



# **AS LATVIJAS PASTA BANKA**

*Interim condensed financial statements  
for the six-month period ended 30 June 2016*

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## MANAGEMENT REPORT

Dear customers, cooperation partners and shareholders,

The year 2016 has begun successfully with the Bank continuing to grow and expand.

In comparison to the previous 6 months the Bank's profit ratings have increased considerably. In the first 6 months of 2015 the Bank's profit was EUR 2.1 million, however, in the first 6 months of this year, profit has increased four times and reached EUR 8 million.

Card processing operations (e-commerce) has generated significant profit, thus we aim to continue the development of this sector.

During the first 6 months the Bank has participated in international exhibitions in Moscow and St. Petersburg, including Trans Russia and ECOM Expo. We have contributed to the co-operation with local customers, offering thematic lectures and insights into the development of real estate market.

The Bank is acting as a socially responsible enterprise and is participating in the development of Latvian society. We are pleased that we were able to support Children's Hospital fund, Car rally competition and organize the "Arhetips" art exhibition.

### **The Bank's key financial indicators demonstrate steady growth:**

- The Bank's assets on 30<sup>th</sup> June 2016 were EUR 218.7 million.
- The Bank's capital adequacy level on 30<sup>th</sup> June 2016 was 16.81%, and the liquidity ratio 100.61%.
- The Bank's return on equity (ROE) at 30<sup>th</sup> June 2016 was 69.37%, while return on assets (ROA) reached 7.53%.

In the first 6 months of 2016 the Bank has increased its share capital to EUR 13 million. The increase of share capital strengthens the Bank's capital base, guarantees stability and basis for further growth of the Bank.

During the next 6 months of 2016 the Bank will continue the technological development in order to provide even better and easy-to-use services to clients.

We would like to express our deep gratitude to our shareholders and customers for their trust and to all our employees – for their contribution to the Bank's development!

On behalf of the Bank's management:



Biomins Kajems  
Chairman of the Council



Boriss Ulmans  
Chairman of the Board

Riga, 9 August 2016

**THE COUNCIL AND THE BOARD****The Council****The Council of the Bank as at 30 June 2016**

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>
Biomins Kajems	Chairman of the Council	13/10/2008
Mihails Ulmans	Deputy Chairman of the Council	20/09/2013
Aleksandr Plotkin	Council Member	14/10/2015

**The Board****The Board of the Bank as at 30 June 2016**

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>
Boriss Ulmans	Chairman of the Board	05/09/2008
Arnis Kalveršs	Board Member	05/09/2008
Jurijs Svirčenkovs	Board Member	29/04/2014

On behalf of the Bank`s management:



Biomins Kajems  
Chairman of the Council



Boriss Ulmans  
Chairman of the Board

Riga, 9 August 2016

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of AS LATVIJAS PASTA BANKA (hereinafter – the Bank) are responsible for the preparation of the Bank's interim condensed financial statements. These financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis in preparing the Bank's financial statements. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Bank's financial statements set out on pages 8 to 35 are prepared in accordance with the source documents and present fairly the financial position of the Bank as at 30 June 2016 and the results of its operations and cash flows for the six-month period ended 30 June 2016.

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

On behalf of the Bank's management:



Biomins Kajems  
Chairman of the Council



Boriss Ulmans  
Chairman of the Board

Riga, 9 August 2016



Translation from Latvian original\*

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of AS Latvijas Pasta banka**

### **Report on the Condensed Interim Financial Statements**

We have audited the accompanying condensed interim financial statements of AS Latvijas Pasta banka (the "Bank") set out on pages 8 to 35, which comprise the interim condensed statement of financial position as of 30 June 2016 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Condensed Interim Financial Statements*

Management is responsible for the preparation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" and for such internal control as management determines is necessary to enable the preparation of condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed interim financial statements.

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

#### *Opinion*

In our opinion, the condensed interim financial statements of AS Latvijas Pasta Banka are prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



## Report on Other Legal and Regulatory Requirements

We have read the Management Report set out on page 3 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the condensed interim financial statements for the six month period ended 30 June 2016.

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5

A handwritten signature in blue ink, appearing to read 'I. Lejina', is written over a faint, illegible stamp.

Ilandra Lejiņa  
Member of the Board  
Certified auditor in charge  
Certificate No. 168

Riga, Latvia  
9 August 2016

\* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six-month period ended	
		30.06.2016	30.06.2015
Interest income	6	2 940	2 454
Interest expense	6	(674)	(349)
<b>Net interest income</b>	6	<b>2 266</b>	<b>2 105</b>
Provision for loan impairment	11	(28)	(4)
<b>Net interest income after provision for impairment of assets</b>		<b>2 238</b>	<b>2 101</b>
Commission and fee income	7	9 504	6 038
Commission and fee expense	7	(4 761)	(2 867)
<b>Net commission and fee income</b>	7	<b>4 743</b>	<b>3 171</b>
Net trading income	9	6 479	324
Other income	8	140	106
<b>Operating income</b>		<b>13 600</b>	<b>5 702</b>
Administrative expense	10	(2 424)	(2 140)
Depreciation		(165)	(160)
Other expense	8	(1 730)	(1 063)
<b>Total operating expense</b>		<b>(4 319)</b>	<b>(3 363)</b>
<b>Profit before tax</b>		<b>9 281</b>	<b>2 339</b>
Corporate income tax	12	(1 230)	(230)
<b>Net profit for the period</b>		<b>8 051</b>	<b>2 109</b>
<b>Profit attributable to the owners of the Bank</b>		<b>8 051</b>	<b>2 109</b>
<i>Items that may be classified subsequently to profit or loss</i>			
Change in revaluation reserve of available for sale securities		(3 385)	351
<b>Total other comprehensive (expense) / income</b>		<b>(3 385)</b>	<b>351</b>
<b>Total comprehensive income attributable to the owners of the Bank</b>		<b>4 666</b>	<b>2 460</b>
<b>Earnings per share (EUR)</b>	23	<b>0.619</b>	<b>0.176</b>

The accompanying notes on pages 13 to 35 form an integral part of these financial statements. The Bank's financial statements set out on pages 8 to 35 were approved by the Board and by the Council on 9 August 2016.



