225	-	2,225
Other										
Depreciation of revalued property	-	-	(10)	-	-	-	10	-	-	-
Balance at 30 June 2015	165,296	43,623	1,572	(600)	(2,168)	104	164,497	372,324	4,423	376,747

The accompanying notes on pages 18 to 59 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 59 are authorised for issue on 30 July 2015 by:


 Chairman of the Council
 Leonid Esterkin


 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 2014.

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 2014.

The audited financial statements as at and for the year ended 31 December 2014 are available at the Bank’s web site: www.rietumu.com.

The Board approved the condensed interim separate and consolidated financial statements for issue on 30 July 2015. The shareholders have the power to reject the separate and consolidated financial statements prepared and issued by management and the right to request that new financial statements be issued.

(b) Basis of measurement

The 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

These financial statements are presented in thousands of euro (EUR 000’s).

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

“RB Securities” Ltd.	USD (US dollar)
Rietumu Asset Management funds	USD (US dollar)
“Rietumu Leasing” Ltd.	BYR (Belarus 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 2014.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Bank and the Group are set out below. The Bank and the Group does not plan to adopt these standards early.

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

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

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

(ii) Annual Improvements to IFRSs

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

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

Reclassification

Certain balances for 2015 have been classified differently from the prior year, due to changes in legislation and management judgment. There is no impact on the financial result from this change in classification. Prior year corresponding balances have been reclassified, where appropriate, to conform to current year presentation.

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 2014.

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 38 compared to the quantitative information as presented in Bank's and the Group's financial statements for the year ended 31 December 2014, 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 2015, the individual minimum level is 15.8%. The Bank was in compliance with the FCMC determined individual capital ratio during the six-month periods ended 30 June 2015 and 30 June 2014, as well as during the year ended 31 December 2014.

The Group's risk based capital adequacy ratio, as at 30 June 2015, was 19.47% (31 December 2014: 18.96% and 30 June 2014: 22.32%).

The Bank's risk based capital adequacy ratio as at 30 June 2015 was 19.95% (31 December 2014: 18.91% and 30 June 2014 22.88%).

The Bank's and the Group's capital position is calculated in accordance with the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Calculations are performed based on prudential consolidation group according to the Regulation No 575/2013 p.19.

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 2014.

- 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 2015 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).

7 Net interest income

	Six months ended 30 June			
	2015	2015	2014	2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Interest income				
Loans and receivables due from customers	44,503	40,807	42,816	39,160
Loans and receivables due from banks	1,239	1,232	1,636	1,577
Financial instruments at fair value through profit or loss	38	38	101	101
Available for sale assets	2,762	2,762	601	601
Held-to-maturity investments	3,014	3,006	704	704
Amounts receivable under reverse repurchase agreements	293	293	277	277
	51,849	48,138	46,135	42,420
Interest expense				
Current accounts and deposits due to customers	7,304	7,299	6,852	6,774
Deposits and balances due to financial institutions	156	1	30	8
Other interest expense	3,524	3,263	2,978	2,585
	10,984	10,563	9,860	9,367

Included within interest income from loans and receivables due from customers for the six months period ended 30 June 2015 is interest income of EUR 2,420 thousand (30 June 2014: EUR 1,148 thousand) relating to impaired loans issued by the Bank and by Group of EUR 2,514 thousand (30 June 2014: EUR 1,148 thousand).

8 Fee and commission income

	Six months ended 30 June			
	2015	2015	2014	2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Commission income from E-commerce	10,026	10,026	7,222	7,222
Money transfers	9,383	9,383	10,238	10,238
Commission income from payment cards	5,167	5,167	5,098	5,098
Commission from account servicing	4,680	4,680	3,921	3,921
Revenue from customer asset management and brokerage commissions	2,456	2,427	1,855	1,825
Commission from documentary operations	212	212	448	448
Cash withdrawals	110	110	109	109
Remote system fee	81	81	92	92
Other	1,417	1,347	1,869	1,528
	33,532	33,433	30,852	30,481

9 Fee and commission expense

	Six months ended 30 June			
	2015	2015	2014	2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
E-commerce	5,296	5,296	4,015	4,015
Payment cards	3,866	3,866	2,173	2,173
Agent commissions	1,068	1,068	1,149	1,149
On correspondent accounts	902	902	651	651
Brokerage fees	346	342	438	461
Cash withdrawal fees	11	11	3	3
Other	1,100	1,141	954	878
	12,589	12,626	9,383	9,330

10 Other income/(expense)

	Six months ended 30 June			
	2015	2015	2014	2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Rental income from operating leases	1,670	417	1,225	370
Penalties received	340	264	539	334
Profit/(loss) from sale of investment property	153	-	(220)	1
Profit from sale of property and equipment	24	-	57	-
Recovery of assets written off	6	-	-	-
Dividends received	3	2,330	115	2,224
Fair value change in investment property	-	-	324	-
Other, net	967	320	1,455	208
	3,163	3,331	3,495	3,137

11 Impairment losses

	Six months ended 30 June			
	2015 '000 EUR Group	2015 '000 EUR Bank	2014 '000 EUR Group	2014 '000 EUR Bank
Impairment losses				
Loans and receivables due from customers	(10,567)	(10,231)	(10,902)	(9,927)
Available-for-sale financial assets	(1)	-	-	-
Investments in subsidiaries	-	-	-	(3,796)
Intangible assets	-	-	(419)	-
Other non-financial assets	(112)	(45)	(3)	-
	(10,680)	(10,276)	(11,324)	(13,723)
Reversals of impairment losses				
Loans and receivables due from customers	2,027	1,936	3,061	6,604
Available-for-sale financial assets	-	10	11	11
Other non-financial assets	-	-	13	13
	2,027	1,946	3,085	6,628
Net impairment losses	(8,653)	(8,330)	(8,239)	(7,095)