Biomins Kajems  
Chairman of the Council



Boriss Ulmans  
Chairman of the Board

Riga, 9 August 2016

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2016	31.12.2015
<b>ASSETS</b>			
Cash and balances with the Bank of Latvia	13	33 470	13 115
Due from credit institutions	14	38 869	52 086
Held for trading financial assets		2	6
Available-for-sale financial assets	16	28 389	49 835
Loans	15	44 675	45 083
Held-to-maturity financial investments	16	60 190	50 205
Property, plant and equipment		6 996	7 070
Intangible assets		416	451
Other assets	17	5 410	1 877
Prepaid expense and accrued income		233	287
<b>Total assets</b>		<b>218 650</b>	<b>220 015</b>
<b>LIABILITIES</b>			
Held for trading financial assets		1	2
Liabilities at amortised cost		181 085	194 985
<i>Deposits</i>	19	181 085	194 985
Corporate income tax liabilities		1 063	233
Deferred tax liabilities	12	298	284
Other liabilities	20	8 267	2 397
Deferred income and accrued expense	21	893	737
<b>Total liabilities</b>		<b>191 607</b>	<b>198 638</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>			
Paid-in share capital	22	13 000	12 000
Revaluation reserve of available for sale financial assets		1 082	4 467
Retained earnings		12 961	4 910
<b>Total equity attributable to equity holders of the Bank</b>		<b>27 043</b>	<b>21 377</b>
<b>Total equity</b>		<b>27 043</b>	<b>21 377</b>
<b>Total liabilities and equity</b>		<b>218 650</b>	<b>220 015</b>

The accompanying notes on pages 13 to 35 form an integral part of these financial statements. The Bank's financial statements set out on pages 8 to 35 were approved by the Board and by the Council on 9 August 2016.



Biomins Kajems  
Chairman of the Council



Boriss Ulmans  
Chairman of the Board

Riga, 9 August 2016

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

	<b>Paid in share capital</b>	<b>Revaluation reserve of available-for- sale financial assets</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as at 31 December 2014</b>	<b>10 465</b>	<b>(508)</b>	<b>1 980</b>	<b>11 937</b>
Increase in share capital	1 535	-	-	1 535
Net profit for the period	-	-	2 109	2 109
Total other comprehensive income	-	351	-	351
Dividends paid	-	-	(1 500)	(1 500)
<b>Balance as at 30 June 2015</b>	<b>12 000</b>	<b>(157)</b>	<b>2 589</b>	<b>14 432</b>
Total other comprehensive income	-	4 624	-	4 624
Net profit for the period	-	-	2 321	2 321
<b>Balance as at 31 December 2015</b>	<b>12 000</b>	<b>4 467</b>	<b>4 910</b>	<b>21 377</b>
Increase in share capital	1 000	-	-	1 000
Net profit for the period	-	-	8 051	8 051
Total other comprehensive income	-	(3 385)	-	(3 385)
<b>Balance as at 30 June 2016</b>	<b>13 000</b>	<b>1 082</b>	<b>12 961</b>	<b>27 043</b>

The accompanying notes on pages 13 to 35 form an integral part of these financial statements. The Bank's financial statements set out on pages 8 to 35 were approved by the Board and by the Council on 9 August 2016.



Biomins Kajems  
Chairman of the Council



Boriss Ulmans  
Chairman of the Board

Riga, 9 August 2016

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	9 281	2 339
Amortisation / depreciation	165	160
Increase in impairment allowance for financial assets	28	4
Interest income	(2 940)	(2 455)
Interest expense	674	349
Unrealised foreign exchange gain	(39)	(464)
<b>Decrease in cash and cash equivalents from operating activities before changes in assets and liabilities</b>	<b>7 169</b>	<b>(67)</b>
Decrease / (increase) in balances due from credit institutions	51	(2 992)
Increase in loans and receivables	388	(5 516)
Decrease / (increase) in other assets	(3 501)	1 258
Increase in deposits from customers	(13 992)	26 768
Increase in other liabilities	6 025	569
<b>Change in cash and cash equivalents from operating activities before income tax and net interest income</b>	<b>(3 860)</b>	<b>20 020</b>
Interest received	3 178	2 342
Interest paid	(582)	(271)
Income tax paid	(386)	(45)
<b>Change in cash and cash equivalents from operating activities</b>	<b>(1 650)</b>	<b>2 026</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(56)	(104)
Increase / (decrease) of available-for-sale financial assets	17 900	(18 928)
(Increase) / decrease of held-to-maturity financial instruments	(10 029)	(2 725)
<b>Change in cash and cash equivalents from investing activities</b>	<b>7 815</b>	<b>(21 757)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase of share capital	1 000	1 535
Dividends paid	-	(1 500)
Decrease of subordinated loan	-	(1 250)
<b>Change in cash and cash equivalents from financing activities</b>	<b>1 000</b>	<b>(1 215)</b>
<b>Net cash flows for the period</b>	<b>7 165</b>	<b>(926)</b>
Cash and cash equivalents at the beginning of the period	62 003	37 165
Foreign exchange gain	39	464
<b>Cash and cash equivalents at the end of the period</b>	<b>69 207</b>	<b>36 703</b>

Cash and cash equivalents are disclosed in note 24.

## INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)

The accompanying notes on pages 13 to 35 form an integral part of these financial statements. The Bank's financial statements set out on pages 8 to 35 were approved by the Board and by the Council on 9 August 2016.



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Biomins Kajems  
Chairman of the Council



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Boriss Ulmans  
Chairman of the Board

Riga, 9 August 2016

**NOTE 1 GENERAL INFORMATION**

AS Latvijas pasta banka (hereinafter – the Bank) is a joint stock company registered in the Republic of Latvia and operating according to the laws of the Republic of Latvia and the license issued by the Financial and Capital Markets Commission on 12 September 2008.

The registered office of AS Latvijas pasta banka is at Brivibas iela 54, Riga, LV-1011, Latvia.

The Bank has the head office and two customer service centers. The core business activities of the Bank comprise local and international payments, attraction of deposits, issue and servicing of payment cards, issue of loans, securities and foreign exchange transactions.

**NOTE 2 BASIS OF PREPARATION****(a) Statement of compliance**

These interim condensed financial statements of AS Latvijas pasta banka are prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. These interim condensed financial statements do not include all the information and disclosures required in the complete financial statements and should be read in conjunction with the 2015 full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

**(b) Going concern**

The financial statements are prepared on the going concern basis. The Bank’s management has analysed the Bank’s financial position, availability of financial resources as well as the impact of the financial crisis on the future operations of the Bank. The Bank’s operating strategy is aimed at further development of the bank servicing certain customers and developing customised products and service technologies.

The Bank’s capital adequacy is monitored by the following:

- Analysing the report prepared in accordance with the Bank’s Procedure for Calculating the Minimum Capital Requirements at least on a monthly basis;
- Assessing the capital required to cover all significant risks the Bank is exposed to and the extent of the available capital for a three-year planning period at least once every year and by benchmarking the actual financial performance of the Bank against the target indicators on a monthly basis;
- Analysing the asset quality and estimating the required allowances at least on a quarterly basis.

Pursuant to the Bank’s Crisis Management Plan, in the event of a prolonged crisis of capital the Bank will use its capital reserves, attract subordinated deposits, or seek a shareholders’ decision to increase the Bank’s capital.

Having analysed the key risks related to the present and potential economic situation, the development of the banking industry as well as the Bank’s existing and potential human and financial resources, the Bank has selected to pursue the following strategy:

- As a priority, to offer its services to legal entities, forming the customer portfolio based on customised services;

- Along with legal entities, to offer equal customised services also to high-income and ultra-high income private individuals;
- To be present in Latvia, Russia, other CIS and EEA states;

To define as the priority business activities the following:

- issue and acceptance of payment cards via POS terminals and the Internet, in cooperation with renowned organisations, such as MasterCard, Visa, Tieto, First Data, Global Payment using MasterCard acquiring license for Europe and Visa acquiring license for Europe, thus providing services to Internet merchants throughout Europe,
- investment of attracted funds in financial instruments,
- issue of credit lines linked to payment cards to private individuals,
- issue of loans to legal entities based on the moderately conservative risk approach, especially financing of current assets and transportation flows;

The Bank has set a target capital adequacy ratio for 2016 of at least 16 per cent.

### **(c) Functional and presentation currency**

These financial statements are reported in thousands of euro (EUR'000), unless otherwise stated. The functional currency of the Bank is euro (EUR).

### **(d) Basis of presentation**

These financial statements are prepared on a historical cost basis, except for assets and liabilities, which are reported at fair value:

- derivative financial instruments;
- available-for-sale financial assets.

## **NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as disclosed below, in preparing these interim condensed financial statements, the Bank consistently applied accounting policies in line with those used for preparing the 2015 financial statements.

Income tax expense is recognised in each interim period based on the best estimate of the weighted average effective annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the weighted average effective annual income tax rate changes. Interim period income tax expense is accrued using the tax rate that would be applicable to expect total annual earnings, that is, the estimated average annual effective income tax rate is applied to the pre-tax income of the interim period.

The following new and amended IFRS and interpretations come into force in first half of the year 2016:

- **Amendment to IFRS 11 “Joint arrangements”** on acquisition of an interest in a joint operation;
- **Amendments to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture”** regarding bearer plants;
- **Amendment to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets”** on depreciation and amortisation;
- **Amendments to IAS 27 “Separate financial statements”** on the equity method;
- **Annual improvements 2014**. The amendments include changes that affect 4 standards:
  - IFRS 5 “Non-current assets held for sale and discontinued operations”;
  - IFRS 7 “Financial instruments: Disclosures” with consequential amendments to IFRS 1;
  - IAS 19 “Employee benefits”;
  - IAS 34 “Interim financial reporting”.
- **Amendments to IAS 1 “Presentation of financial statements”** regarding disclosure initiative.

A number of new standards and interpretations have been published and come into force for financial periods beginning on or after 1 July 2016, or are not endorsed by the European Union:

- **IFRS 14 “Regulatory deferral accounts”** (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
- **Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures”** (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
- **Amendments to IAS 7 “Statement of Cash Flows”** (effective for annual periods on or after 1 January 2017, not yet endorsed by the EU);
- **Amendments to IAS 12 “Income Taxes” on recognition of deferred tax asset for unrealised losses** (effective for annual periods on or after 1 January 2017, not yet endorsed by the EU);
- **Amendments to IFRS 2 “Share based payments”** (effective for annual periods on or after 1 January 2018, not yet endorsed by the EU);
- **IFRS 15 “Revenue from contracts with customers” including amendments** (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);
- **IFRS 9 “Financial instruments”** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 “Leasing”** (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

In the financial statements of 2015, the management of the Bank has described the impact of the new standards and interpretations carried out on the financial statements if any. Work on a more detailed assessment is currently in progress and its results will be presented in the financial statements of 2016.

#### **NOTE 4 RISK MANAGEMENT**

All the aspects of the Bank's risk management objectives and policies are consistent with those disclosed in the Bank's 2015 financial statements.

#### **NOTE 5 JUDGMENTS AND ESTIMATES**

The preparation of interim condensed financial statements requires the management to make judgments, estimates and assumptions that affect the adoption of accounting policies, the reported amounts of assets, liabilities, income and expense. Accordingly, actual results could differ from those estimates.

The significant areas of judgment regarding the adoption of accounting policies and the key sources of estimate uncertainty used in preparing these interim condensed financial statements are consistent with those used in the 2015 financial statements.