12 General administrative expenses

	Six months ended 30 June			
	2015	2015	2014	2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Employee remuneration	9,427	8,264	9,403	7,945
Salaries to Board of Directors and Council	2,603	2,026	2,364	1,821
Payroll related taxes on employee remuneration	2,234	1,917	2,287	1,866
Provision for bonus and payroll related taxes	2,128	2,112	1,717	1,717
Depreciation and amortization	1,599	875	1,385	699
Taxes other than on corporate income and payroll	1,048	621	1,017	625
Repairs and maintenance	1,026	382	849	389
Rent	995	1,826	774	1,880
Advertising and marketing	922	306	492	276
Representative offices	872	670	790	567
IT related costs and inventory service	865	865	946	922
Communications and information services	678	620	689	617
Travel expenses	498	459	662	482
Charity and sponsorship	362	237	626	288
Professional services	320	261	523	331
Representation	269	123	93	92
Credit card service	179	179	801	796
Insurance	126	102	131	104
Subscription of information	73	73	58	58
Office supplies (stationery)	57	34	62	41
Security	53	38	34	28
Other	2,393	2,380	595	518
Reverse of provisions for the management bonus	(1,718)	(1,718)	(5,120)	(5,120)
	27,009	22,652	21,178	16,942

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.

13 Income tax expense

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

	Six months ended 30 June			
	2015 '000 EUR Group	2015 '000 EUR Bank	2014 '000 EUR Group	2014 '000 EUR Bank
Current tax expense				
Current tax expense	6,068	5,704	6,456	6,133
Deferred tax	(647)	(292)	437	554
Total income tax expense in the profit and loss	5,421	5,412	6,893	6,687

The tax rate applicable in countries in which group entities operate:	2015	2014
Latvia	15.00%	15.00%
Belarus	18.00%	18.00%
Cyprus	12.50%	12.50%
Russia	20.00%	20.00%
Azerbaijan	20.00%	20.00%

(b) Reconciliation of effective tax rate:

The Group	30 June 2015 '000 EUR	%	30 June 2014 '000 EUR	%
Profit before income tax	41,315		42,523	
Income tax at the applicable tax rate	6,197	15.00%	6,378	15.00%
Effect of different tax rate in other countries	2	0.00%	15	0.04%
Change in unrecognised deferred tax asset	-	-	49	0.12%
Tax relief donations	(183)	(0.44%)	(430)	(1.01%)
Non-deductible expenses	329	0.80%	1,573	3.69%
Tax exempt income	(866)	(2.10%)	-	-
Tax paid in foreign countries	(58)	(0.14%)	(692)	(1.63%)
	5,421	13.12%	6,893	16.21%

The Bank	30 June 2015 '000 EUR	%	30 June 2014 '000 EUR	%
Profit before tax	43,029		44,330	
Income tax at the applicable tax rate	6,454	15.00%	6,650	15.00%
Non-deductible expenses	121	0.28%	2,963	6.68%
Tax exempt income	(866)	(2.01%)	(2,225)	(5.02%)
Tax relief donations	(183)	(0.43%)	(143)	(0.32%)
Tax paid in foreign countries	(114)	(0.26%)	(558)	(1.26%)
	5,412	12.58%	6,687	15.08%

13 Income tax expense, continued

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

Group	30 June 2015		30 June 2014	
	'000 EUR		'000 EUR	
	Tax Base	Deferred income tax	Tax Base	Deferred income tax
Deferred tax expense				
Change in revaluation reserve	(12)	2	(12)	-
Change in fair value reserve*	4,436	-	(38)	6
Change in other reserves	-	-	(16)	-

Bank	30 June 2015		30 June 2014	
	'000 EUR		'000 EUR	
	Tax Base	Deferred income tax	Tax Base	Deferred income tax
Deferred tax expense				
Change in fair value reserve*	4,678	-	(232)	35

*Potential deferred tax from revaluation of available for sale investments was not recognized.

14 Cash and balances with the central bank

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

	30 June 2015	30 June 2015	31 Dec 2014	31 Dec 2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Cash	4,450	4,408	5,279	5,257
Balances with the central bank	828,415	828,415	153,295	153,295
	832,865	832,823	158,574	158,552

Cash and cash equivalents consist of the following:

	30 June 2015	30 June 2015	31 Dec 2014	31 Dec 2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Cash	4,450	4,408	5,279	5,257
Balances with the central bank	828,415	828,415	153,295	153,295
Demand loans and receivables due from banks	645,544	645,088	1,552,447	1,551,774
Demand deposits and balances due to banks	(27,432)	(26,214)	(12,681)	(11,223)
Total	1,450,977	1,451,697	1,698,340	1,699,103

15 Financial instruments at fair value through profit or loss

	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
Bonds				
- with rating from AAA to A	94	-	881	-
- with rating from BBB+ to BBB-	3,667	3,275	6,324	3,903
- non-investment grade	3,960	-	3,115	-
- not rated	8	-	-	-
Equity investments	533	533	499	499
Derivative financial instruments	905	905	739	739
Financial assets at fair value through profit or loss	9,167	4,713	11,558	5,141
Derivative financial instruments	(80)	(80)	(161)	(161)
Financial liabilities at fair value through profit or loss	(80)	(80)	(161)	(161)

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 2015 '000 EUR		31 Dec 2014 '000 EUR	
	Carrying value	Notional amount	Carrying value	Notional amount
Assets				
Forward contracts	159	19,678	135	16,152
Option premium	241	n/a	195	n/a
Swap contracts	505	3,017	409	5,030
Total derivative financial assets	905		739	
Liabilities				
Swap contracts	29	1,553	-	-
Forward contracts	51	16,695	161	8,157
Total derivative liabilities	80		161	

16 Loans and receivables due from banks

	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
Demand accounts				
Latvian commercial banks	3,414	3,230	7,372	7,226
OECD banks	597,481	597,481	1,432,273	1,432,273
Other non-OECD banks	44,649	44,377	112,802	112,275
Total Demand accounts	645,544	645,088	1,552,447	1,551,774
Deposit accounts				
OECD banks	23,937	23,937	192,970	192,970
Other non-OECD banks	-	-	25,974	25,974
Total loans and deposits	23,937	23,937	218,944	218,944
	669,481	669,025	1,771,391	1,770,718

Concentration of placements with banks

As at 30 June 2015 the Bank and the Group had balances with three banks (none as at 31 December 2014), which exceeded 10% of the total loans and receivables due from banks. The gross value of these balances was EUR 278,566 thousand as of 30 June 2015.