**NOTE 6 NET INTEREST INCOME**

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Interest income</b>		
Due from credit institutions	240	197
Loans and receivables	1 378	1 110
<i>Incl. impaired loans</i>	2	22
Securities	1 322	1 147
<i>Incl. held to maturity</i>	828	347
<i>Incl. available for sale</i>	494	800
<b>Total interest income:</b>	<b>2 940</b>	<b>2 454</b>
<b>Interest expense</b>		
Due to credit institutions	(1)	(1)
Non-bank deposits	(451)	(212)
Payments to the Deposit Guarantee Fund	(222)	(136)
<b>Total interest expense:</b>	<b>(674)</b>	<b>(349)</b>
<b>Net interest income</b>	<b>2 266</b>	<b>2 105</b>

**NOTE 7 NET COMMISSION AND FEE INCOME**

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Commission and fee income</b>		
Service fee for account maintenance and cash transactions	1 362	1 082
Asset management and brokerage services	532	312
Payment card transactions	7 477	4 528
Other bank transactions	133	116
<b>Total commission and fee income:</b>	<b>9 504</b>	<b>6 038</b>
<b>Commission and fee expense</b>		
Correspondent bank services	(126)	(61)
Payment card transactions	(4 585)	(2 754)
Brokerage services	(44)	(39)
Other bank transactions	(6)	(13)
<b>Total commission and fee expense:</b>	<b>(4 761)</b>	<b>(2 867)</b>
<b>Net commission and fee income</b>	<b>4 743</b>	<b>3 171</b>

**NOTE 8 OTHER INCOME AND EXPENSE**

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Other income</b>		
Penalties collected	117	80
<i>Incl. for payment card transactions</i>	5	23
<i>Incl. past due loan payments</i>	111	55
Other income	23	26
<b>Total other income</b>	<b>140</b>	<b>106</b>
<b>Other expense</b>		
Membership fees to various organisations	(33)	(26)
Payment card project implementation and servicing	(419)	(356)
Factoring service related expense	(10)	(12)
Client attraction related expense	(1 238)	(647)
Other expenses	(30)	(22)
<b>Total other expenses</b>	<b>(1 730)</b>	<b>(1 063)</b>

**NOTE 9 NET TRADING INCOME**

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
Net profit / (loss) from transactions with derivative financial instruments	143	(559)
<i>Incl. net trading loss</i>	142	(558)
Net gain from transactions with other currency	853	804
<i>Incl. net trading gain</i>	814	340
<i>Incl. net revaluation result</i>	39	464
Net gain from available-for-sale financial instruments	5 483	79
<i>Incl. sales of debt securities</i>	309	79
<i>Incl. sales of VISA Europe limited shares</i>	5 174	-
<b>Net trading gain</b>	<b>6 479</b>	<b>324</b>

In accordance with the VISA Europe Limited share purchase announced in 2015 and carried out in 2016 by VISA Inc., the Bank received a cash payment of EUR 5 174 in June 2016, which was recognized as income from the sale of available-for-sale financial instruments, in addition Bank received 1 878 preference shares and in the future the deferred payment is expected. Since the deferred payment value is associated with high uncertainty factor and the estimation of such factor is difficult due to current circumstances, the Bank has no recognized this payment in its financial statements as at 30 June 2016 and 31 December 2015. However, the assessment of the received preference shares is reflected in Note 27.

**NOTE 10 ADMINISTRATIVE EXPENSES**

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Remuneration expense</b>		
Remuneration to the Council and the Board	102	79
Remuneration to personnel	1 550	1 388
State compulsory social security contributions	387	345
<b>Total remuneration expense:</b>	<b>2 039</b>	<b>1 812</b>
Lease and maintenance of premises	51	59
Non-deductible input tax	72	52
Telephone, communications and mail	48	47
Software maintenance	53	24
Professional and legal fees	64	27
Stationery and other office expense	11	18
Other personnel expense	27	32
Property tax	23	22
Non-operating expenses	7	6
Other administrative expense	29	41
<b>Total other expense:</b>	<b>385</b>	<b>328</b>
<b>Administrative expense</b>	<b>2 424</b>	<b>2 140</b>

As at 30 June 2016 number of employees in the Bank was 174 (2015: 170 employees).

**NOTE 11 PROVISION FOR LOAN IMPAIRMENT**

	Loans	Other assets	Total
<b>Balance as at 31 December 2014</b>	<b>449</b>	-	<b>449</b>
Increase	5	-	5
Decrease	(1)	-	(1)
<b>Balance as at 30 June 2015</b>	<b>453</b>	-	<b>453</b>
Increase	49	99	148
Write-offs	-	(99)	(99)
<b>Balance as at 31 December 2015</b>	<b>502</b>	-	<b>502</b>
Increase	3	26	29
Decrease	(1)	-	(1)
Write-offs	-	(26)	(26)
<b>Balance as at 30 June 2016</b>	<b>504</b>	-	<b>504</b>

**NOTE 12 CORPORATE INCOME TAX**

Corporate income tax expense comprises the following items:

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
Current corporate income tax charge for the reporting period	1 216	214
Deferred corporate income tax	14	16
<b>Total corporate income tax expense</b>	<b>1 230</b>	<b>230</b>

Below is presented the comparison of actual income tax charge and the theoretical tax calculated applying the 15% statutory rate prescribed by Latvian tax laws (2014: 15%):

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Profit before tax</b>	<b>9 281</b>	<b>2 339</b>
Corporate income tax at the statutory rate of 15%	1 392	351
Non-taxable income	(176)	(137)
<b>Corporate income tax expense for the period</b>	<b>1 216</b>	<b>214</b>

**NOTE 13 CASH AND BALANCES WITH THE BANK OF LATVIA**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Cash	2 380	2 652
Balances with the Bank of Latvia	31 090	10 463
<b>Total</b>	<b>33 470</b>	<b>13 115</b>

Balances with the Bank of Latvia include cash on the correspondent account and a short-term deposit with the Bank of Latvia. According to the instructions of the Bank of Latvia, the Bank's average monthly balance on its correspondent account may not be less than the compulsory reserve calculated for the balance of liabilities included in the reserve basis on the last day of the month, however, on any given day cash to be used is unlimited. As at 30 June 2016, the Bank's compulsory reserve requirement was EUR 1 539 thousand (31 December 2015: EUR 1 582 thousand).

**NOTE 14 DUE FROM CREDIT INSTITUTIONS**

	<b>30.06.2016</b>	<b>31.12.2015</b>
<b>Demand deposit</b>	<b>35 738</b>	<b>44 350</b>
Credit institutions registered in Latvia	12 755	12 385
Credit institutions registered in the EU	13 832	20 106
Credit institutions of other countries	9 151	11 859
<b>Term deposits</b>	<b>3 131</b>	<b>7 736</b>
Credit institutions registered in Latvia	3 121	5 133
Credit institutions of other countries	10	2 603
<b>Total</b>	<b>38 869</b>	<b>52 086</b>

The Bank's average interest rates applicable for the balances due from credit institutions in the first half of 2016 are as follows: USD 0.606%, EUR -0.4%, RUB 9.221% (in the first half of 2015 respectively - USD 0.304%, EUR 1.00%, RUB 13.539%).

As at 30 June 2016 term deposits registered in the Republic of Latvia in total value of EUR 3 121 thousand are pledged in favour of guarantee from MasterCard (EUR 3 183 thousand as at 31 December 2015).

**NOTE 15 LOANS****(a) By customer profile**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Private non-financial companies	32 703	33 723
Financial institutions	2 180	2 378
Households	10 296	9 484
<b>Total loans</b>	<b>45 179</b>	<b>45 585</b>
Allowance for credit losses	(504)	(502)
<b>Net loans</b>	<b>44 675</b>	<b>45 083</b>

**(b) By geographical profile**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Residents of Latvia	41 035	41 198
Residents of EU Member States	1 871	2 085
Residents of other countries	2 273	2 302
<b>Total loans</b>	<b>45 179</b>	<b>45 585</b>
Allowance for credit losses	(504)	(502)
<b>Net loans</b>	<b>44 675</b>	<b>45 083</b>

**(c) By type**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Commercial loans	14 184	15 032
Industrial loans	5 603	4 601
Finance leases	798	882
Credit card loans	70	78
Mortgage loans	17 354	16 942
Factoring	1 225	1 583
Other loans	5 737	6 150
Cash with financial institutions	208	317
<b>Total loans</b>	<b>45 179</b>	<b>45 585</b>
Allowance for credit losses	(504)	(502)
<b>Net loans</b>	<b>44 675</b>	<b>45 083</b>

**(d) Significant credit risk concentration**

As at 30 June 2016, the Bank had 5 borrowers or groups of related borrowers whose aggregate liabilities exceeded 10% of the Bank's equity (31 December 2015: eight borrowers or groups of related borrowers). As at 30 June 2016, the total liabilities of borrowers or groups of related borrowers whose aggregate liabilities exceeded 10% of the Bank's equity (without taking into account collateral) was EUR 13 million, which is 77% of the Bank's equity (31 December 2015: EUR 16 million, or 100% of the Bank's equity).

**NOTE 16 FINANCIAL ASSETS****a) Financial assets by portfolios**

	<b>30.06.2016</b>	<b>31.12.2015</b>
<b>Available-for-sale financial assets</b>		
Debt securities issued by Latvian government	-	1 893
Debt securities issued by other country central governments	7 215	10 066
Debt securities issued by EU central governments	4 986	9 517
Debt securities issued by credit institutions of other countries	2 259	4 868
Debt securities issued by EU credit institutions	2 259	4 575
Debt securities issued by other country financial institutions	4 510	8 262
Debt securities issued by Latvian non-financial institutions	1 037	1 001
Debt securities issued by EU non-financial institutions	2 529	1 393
Debt securities issued by other country non-financial institutions	2 719	3 407
VISA shares	875	4 853
<b>Total available-for-sale financial assets</b>	<b>28 389</b>	<b>49 835</b>
<b>Held-to-maturity financial investments</b>		
Debt securities issued by the Latvian government	17 334	17 768
Debt securities issued by EU central governments	4 313	4 287
Debt securities issued by EU credit institutions	7 789	5 821
Debt securities issued by other country credit institutions	18 740	14 812
Debt securities issued by the Latvian non-financial institutions	1 787	1 762
Debt securities issued by EU non-financial institutions	6 562	2 011
Debt securities issued by other country non-financial institutions	3 665	3 744
<b>Total held-to-maturity financial investments</b>	<b>60 190</b>	<b>50 205</b>

**b) Available-for-sale financial assets by geographical profile**

	30.06.2016			31.12.2015		
	Carrying amount	% of equity	Re-valuation reserve	Carrying amount	% of equity	Re-valuation reserve
<b>Central governments</b>	<b>7 215</b>	<b>x</b>	<b>8</b>	<b>11 959</b>	<b>x</b>	<b>32</b>
Latvia	-	-	-	1 893	13.39	58
USA	7 215	43.74	8	10 066	71.20	(26)
<b>Credit institutions</b>	<b>7 245</b>	<b>x</b>	<b>81</b>	<b>14 385</b>	<b>x</b>	<b>(73)</b>
Sweden	-	-	-	4 579	32.39	(18)
USA	-	-	-	1 857	13.13	6
Russia	-	-	-	1 744	12.33	(46)
The Netherlands	2 409	14.61	11	2 116	14.97	(2)
Switzerland	1 959	11.88	43	978	6.92	10
Other countries	2 877	17.44	27	3 111	22.0	(23)
<b>Other financial institutions</b>	<b>6 769</b>	<b>x</b>	<b>3</b>	<b>12 837</b>	<b>x</b>	<b>(43)</b>
United Kingdom	2 259	13.69	4	4 575	32.36	(20)
USA	4 510	27.34	(1)	8 262	58.44	(23)
<b>Private non-financial institutions</b>	<b>6 285</b>	<b>38.10</b>	<b>115</b>	<b>5 801</b>	<b>41.03</b>	<b>(302)</b>
<b>Other financial institutions' shares</b>	<b>875</b>	<b>x</b>	<b>875</b>	<b>4 853</b>	<b>x</b>	<b>4 853</b>
United Kingdom	-	-	-	4 853	34.33	4 853
USA	875	5.31	875	-	-	-
<b>Total available-for-sale financial assets</b>	<b>28 389</b>	<b>x</b>	<b>1 082</b>	<b>49 835</b>	<b>x</b>	<b>4 467</b>