17 Loans and receivables due from customers

	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
Companies				
Finance leases	22,288	-	28,372	-
Loans	1,022,639	1,126,300	970,621	1,073,657
Individuals				
Finance leases	32,023	-	29,685	-
Loans	124,421	122,868	103,037	101,145
Specific impairment allowance	(96,872)	(95,506)	(88,025)	(86,813)
Collective impairment allowance	(2,362)	-	(2,246)	-
Net Loans and receivables from customers	1,102,137	1,153,662	1,041,444	1,087,989

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:

	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Gross investment in finance leases, receivable				
Less than one year	27,883	-	30,198	-
Between one and five years	41,049	-	43,512	-
More than five years	9	-	-	-
Total gross investment in finance leases	68,941	-	73,710	-
Unearned finance income	(14,630)	-	(15,653)	-
Net investment in finance lease before allowance	54,311	-	58,057	-
Impairment allowance	(2,565)	-	(2,343)	-
Net investment in finance lease	51,746	-	55,714	-

	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
The net investment in finance leases comprises:				
Less than one year	21,812	-	23,567	-
Between one and five years	29,928	-	32,147	-
More than five years	6	-	-	-
Net investment in finance lease	51,746	-	55,714	-

17 Loans and receivables due from customers, continued

(b) 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	
As at 30 June 2015							
Net carrying amount	1,102,137	926,118	42,693	59,820	44,387	29,119	176,019
Out of which impaired with specific impairment allowance	169,615	94,852	11,170	15,515	26,378	21,700	74,763
Assessed fair value of collateral	1,612,839	1,375,474	54,798	79,757	46,825	55,985	237,365
As at 31 Dec 2014							
Net carrying amount	1,041,444	872,717	73,931	46,005	38,779	10,012	168,727
Out of which impaired with specific impairment allowance	140,775	62,772	27,318	13,009	30,282	7,394	78,003
Assessed fair value of collateral	1,540,909	1,304,780	98,585	70,804	48,051	18,689	236,129
The Bank							
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	
As at 30 June 2015							
Net carrying amount	1,153,662	979,801	41,875	58,669	44,215	29,102	173,861
Out of which impaired with specific impairment allowance	170,874	97,161	11,168	14,569	26,289	21,687	73,713
Assessed fair value of collateral	1,678,540	1,443,268	54,046	78,605	46,653	55,968	235,272
As at 31 Dec 2014							
Net carrying amount	1,087,989	927,442	72,383	45,278	32,820	10,066	160,547
Out of which impaired with specific impairment allowance	142,507	71,503	27,312	12,422	23,824	7,446	71,004
Assessed fair value of collateral	1,624,152	1,397,912	98,069	69,720	39,762	18,689	226,240

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 2015	% of loan portfolio	31 December 2014	% of loan portfolio
Commercial buildings	352,869	32.02	357,650	34.34
Commercial assets pledge	344,902	31.29	349,176	33.53
Other mortgage	99,361	9.02	89,618	8.61
Traded securities	88,394	8.02	55,712	5.35
Land mortgage	78,071	7.08	75,567	7.26
Mortgage on residential properties	44,049	4.00	36,781	3.53
Without collateral	34,924	3.17	34,130	3.28
Guarantee	26,649	2.42	7,220	0.69
Deposit	1,678	0.15	6,368	0.61
Non-traded securities	1,044	0.09	1,199	0.12
Other	30,196	2.74	28,023	2.68
Total	1,102,137	100.00	1,041,444	100.00

The Bank

EUR'000	30 June 2015	% of loan portfolio	31 December 2014	% of loan portfolio
Commercial buildings	393,879	34.14	399,238	36.70
Commercial assets pledge	360,019	31.21	358,130	32.92
Other mortgage	117,402	10.18	103,480	9.51
Traded securities	88,394	7.66	55,712	5.12
Land mortgage	78,071	6.77	75,567	6.94
Mortgage on residential properties	46,384	4.02	39,263	3.61
Without collateral	40,142	3.48	41,813	3.84
Guarantee	26,649	2.31	7,220	0.66
Deposit	1,678	0.15	6,367	0.59
Non-traded securities	1,044	0.08	1,199	0.11
Total	1,153,662	100.00	1,087,989	100.00

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 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Impaired loans gross	266,487	266,380	228,800	229,320
Specific impairment allowance	(96,872)	(95,506)	(88,025)	(86,813)
Net Loans and receivables from customers	169,615	170,874	140,775	142,507
Fair value of collateral related to impaired loans	187,679	188,897	169,556	172,310

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

The Group

	30 June 2015 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance	31 Dec 2014 '000 EUR Gross	Specific impairment allowance	Collective impairment allowance
Standard	973,671	(4,117)	(853)	950,415	(4,422)	(920)
Watch	112,906	(17,922)	(25)	66,326	(10,837)	(26)
Substandard	51,788	(24,016)	(87)	53,568	(24,925)	(84)
Doubtful	43,946	(33,035)	(122)	42,462	(30,032)	(85)
Lost	19,060	(17,782)	(1,275)	18,944	(17,809)	(1,131)
Total	1,201,371	(96,872)	(2,362)	1,131,715	(88,025)	(2,246)

The Bank

	30 June 2015 '000 EUR Gross	Specific impairment allowance	31 Dec 2014 '000 EUR Gross	Specific impairment allowance
Standard	1,026,515	(4,342)	997,673	(4,647)
Watch	111,611	(17,828)	65,447	(10,776)
Substandard	52,595	(24,459)	54,396	(25,372)
Doubtful	41,964	(32,394)	40,789	(29,521)
Lost	16,483	(16,483)	16,497	(16,497)
Total	1,249,168	(95,506)	1,174,802	(86,813)

17 Loans and receivables due from customers, continued

(iv) Movements in the impairment allowance

Movements in the loan impairment allowance for the 30 June 2015 and year ended 31 December 2014 are as follows:

EUR'000	30 June 2015	30 June 2015	31 Dec 2014	31 Dec 2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Allowance for impairment				
Balance at 1 January	90,271	86,813	81,343	80,435
Sale of subsidiary	-	-	(1,455)	-
Charge for the period:				
<i>Specific impairment allowance</i>	10,231	10,231	21,068	20,732
<i>Collective impairment allowance</i>	336	-	454	-
Reversal of specific impairment allowance loss				
<i>Specific impairment allowance</i>	(1,936)	(1,936)	(3,030)	(6,163)
<i>Collective impairment allowance</i>	(91)	-	-	-
Effect of foreign currency translation	1,662	1,637	1,258	1,176
Write offs	(1,239)	(1,239)	(9,367)	(9,367)
Balance at the end of period	99,234	95,506	90,271	86,813

(v) Restructured loans

As at 30 June 2015, the Group held restructured loans of EUR 221,405 thousand (31 December 2014: EUR 98,072 thousand) and the Bank held restructured loans of EUR 227,889 thousand (31 December 2014: EUR 104,570 thousand). Main forms of restructuring were the reduction of the interest rate, and postponing of interest payments or principal amounts.

(c) Industry analysis of the loan portfolio

	30 June 2015	30 June 2015	31 Dec 2014	31 Dec 2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Financial services	274,362	321,541	237,905	287,312
Real estate management	264,045	314,514	272,791	319,442
Transport and communication	185,145	187,832	164,106	166,747
Individuals	105,532	104,459	84,564	83,553
Wholesale and retailing	72,454	72,454	77,824	77,824
Investments in finance lease	51,746	-	55,714	-
Construction	40,456	40,456	38,462	38,462
Manufacturing	20,776	20,776	31,693	31,693
Tourism	11,915	11,915	11,760	11,760
Food industry	9,503	9,503	9,642	9,642
Other	66,203	70,212	56,983	61,554
	1,102,137	1,153,662	1,041,444	1,087,989

17 Loans and receivables due from customers, continued

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

	30 June 2015	30 June 2015	31 Dec 2014	31 Dec 2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Latvia	242,176	297,162	240,921	292,858
OECD countries	123,547	123,511	127,869	127,836
Other non-OECD countries	736,414	732,989	672,654	667,295
	1,102,137	1,153,662	1,041,444	1,087,989

(e) **Significant credit exposures**

As at 30 June 2015 and 31 December 2014 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 2014 and 30 June 2015 the Bank and the Group were in compliance with this requirement.

18 Available-for-sale assets

	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
Bonds				
- with rating from AAA to A	321,841	321,841	18,685	18,685
- with rating from BBB+ to BBB-	29,479	29,479	42,782	42,782
- non-investment grade	78,562	78,562	36,351	36,351
- without rating	1,833	1,833	1,660	1,660
Rietumu Asset Management Funds				
RB Opportunity Fund I	-	32,246	-	32,237
Cash Reserve Fund	-	4,477	-	4,118
Fixed Income High Yield Fund	-	4,409	-	3,882
Fixed Income Investment Grade Fund	4,431	4,431	-	4,053
Global Equity Fund	-	403	-	375
Viaduct Invest FCP SIF USD	35,842	35,842	-	-
Other equity instruments	806	616	714	523
Available for sale assets	472,794	514,139	100,192	144,666
Acquisition cost	475,043	517,588	106,876	152,803
Revaluation	(600)	2,498	(5,036)	(2,180)
Impairment allowance	(1,649)	(5,947)	(1,648)	(5,957)
Financial liabilities at fair value through profit or loss	472,794	514,139	100,192	144,666

19 Held-to-maturity investments

	30 Jun 2015 '000 EUR Group	30 Jun 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
Debt and other fixed-income instruments				
- Government and municipal bonds				
Latvia	-	-	1,642	1,642
Russia	12,796	12,796	743	743
Lithuania	-	-	170	-
Total government and municipal bonds	12,796	12,796	2,555	2,385
- Corporate bonds				
Latvia	1,785	1,785	16,830	16,830
Russia	44,547	44,547	14,469	14,469
USA	45,546	43,553	8,704	7,365
Other European Union countries	17,192	16,447	18,103	17,099
Other non-European Union countries	69,552	68,804	32,164	31,660
Total corporate bonds	178,622	175,136	90,270	87,423
	191,418	187,932	92,825	89,808

20 Investments in subsidiaries

The subsidiaries of the Bank are as follows:

	30 June 2015	31 Dec 2014
	'000 EUR	'000 EUR
	Bank	Bank
Incorporated in		
- Latvia	27,130	27,130
- Cyprus	10,956	10,956
- Belarus	2,430	2,430
- Russia	16	-
- Azerbaijan	4	4
Total gross investments	40,536	40,520
Impairment allowance	(11,666)	(11,666)
Net Investments in subsidiaries	28,870	28,854

Movements in the impairment allowances

	30 June 2015	31 Dec 2014
	'000 EUR	'000 EUR
	Bank	Bank
Balance at the beginning of the period	11,666	8,537
Charge for the period	-	5,500
Disposal of subsidiary	-	(2,371)
Balance at the end of period	11,666	11,666

On March 6, 2015 the Bank established subsidiary “KI Invest” Ltd (100% shareholding) in Russia.