## c) Held-to-maturity financial investments by geographical profile

	30.06.2016			31.12.2015		
	Carrying amount	% of equity	Fair value	Carrying amount	% of equity	Fair value
<b>Central governments</b>	<b>21 647</b>	<b>x</b>	<b>24 188</b>	<b>22 055</b>	<b>x</b>	<b>24 457</b>
Latvia	17 334	105.08	19 700	17 768	125.67	20 193
Lithuania	4 313	26.15	4 488	4 287	30.32	4 264
<b>Credit institutions</b>	<b>26 529</b>	<b>x</b>	<b>26 702</b>	<b>20 633</b>	<b>x</b>	<b>20 369</b>
Brazil	2 131	12.92	2 075	2 109	14.92	1 897
Sweden	1 818	11.03	1 856	1 856	13.13	1 854
UAE	3 655	22.16	3 730	3 731	26.39	3 738
Canada	1 820	11.03	1 849	1 857	13.14	1 851
The Netherlands	1 822	11.04	1 851	1 861	13.16	1 859
China	1 940	11.76	2 023	1 992	14.09	2 040
United Kingdom	4 149	25.15	4 035	2 104	14.88	2 032
USA	6 918	41.94	6 988	2 802	19.82	2 779
Other countries	2 276	13.80	2 295	930	16.42	927
<b>Private non-financial institutions</b>	<b>12 014</b>	<b>x</b>	<b>12 353</b>	<b>7 517</b>	<b>x</b>	<b>7 594</b>
Latvia	1 786	10.83	1 853	1 762	12.46	1 834
China	1 813	10.99	1 850	1 849	13.08	1 856
India	1 852	11.23	1 889	1 895	13.40	1 896
Estonia	3 567	21.62	3 678	2 011	14.22	2 008
Germany	1 989	12.06	2 059	-	-	-
Other countries	1 007	6.10	1 024	-	-	-
<b>Held-to-maturity financial investments, net</b>	<b>60 190</b>	<b>x</b>	<b>63 243</b>	<b>50 205</b>	<b>x</b>	<b>52 420</b>

The Bank uses the following hierarchy of three levels of input data for determining and disclosing the fair value of financial assets and liabilities:

Level 1: Quoted prices in active markets;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable.

Level 3: Other techniques which use inputs, which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2016, the fair value of the Bank's financial assets met the requirements of Level 1 and Level 2, except VISA preferred shares those met the requirement of Level 3.

**NOTE 17 OTHER ASSETS**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Card operations	2 961	960
Security deposit for transactions	2 280	713
Input tax	3	78
Inventory (digipass and card blanks)	51	45
Other receivables	115	81
<b>Total</b>	<b>5 410</b>	<b>1 877</b>

**NOTE 18 FUNDS UNDER TRUST MANAGEMENT**

	<b>30.06.2016</b>	<b>31.12.2015</b>
<b>Assets</b>	<b>59 693</b>	<b>83 750</b>
Loans to private companies	44 140	41 674
Loans to financial institutions	14 695	16 572
Loans to households	-	-
Investments in financial instruments	858	25 504
<b>Liabilities</b>	<b>59 693</b>	<b>83 750</b>
Credit institutions	604	24 941
Private companies	58 616	57 475
Households	473	1 334

The Bank issues loans or makes investments in financial instruments classified as funds under trust management based on specific requests of asset owners. According to the trust management agreements concluded with customers, the asset owners assume all the risks inherent in these assets, the Bank has no control over these assets and does not received any rewards from these assets. The Bank acts only as an intermediary receiving the management fee.

As at 30 June 2016, market price of the clients' financial instruments portfolio is 71 758 thousand EUR ( 31 December 2015 – 97 470 thousand EUR).

As at 30 June 2016, the accumulated outstanding commission fee for the asset management was EUR 27 thousand (31 December 2015: EUR 79 thousand).

**NOTE 19 DEPOSITS FROM CUSTOMERS****(a) Demand and term deposits split by customer profile:**

	<b>30.06.2016</b>	<b>31.12.2015</b>
<b>Demand deposits</b>	<b>142 035</b>	<b>159 234</b>
Financial institutions	20 937	22 545
Private companies	89 132	103 161
Households and non-profit public organizations	31 966	33 528
<b>Term deposits</b>	<b>39 050</b>	<b>35 751</b>
Financial institutions	101	1 538
Private companies	6 366	6 986
Households and non-profit public organizations	32 583	27 227
<b>Total</b>	<b>181 085</b>	<b>194 985</b>

**(b) Demand and term deposits split by geographical profile**

	<b>30.06.2016</b>	<b>31.12.2015</b>
<b>Demand deposits</b>	<b>142 035</b>	<b>159 234</b>
Residents of Latvia	33 165	31 286
Residents of EU Member States	55 727	70 627
Residents of other countries	53 143	57 321
<b>Term deposits</b>	<b>39 050</b>	<b>35 751</b>
Residents of Latvia	32 028	27 111
Residents of EU Member States	297	1 678
Residents of other countries	6 725	6 962
<b>Total</b>	<b>181 085</b>	<b>194 985</b>

The Bank's average interest rate on customer deposits for the first half of 2016 is 1.551% (USD) and 1.586% (EUR). In the first half of 2015: 1.486% (USD), 1.465% (EUR)).

**NOTE 20 OTHER LIABILITIES**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Payment card settlements	4 213	2 071
Liabilities under clarification	4 038	232
Taxes	11	90
Other liabilities	5	4
<b>Total</b>	<b>8 267</b>	<b>2 397</b>

**NOTE 21 NEXT PERIOD INCOME AND ACCRUED EXPENSE**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Payment card servicing	202	130
Payments to the Deposit Guarantee Fund and the FCMC	81	47
Vacation pay reserve	220	174
Servicing of correspondent and financial instrument accounts	9	12
Accrued payments to agents	324	296
Other accrued expense	46	61
Accrued income from loans	11	17
<b>Total</b>	<b>893</b>	<b>737</b>

**NOTE 22 PAID-IN SHARE CAPITAL**

As at 30 June 2016, the Bank's registered and paid-in share capital was EUR 13 million (31 December 2015: EUR 12 million). In the first half of 2016 Bank increased its share capital by EUR 1 million.

The Bank's share capital consists of only ordinary voting shares. The par value of each share is EUR 1. As at 30 June 2016, all shares were fully paid and the Bank did not hold its own shares.

As at 30 June 2016 and 31 December 2015, the Bank's sole shareholder was SIA Mono, registration No 40003004625, legal address Rīga, Katlakalna iela 1, which is also the ultimate parent of the Bank

**NOTE 23 EARNINGS PER SHARE**

Earnings per share are calculated by dividing net profit by the number of shares issued

	<b>Six-month period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
Net profit	8 051	2 109
Number of ordinary shares at reporting date ('000)	13 000	12 000
<b>Earnings per share (EUR)</b>	<b>0.619</b>	<b>0.176</b>

**NOTE 24 CASH AND CASH EQUIVALENTS**

	<b>30.06.2016</b>	<b>31.12.2015</b>
Cash and demand deposits with the Bank of Latvia	33 470	13 115
Balances due from other credit institutions with original maturities of less than 3 months	35 737	48 888
<b>Total</b>	<b>69 207</b>	<b>62 003</b>

**NOTE 25 MEMORANDUM ITEMS**

	<b>30.06.2016</b>	<b>31.12.2015</b>
<b>Contingent liabilities</b>	<b>1 302</b>	<b>1 294</b>
Guarantees	1 302	1 294
<b>Financial commitments</b>	<b>2 812</b>	<b>2 151</b>
Unutilised credit lines	2 409	1 759
Credit card commitments	403	392
<b>Total memorandum items, gross</b>	<b>4 114</b>	<b>3 445</b>

**NOTE 26 RELATED PARTY DISCLOSURES**

Related parties are defined as shareholders that have the ability to control or exercise significant influence over the Bank's management policy, Council and Board members, close members of their families, and entities in which these persons have a controlling interest and a qualifying holding. In the ordinary course of business, the Bank enters into transactions with related parties. All loans are issued to and financial transactions are made with related parties on an arm's length basis. As at 30 June 2016, there were no any loans issued to related parties that would have been past due or impaired.

The Bank's financial statements include the following balances of assets, liabilities and memorandum items associated with the Bank's transactions with related parties:

	30.06.2016			31.12.2015		
	Carrying amount	Memorandum items	Total	Carrying amount	Memorandum items	Total
<b>Assets</b>	<b>706</b>	<b>187</b>	<b>893</b>	<b>1 042</b>	<b>81</b>	<b>1 123</b>
<b>Loans and receivables, net</b>	<b>706</b>	<b>187</b>	<b>893</b>	<b>1 036</b>	<b>81</b>	<b>1 117</b>
Parent company	-	-	-	-	-	-
Council and Board	128	70	198	99	75	174
Related companies and persons	578	117	695	937	6	943
<b>Derivative financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>
Relates companies and persons	-	-	-	6	-	6
<b>Assets under management</b>	<b>-</b>	<b>29 131</b>	<b>29 131</b>	<b>-</b>	<b>24 378</b>	<b>24 378</b>
Related companies and persons	-	29 131	29 131	-	24 378	24 378
<b>Liabilities</b>	<b>21 844</b>	<b>-</b>	<b>21 844</b>	<b>16 000</b>	<b>-</b>	<b>16 000</b>
<b>Deposits</b>	<b>21 844</b>	<b>-</b>	<b>21 844</b>	<b>16 000</b>	<b>-</b>	<b>16 000</b>
Parent company	206	-	206	680	-	680
Council and Board	7 160	-	7 160	5 910	-	5 910
Related companies and persons	14 478	-	14 478	9 410	-	9 410
<b>Liabilities under management</b>	<b>-</b>	<b>58 465</b>	<b>58 465</b>	<b>-</b>	<b>58 021</b>	<b>58 021</b>
Council and Board	-	472	472	-	902	902
Related companies and persons	-	57 993	57 993	-	57 119	57 119

The table below presents income and expense on the balances due from/ to related parties:

	Six-month period ended	
	30.06.2016	30.06.2015
Interest income	63	9
Interest expense	(40)	(38)
<b>Net interest expense</b>	<b>23</b>	<b>(29)</b>
<b>Commission and fee income</b>	<b>154</b>	<b>138</b>

**NOTE 27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of liquid financial assets has been determined using bid prices, while offer prices have been used to determine the fair value of financial liabilities.

For illiquid financial assets and liabilities, including loans, there are, by definition, no active markets. Accordingly, fair value has been estimated using appropriate valuation techniques. The methods used to determine the fair value of assets and liabilities, because AFS and derivatives are reflected at fair value, are as follows:

*Cash and balances with central banks*

The fair value of cash and balances with central banks is their carrying amount as these balances may be withdrawn without notice.

*Balances due from credit institutions*

The fair value of balances on demand with credit institutions is their carrying amount as these balances may be withdrawn without notice. The fair value of overnight placements is their carrying amount. The fair value of other amounts due from banks is calculated by discounting expected cash flows using current market rates. In many cases, the carrying value is a close representation of fair value due to the short-term maturity profile.

*Loans*

The fair value of loans is calculated by discounting expected future cash flows. The discount rate used is the market rate for cash at the end of the reporting period and credit rate margins adjusted to the respective market conditions.

*Held-to-maturity securities*

Held-to-maturity securities are valued using unadjusted quoted prices in active markets, where available. In other instances, either quotes of market participants are used or the value of securities is determined using valuation models employing observable or non-observable market inputs.

*Available-for-sale financial assets*

Available-for-sale financial assets are revalued on a daily basis using the prices quoted by Bloomberg and, therefore, their fair value is equal to the carrying amount. The only exception is VISA Inc. shares acquired from the sales of VISA Europe limited and reported under available-for-sale financial assets. The ratio of preference shares to VISA Inc. ordinary shares as suggested by VISA Inc. is 1:13.952. Given the fact that the preferred shares are not traded in free trade and that their exchange for ordinary shares will take a place over a long period of time, the Bank determines the value of preference shares and uses the Bloomberg quotations for ordinary shares applying a 50% reduction of the value.