21 Property and equipment

The Group

Cost/Revalued amount '000 EUR	Land and buildings	Construction in progress	Vehicles	Office equipment and machinery	Total
At 1 January 2015	38,467	32	2,868	22,668	64,035
Additions	-	-	334	309	643
Disposals	-	-	(466)	(2,532)	(2,998)
Transfers	(4)	-	15	(11)	-
Transfers to investment property	-	(6)	-	-	(6)
FX translation effect	(152)	-	(5)	(17)	(174)
At 30 June 2015	38,311	26	2,746	20,417	61,500
Depreciation and impairment losses					
At 1 January 2015	3,712	-	1,597	13,681	18,990
Depreciation charge	327	-	189	772	1,288
Disposals depreciation	-	-	(460)	(2,514)	(2,974)
Transfers	-	-	1	(1)	-
FX translation effect	-	-	(2)	(12)	(14)
At 30 June 2015	4,039	-	1,325	11,926	17,290
Net book value					
At 30 June 2015	34,272	26	1,421	8,491	44,210
At 31 December 2014	34,755	32	1,271	8,987	45,045

21 Property and equipment, continued

The Group, continued

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

21 Property and equipment, continued

The Bank

'000 EUR	Vehicles	Office equipment	Total
Cost/Revalued amount			
1 January 2015	2,809	14,684	17,493
Additions	326	191	517
Disposals	(466)	(1,024)	(1,490)
At 30 June 2015	2,669	13,851	16,520
Depreciation and impairment losses			
At 1 January 2015	1,561	9,462	11,023
Depreciation charge	185	434	619
Disposals	(461)	(1,020)	(1,481)
At 30 June 2015	1,285	8,876	10,161
Net book value			
At 30 June 2015	1,384	4,975	6,359
At 31 December 2014	1,248	5,222	6,470
'000 EUR	Vehicles	Office equipment	Total
Cost/Revalued amount			
1 January 2014	2,364	14,403	16,767
Additions	1,015	1,004	2,019
Disposals	(570)	(723)	(1,293)
At 31 December 2014	2,809	14,684	17,493
Depreciation and impairment losses			
At 1 January 2014	1,809	9,420	11,229
Depreciation charge	281	757	1,038
Disposals	(529)	(715)	(1,244)
At 31 December 2014	1,561	9,462	11,023
Net book value			
At 31 December 2014	1,248	5,222	6,470
At 31 December 2013	555	4,983	5,538

22 Intangible assets

The Group

'000 EUR	<u>Goodwill</u>	<u>Software</u>	<u>Other</u>	<u>Total</u>
Cost				
At 1 January 2015	2,512	11,658	2,056	16,226
Additions	-	201	1	202
Disposals	-	(8)	(13)	(21)
Goodwill write off	(1,443)	-	-	(1,443)
At 30 June 2015	1,069	11,851	2,044	14,964

Amortisation and impairment losses

At 1 January 2015	1,443	10,350	774	12,567
Amortization charge	-	255	56	311
Disposals	-	(8)	(13)	(21)
Impairment of goodwill write off	(1,443)	-	-	(1,443)
At 30 June 2015	-	10,597	817	11,414

Net book value

At 30 June 2015	1,069	1,254	1,227	3,550
At 31 December 2014	1,069	1,308	1,282	3,659

'000 EUR	<u>Goodwill</u>	<u>Software</u>	<u>Other</u>	<u>Total</u>
Cost				
At 1 January 2014	1,069	10,977	2,124	14,170
Additions	-	684	32	716
Disposals	-	-	(100)	(100)
Purchase of subsidiary	1,443	-	-	1,443
Sale of subsidiary	-	(3)	-	(3)
At 31 December 2014	2,512	11,658	2,056	16,226

Amortisation and impairment losses

At 1 January 2014	-	9,943	740	10,683
Amortisation charge	-	410	134	544
Disposals	-	-	(100)	(100)
Sale of subsidiary	-	(3)	-	(3)
Impairment loss	1,443	-	-	1,443
At 31 December 2014	1,443	10,350	774	12,567

Net book value

At 31 December 2014	1,069	1,308	1,282	3,659
At 31 December 2013	1,069	1,034	1,384	3,487

22 Intangible assets, continued

The Bank

'000 EUR	Goodwill	Software	Other	Total
Cost				
At 1 January 2015	1,069	11,645	115	12,829
Additions	-	201	1	202
Disposals	-	-	(13)	(13)
At 30 June 2015	1,069	11,846	103	13,018
Amortization and impairment losses				
At 1 January 2015	-	10,336	35	10,371
Amortization charge	-	255	1	256
Disposals	-	-	(13)	(13)
At 30 June 2015	-	10,591	23	10,614
Net book value				
At 30 June 2015	1,069	1,255	80	2,404
At 31 December 2014	1,069	1,309	80	2,458

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

Goodwill of EUR 1,069 thousand (2014: EUR 1,069 thousand) originated on the acquisition of a payment card business unit in 2001.

23 Investment property

	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Balance at 1 January	76,399	5,406	70,875	4,455
Collateral from loans assumed	1,737	1,737	995	995
Transferred from advances	190	-	2,867	-
Purchase of subsidiary	-	-	5,048	-
Transferred from property	6	-	28	-
Additions	4,001	260	3,504	189
Disposals	(833)	-	(4,181)	(852)
Revaluations	-	-	(598)	619
Currency revaluation	(389)	-	102	-
Sale of subsidiary	-	-	(2,241)	-
Balance at the end of reporting period	81,111	7,403	76,399	5,406

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 food processing terminal, residential properties, plots of land, and a hotel and leisure facility.

The fair value hierarchy classification and assumptions used in valuation of investment property did not change since 31 December 2014.

24 Other assets

	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
<i>Other financial assets</i>				
Cash in transit	45	-	15	-
<i>Other non-financial assets</i>				
Collateral assumed on non-performing loans	6,862	6,862	8,918	8,918
Prepayments	899	461	1,559	1,178
Prepayments for property obtained in auctions	1,002	-	648	-
Guarantee receivable from borrower	3,702	3,565	3,560	3,560
Recoverable VAT	509	308	1,619	177
Tax prepayments	20	-	4	-
Other	11,617	12,435	8,477	9,716
Impairment allowance	(2,062)	(1,682)	(2,245)	(1,933)
	22,594	21,949	22,555	21,616

Analysis of movements in the value of collateral assumed on non-performing loans

	Six months ended		12 months ended	
	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Balance at the beginning of the period	8,918	8,918	10,013	10,013
Sale of collateral completed	(53)	(53)	(36)	(36)
Reclassified to investment property	(1,737)	(1,737)	(995)	(995)
Write-offs	(266)	(266)	(64)	(64)
Balance at the end of the period	6,862	6,862	8,918	8,918

Analysis of movements in the impairment allowance

	Six months ended		12 months ended	
	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Balance at the beginning of the period	2,245	1,933	2,561	2,327
Charge for the period	112	45	132	55
Recovery	-	-	(23)	(23)
Written off	(296)	(296)	(428)	(428)
Currency revaluation	1	-	3	2
Balance at the end of the period	2,062	1,682	2,245	1,933

25 Deposits and balances due to banks

	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Vostro accounts	27,432	26,214	12,681	11,223
Term deposits	795	795	515	515
	28,227	27,009	13,196	11,738

Concentration of deposits and balances from banks

As at 30 June 2015 the Bank and the Group had balances with three banks (two as at 31 December 2014), which exceeded 10% of the total deposits and balances from banks. The gross value of these balances was EUR 17,061 thousand as of 30 June 2015 and EUR 5,344 thousand as of 31 December 2014.

26 Current accounts and deposits due to customers

	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Current accounts and demand deposits				
- Private companies residents	159,681	184,887	119,239	145,518
- Individuals residents	52,804	52,804	58,462	58,462
- Government non-residents	44	44	39	39
- Private companies non-residents	1,972,484	1,972,162	1,997,325	1,997,325
- Individuals non-residents	552,832	552,832	485,697	485,697
Total current account and demand deposits	2,737,845	2,762,729	2,660,762	2,687,041
Term deposits				
- State enterprises	-	-	8,002	-
- Government residents	50	-	-	-
- Private companies residents	10,418	10,709	59,390	8,002
- Individuals residents	56,148	55,141	1,011	59,373
- Private companies non-residents	137,066	137,066	143,238	143,238
- Individuals non-residents	90,257	90,257	83,323	83,323
Subordinated deposits				
- Individuals residents	11,338	11,338	11,263	11,263
- Private companies non-residents	32,771	32,771	31,140	31,140
- Individuals non-residents	89,218	89,218	84,577	84,577
Total term deposits	427,266	426,500	421,944	420,916
Total current accounts and deposits from customers	3,165,111	3,189,229	3,082,706	3,107,957

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 2015 and 31 December 2014, the Bank maintained customer deposit balances of EUR 5,813 thousand and EUR 12,242 thousand, respectively which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

26 Current accounts and deposits due to customers, continued

(b) Concentrations of current accounts and customer deposits

As of 30 June 2015 and 31 December 2014, the Bank and the Group had no customers, whose balances exceeded 10% of total customer accounts.

27 Issued debt securities

	30 June 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Subordinated bonds				
- Individuals residents	3,601	3,601	3,074	3,074
- Private companies non-residents	5,463	5,463	5,260	5,260
- Individuals non-residents	11,223	11,223	11,164	11,164
Total	20,287	20,287	19,498	19,498

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 2015 '000 EUR	30 June 2015 '000 EUR	31 Dec 2014 '000 EUR	31 Dec 2014 '000 EUR
	Group	Bank	Group	Bank
Annual leave	2,499	2,293	1,219	1,072
Deferred income	3,293	1,342	3,217	1,261
Management bonus accrual	5,445	5,435	5,118	5,042
Deposits guarantee fund	1,547	1,456	1,112	1,062
VAT payable	759	-	547	-
Dividends payable	15,269	15,251	24	6
Prepayments	358	67	311	20
Other liabilities	7,328	3,643	4,578	2,345
	36,498	29,487	16,126	10,808

As 30 June 2015, dividend payable of EUR 15,251 represent ordinary shares dividends that were declared and approved by shareholders meeting for year 2014 and payment of which was postponed. The pay out of these dividends is subject to approval by the regulator, which the management expects to obtain in third quarter of 2015. Preference share dividend was paid out.

Other liabilities include accounts payable to suppliers.

29 Share capital and reserves

(a) 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.

In January 2015, the Bank increased its capital by issuing 1.92 million preference shares with par value of 1.40 EUR and share premium of 3.03 EUR.

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

In June 2015, the Bank increased its capital by issuing 0.43 million preference shares with value of 1.40 EUR and share premium of 3.02 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.

(b) Share Capital and Share Premium

The share capital as of 30 June 2015 consists of:

	30 June 2015	Number of	31 Dec 2014	Number of
	'000 EUR	shares	'000 EUR	shares
Ordinary shares	142,287	101,633,700	142,287	101,633,700
Preference shares	23,009	16,434,863	18,556	13,254,238
Issued capital	165,296		160,843	
Share premium	43,623		33,882	

The structure of shareholders holding ordinary shares did not change since 31 December 2014. The nominal value of one ordinary and preference share is EUR 1.40.

(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.

(d) Dividends

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

30 Commitments and guarantees

	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
Contracted amount				
Loan and credit line commitments	29,210	33,234	32,400	38,184
Credit card commitments	9,607	9,608	9,503	9,504
Undrawn overdraft facilities	12,729	12,729	15,153	15,153
Guarantees and letters of credit	9,893	10,107	17,493	17,493
Total	61,439	65,678	74,549	80,334

31 Litigations

In the ordinary course of business, the Bank is subject to legal actions and complaints. As at 30 June 2015 there were 16 legal proceedings outstanding against the Bank. Total amount disputed in these proceedings is EUR 4,706 thousand (31 December 2014: EUR 4,698 thousand). No provisions were recognised as at 30 June 2015 and 31 December 2014, as the management based on the professional advice to the Bank considers that the loss is not likely to eventuate.

32 Reverse repo

	30 June 2015 '000 EUR Group	30 June 2015 '000 EUR Bank	31 Dec 2014 '000 EUR Group	31 Dec 2014 '000 EUR Bank
Commerzbank	89,362	89,362	-	-
Nomura International plc	65,757	65,757	59,747	59,747
Merrill Lynch International	44,288	44,288	43,466	43,466
Brissard International	13	13	12	12
KBC Bank NV	-	-	50,010	50,010
Total	199,420	199,420	153,235	153,235

33 Equity accounted investees

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

Name	Country of incorporation	Principal activities	Ownership %	Amount of investment	
				30 June 2015	31 December 2014
“AED Rail Service” Ltd	Latvia	Information services for the railway	43.00%	18	22
“Dzelzcelu Tranzits Ltd	Latvia	Information services for the railway	49.12%	-	-
Total				18	22

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.