*Deposits from customers*

It is assumed that the fair value of customer deposits repayable on demand and short-term deposits is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using the interest rate for each particular deposit. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates or the rates proposed for the reporting period. The fair value as at 30

June 2016 and year-end 2015 is calculated by discounting expected cash flows and based on the average interest rates.

*Derivative financial instruments*

Derivative financial instruments are revalued on a daily basis according to the interbank rates and, therefore, the fair value of these instruments equals their carrying amount.

The table below shows a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments reported in the financial statements.

	30.06.2016			31.12.2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Financial assets</b>						
<i>Financial assets at amortised cost</i>						
Cash and balances with the Bank of Latvia	33 470	33 470	-	13 115	13 115	-
Due from credit institutions	38 869	38 869	-	52 086	52 086	-
Held-to-maturity financial investments	60 190	63 243	(3 053)	50 205	52 420	(2 215)
Loans and receivables	44 675	44 544	131	45 083	44 871	212
<i>Financial assets at fair value</i>						
Available-for-sale financial assets	28 389	28 389	-	49 835	49 835	-
<b>Financial liabilities</b>						
<i>Financial liabilities at amortised cost</i>						
Deposits from customers	181 085	181 071	14	194 985	194 976	9
<b>Total difference</b>	<b>x</b>	<b>x</b>	<b>(2 908)</b>	<b>x</b>	<b>x</b>	<b>(1 994)</b>

**30.06.2016.**

	Carrying amount	Fair value			Total
		Level 1 input	Level 2 input	Level 3 input	
<b>Financial assets</b>					
<i>Financial assets at amortised cost</i>					
Due from credit institutions	38 869	-	38 869	-	38 869
Held-to-maturity financial investments	60 190	-	63 243	-	63 243
Loans and receivables	44 675	-	44 544	-	44 544
<i>Financial assets at fair value</i>					
Available-for-sale financial assets	28 389	27 514	-	875	28 389
<b>Financial liabilities</b>					
<i>Financial liabilities at amortised cost</i>					
Deposits from customers	181 085	-	181 071	-	181 071

**31.12.2015.**

	Carrying amount	Fair value			Total
		Level 1 input	Level 2 input	Level 3 input	
<b>Financial assets</b>					
<i>Financial assets at amortised cost</i>					
Due from credit institutions	52 086	-	52 086	-	52 086
Held-to-maturity financial investments	50 205	-	52 420	-	52 420
Loans and receivables	45 083	-	44 871	-	44 871
<i>Financial assets at fair value</i>					
Available-for-sale financial assets	49 835	44 982	-	4 853	49 835
<b>Financial liabilities</b>					
<i>Financial liabilities at amortised cost</i>					
Deposits from customers	194 985	-	194 976	-	194 976

Considering the short-term nature of cash and cash equivalents, fair value for receivables and payables equals their carrying amount.

The methods employed in classifying the assets by the levels of the fair value hierarchy as at 30 June 2016 are consistent with those of the prior year.

**NOTE 28 CAPITAL MANAGEMENT**

The capital adequacy calculation of the Bank can be disclosed as follows

	<b>30.06.2016.</b>	<b>31.12.2015.</b>
<b>1. Equity (1.1.+1.2.)</b>	<b>16 495</b>	<b>14 138</b>
1.1. Level 1 capital (1.1.1.+1.1.2.)	16 495	14 138
1.1.1. Level 1 base capital	16 495	14 138
1.1.2. Level 1 additional capital	-	-
1.2. Level 2 capital	-	-
<b>2. Total risk exposure value (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>98 099</b>	<b>88 541</b>
2.1. Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and unpaid delivery risk (2.1.1.+ 2.1.2.+2.1.3.+2.1.4.+2.1.5.)	81 423	77 068
2.1.1. Central governments and central banks	996	1 395
2.1.2. Authorities	14 777	12 849
2.1.3. Companies	47 896	49 420
2.1.4. Secured by real estate mortgage	3 455	3 545
2.1.5. Other assets	14 299	9 859
2.2. Total exposure value of settlement / delivery	-	-
2.3. Total exposure value for position risk, foreign exchange risk and commodity risk	837	684
2.4. Total exposure value for operational risk	15 839	10 789
2.5. Total exposure value of credit value adjustments	-	-
2.6. Total exposure value associated with large exposures in the trading portfolio	-	-
2.7. Other risk values	-	-
<b>3. Ratio of capital and capital levels</b>		
3.1. Level 1 base capital ratio (1.1.1./2. *100)	16.81 %	15.97 %
3.2. Level 1 base capital surplus (+)/ deficit (-) (1.1.1.-2. *4.5%)	12 081	10 154
3.3. Level 1 ratio (1.1./2. *100)	16.81 %	15.97 %
3.4. Level 1 surplus (+)/deficit (-) (1.1.-2. *6%)	10 609	8 826
3.5. <b>Total capital ratio (1./2. *100)</b>	<b>16.81 %</b>	<b>15.97 %</b>
3.6. Total capital surplus (+)/ deficit (-) (1.-2. *8%)	8 647	7 055
<b>4. The capital adequacy ratio (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5 %</b>	<b>2.5 %</b>
4.1. The capital conservation buffer (%)	2.5	2.5
4.2. Specific countercyclical capital buffer (%)	-	-
4.3. Systemic risk capital buffer (%)	-	-
4.4. Systemically relevant institution's capital buffer (%)	-	-
4.5. Other systemically relevant institution's capital buffer (%)	-	-
<b>5. Adjusted capital ratio</b>		
5.1. Loan impairment or asset value adjustment amount, applying the policy for Calculating the Minimum Capital requirements	-	-
5.2. Level 1 base capital ratio taking into account the adjustment amount reported in point 5.1.	16.81%	15.97%
5.3. Level 1 capital ratio taking into account the adjustment amount reported in point 5.1.	16.81%	15.97%
<b>5.4. Total capital ration taking into account the adjustment amount reported in point 5.1.</b>	<b>16.81 %</b>	<b>15.97 %</b>

## **NOTE 29                      EVENTS AFTER REPORTING DATE**

During the period between the last day of the reporting period and the date of signing the financial statements there have not been events that require adjustment to the financial statements.

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