'000 EUR	30 June 2015			31 Dec 2014		
	Subsidiaries and associates	Key management	Other related parties	Subsidiaries and associates	Key management	Other related parties
Loans and receivables due from customers (gross)	107,485	417	18,729	106,216	472	18,428
Current accounts and deposits due to customers	12,732	31,871	25,659	26,777	37,147	8,927
Issued debt securities	-	153	-	-	153	-
	30 June 2015			30 June 2014		
Interest income	2,999	7	489	2,782	13	438
Interest expense	-	777	539	-	584	543

34 Related party transactions, continued

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

	Six months ended 30 June			
	2015	2015	2014	2014
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
	Group	Bank	Group	Bank
Members of the Council	110	110	118	118
Members of the Board	2,493	1,916	2,246	1,703
	2,603	2,026	2,364	1,821

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

30 June 2015	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	472,260	190	344	472,794
Financial assets at fair value through profit or loss	8,262	905	-	9,167
Financial liabilities				
Financial investments at fair value through profit or loss	-	80	-	80
31 Dec 2014	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	99,573	-	619	100,192
Financial assets at fair value through profit or loss	10,819	739	-	11,558
Financial liabilities				
Financial investments at fair value through profit or loss	-	161	-	161

The Bank

30 June 2015	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	481,544	-	32,595	514,139
Financial assets at fair value through profit or loss	3,808	905	-	4,713
Financial liabilities				
Financial investments at fair value through profit or loss	-	80	-	80
31 Dec 2014	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Available for sale assets	112,002	-	32,664	144,666
Financial assets at fair value through profit or loss	4,402	739	-	5,141
Financial liabilities				
Financial investments at fair value through profit or loss	-	161	-	161

35 Fair value of financial instruments, continued

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

(b) Financial instruments not measured at fair value

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

The Group

30 June 2015	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances with central banks	-	-	832,865	832,865	832,865
Loans and receivables from banks	-	-	669,481	669,481	669,481
Loans and receivables from customers	-	-	1,102,137	1,102,137	1,102,137
Reverse repo	-	-	199,420	199,420	199,420
Held to maturity investments	191,212	-	-	191,212	191,418
Financial liabilities					
Deposits and balances due to banks	-	-	28,227	28,227	28,227
Deposits and balances due to customers	-	-	3,165,111	3,165,111	3,165,111
Issued debt securities	-	-	20,287	20,287	20,287
<hr/>					
31 December 2014					
Financial assets					
Cash and balances with central banks	-	-	158,574	158,574	158,574
Loans and receivables from banks	-	-	1,771,391	1,771,391	1,771,391
Loans and receivables from customers	-	-	1,041,444	1,041,444	1,041,444
Reverse repo	-	-	153,235	153,235	153,235
Held to maturity investments	91,277	-	-	91,277	92,825
Financial liabilities					
Deposits and balances due to banks	-	-	13,196	13,196	13,196
Deposits and balances due to customers	-	-	3,082,706	3,082,706	3,082,706
Issued debt securities	-	-	19,498	19,498	19,498

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. Held to maturity investments fair value is measured based on individual market price.

35 Fair value of financial instruments, continued

The Bank

30 June 2015	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances with central banks	-	-	832,823	832,823	832,823
Loans and receivables from banks	-	-	669,025	669,025	669,025
Loans and receivables from customers	-	-	1,153,662	1,153,662	1,153,662
Reverse repo	-	-	199,420	199,420	199,420
Held to maturity investments	187,729	-	-	187,729	187,932
Financial liabilities					
Deposits and balances due to banks	-	-	27,009	27,009	27,009
Deposits and balances due to customers	-	-	3,189,229	3,189,229	3,189,229
Issued debt securities	-	-	20,287	20,287	20,287
<hr/>					
31 December 2014					
Financial assets					
Cash and balances with central banks	-	-	158,552	158,552	158,552
Loans and receivables from banks	-	-	1,770,718	1,770,718	1,770,718
Loans and receivables from customers	-	-	1,087,989	1,087,989	1,087,989
Reverse repo	-	-	153,235	153,235	153,235
Held to maturity investments	88,268	-	-	88,268	89,808
Financial liabilities					
Deposits and balances due to banks	-	-	11,738	11,738	11,738
Deposits and balances due to customers	-	-	3,107,957	3,107,957	3,107,957
Issued debt securities	-	-	19,498	19,498	19,498

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:

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

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

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 2015 and financial assets and liabilities of the Group as at 30 June 2015:

`000 EUR	Lending & investment	Customer services	Financial markets & Treasury	Investment and non- banking segments	Total
External revenue					
Net interest income	37,294	86	(2,260)	5,745	40,865
Net fee and commission income	(402)	19,476	1,724	145	20,943
Net gain on financial instruments at fair value through profit or loss	-	-	65	339	404
Net foreign exchange income	-	2,243	10,058	(814)	11,487
Net realised gain on available-for-sale assets	9	-	110	-	119
Share of loss of equity accounted investees (net of income tax)	-	-	-	(4)	(4)
Other income/(expense)	271	161	11	2,720	3,163
Inter segment revenue	(13,272)	3,432	9,840	-	-
Total segment revenue	23,900	25,398	19,548	8,131	76,977
Impairment losses	(8,325)	(14)	-	(314)	(8,653)
Reportable segment profit before income tax	24,552	11,544	5,838	(619)	41,315
Reportable segment assets	841,908	293,042	2,285,836	137,625	3,558,411
Reportable segment liabilities	-	2,641,867	568,797	3,041	3,213,705

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 31 December 2014:

`000 EUR	Lending & investment	Customer services	Financial markets & Treasury	Investment and non- banking segments	Total
External revenue					
Net interest income	33,655	200	(4,288)	6,708	36,275
Net fee and commission income	619	21,056	1,205	(1,411)	21,469
Net gain on financial instruments at fair value through profit or loss	-	-	192	(46)	146
Net foreign exchange income	-	2,165	8,262	(106)	10,321
Net (loss) on the net monetary position	-	-	-	(150)	(150)
Net realised gain on available-for-sale assets	-	-	407	-	407
Share of loss of equity accounted investees (net of income tax)	-	-	-	(23)	(23)
Other income/(expense)	522	(201)	(100)	3,274	3,495
Inter segment revenue	(18,197)	4,062	13,694	441	-
Total segment revenue	16,599	27,282	19,372	8,687	71,940
Impairment losses	(7,143)	4	11	(1,111)	8,239
Reportable segment profit before income tax	7,031	16,865	15,737	2,890	42,523
Reportable segment assets	905,714	141,339	2,065,059	140,401	3,252,513
Reportable segment liabilities	-	2,516,661	595,918	2,982	3,115,561

36 Operating segments, continued

	30 June 2015	30 June 2014
	'000 EUR	'000 EUR
Operating income		
Total revenue for reportable segments	76,977	71,940
Unallocated amounts	-	-
Consolidated operating income	76,977	71,940
Profit or loss		
Total profit or loss for reportable segments	41,315	42,523
Unallocated amounts	-	-
Consolidated profit before income tax	41,315	42,523
	30 June 2015	31 Dec 2014
	'000 EUR	'000 EUR
Assets		
Total assets for reportable segments	3,558,411	3,252,513
Other unallocated amounts	71,625	225,250
Consolidated total amounts	3,630,036	3,477,763
Liabilities		
Total liabilities for reportable segments	3,213,705	3,115,561
Other unallocated amounts	39,584	20,299
Consolidated total amounts	3,253,289	3,135,860

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 Interest in other entities

(a) 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 2015 for the period of 6 months ended 30 June 2015:

`000 EUR	InCredit Group SIA	RAM Fund- FI High Yield USD	Other subsidiaries	Total
Percentage of Non-controlling interest	49%	34.64%		
Financial instruments at fair value through profit or loss	-	4,200		
Loans and advances due from customers	30,196			
Loans and receivables due from banks	-	2,806		
Other assets	908	-		
Deposits and balances due to financial institutions	(24,225)	-		
Current accounts and deposits due to customers	(1,000)	-		
Other liabilities	(2,451)	(9)		
Net assets	3,428	6,997		
Carrying amount of Non-controlling interest	1,680	2,424	319	4,423
Revenue	3,735	325		
Profit after tax	651	790		
Total comprehensive income	651	790		
Profit/(loss) allocated to Non-controlling interest	319	274	(172)	421
Cash flows from operating activities	(1,330)	(463)		
Cash flows from investment activities	(65)	-		
Cash flows from financing activities, before dividends to NCI	2,665	1,951		
Cash flows from financing activities - cash dividends to NCI	(1,465)	-		
Net increase (decrease) in cash and cash equivalents	70	1,488		

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 2014 and for the period of six months ended 30 June 2014:

`000 EUR	InCredit Group SIA	RAM Fund- FI Investment grade USD	Other subsidiaries	Total
As at 31 December 2014				
Percentage of Non-controlling interest	49%	31.32%		
Financial instruments at fair value through profit or loss	-	3,129		
Loans and advances due from customers	28,023	-		
Other assets	934	2,811		
Deposits and balances due to financial institutions	(21,554)	-		
Current accounts and deposits due to customers	(1,004)	-		
Other liabilities	(2,422)	(13)		
Net assets as at 31 December 2014	3,977	5,927		
Carrying amount of Non-controlling interest	1,949	1,856	470	4,275
For six months period ended 30 June 2014				
Revenue	3,599	-		
Profit after tax	641	-		
Total comprehensive income	641	-		
Profit/(loss) allocated to Non-controlling interest	314	-	28	342
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)	-		
Net increase (decrease) in cash and cash equivalents	(199)	-		

(b) Unconsolidated structured entities

The Group is holding units of investment funds for which it acts as asset management company, i.e. has power over individual investment decisions in line with investment strategy published in the prospectus. The Group is obtaining fixed fee for asset management and custodian services.

At each reporting date the Group evaluates the linkage between power and exposure to variable returns and decides whether the respective fund shall be consolidated or not. During the first half of 2015, the share in RAM Fixed Income Investment Grade Fund decreased to 35% through dilution of shares (issuing units to new investors), and the Group ceased consolidating this fund. The non-controlling interest as at the date of loss control amounted to EUR 1,860 thousand.

37 Interest in other entities, continued

The following table shows the summary of net assets of RAM Fixed Income Investment Grade Fund, and the carrying amount of investment held by the Group:

'000 EUR	30 June 2015	31 Dec 2014
Financial instruments at fair value through profit or loss	9,970	3,129
Loans and receivables due from banks (Rietumu Banka)	3,229	2,811
Other liabilities	(12)	(13)
Total	13,187	5,927
Units in investment funds (Note 18)	4,431	4,053

38 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 2015 and as at 31 December 2014 and a scenario of a 5% change in USD to EUR exchange rates, while the other variable remain constant, is as follows:

Group	30 June 2015		31 Dec 2014	
	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
'000 EUR				
5% appreciation of USD against EUR	(20,123)	22,383	(4,882)	4,072
5% depreciation of USD against EUR	20,123	(22,383)	4,882	(4,072)
Bank	30 June 2015		31 Dec 2014	
'000 EUR	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
5% appreciation of USD against EUR	(20,619)	22,860	(5,212)	4,692
5% depreciation of USD against EUR	20,619	(22,860)	5,212	(4,692)

38 Change in financial risk sensitivity, continued

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 2015 and as at 31 December 2014 and a scenario of a 5% change in all securities prices, while the other variables remain constant, is as follows:

Group '000 EUR	30 June 2015		31 Dec 2014	
	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
5% increase in securities prices	413	23,640	541	5,010
5% decrease in securities prices	(413)	(23,640)	(541)	(5,010)
Bank '000 EUR	30 June 2015		31 Dec 2014	
	Profit for the period	Other comprehensive income	Profit for the period	Other comprehensive income
5% increase in securities prices	190	25,707	220	7,233
5% decrease in securities prices	(190)	(25,707)	(220)	(7,233)