AS DNB BANKA
CONSOLIDATED AND BANK FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Contents

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A REPORT FROM THE MANAGEMENT BOARD AND THE SUPERVISORY COUNCIL

2014 was a successful year for DNB Group in Latvia despite slower economic growth and geopolitical events in the world.

DNB Group in Latvia earned a net profit of EUR 19.5 million in 2014, which was 84% or EUR 8.9 million more than in 2013 (EUR 10.6 million).

DNB Group earned operating income of EUR 60.2 million in Latvia by the end of December 2014. Despite increased income in several areas, overall income was affected adversely by the introduction of the euro. One of DNB banka's priorities in 2014 was to facilitate efficiency in order to improve results. Many different projects were implemented in this regard, and that allowed DNB Group in Latvia to reduce total costs, amounting to EUR 40.2 million, by 11% in comparison to the year 2013.

In 2014, DNB banka continued to pursue balanced lending policy and to improve the quality of its loan portfolio. During the year, the bank made provisions for problematic loans in the amount of EUR 0.2 million, by EUR 14.4 million less in comparison to the year 2013.

DNB banka's financial stability ratios in Latvia in 2014 were exceeding the regulatory requirements, with the liquidity ratio of 48% and the capital adequacy ratio of 15% at the end of the reporting period.

The stability and success of DNB banka and its shareholder are appreciated by local residents and by Latvian and international companies. The number of clients for whom DNB is the home bank increased by 5,700 in 2014. Due to competitive offers, an individual approach, high-quality client service principles, competent employees and clearly defined corporate social responsibility standards, several companies that are important to the Latvian economy have chosen DNB as their bank. The overall activity of customers has increased as well, and the number of transactions in 2014 rose by 18% in comparison to last year.

At the beginning of 2014 DNB banka launched a sustainability programme to increase efficiency of the bank. We implemented several projects in 2014, and their positive influence is reflected in this year's financial results. The programme will be continued in 2015.

During the second quarter of the reporting year, DNB banka branches began to sell new "white label" insurance, thus allowing clients to receive the most important services related to real estate and car purchases in one location – mortgage loans, leasing services, as well as home and CASCO insurance. Sales results indicate that clients have appreciated these new opportunities.

In December 2014 DNB banka participated in the European Central Bank's Targeted Longer-term Refinancing Operations (TLTRO) program and received long-term funding in the amount of EUR 60.5 million. The funds will be allocated for financing of business projects, thus facilitating both the development of companies and economic activity in Latvia in general.

2014 was successful year also for DNB banka core subsidiaries – IPAS DNB Asset Management and DNB Lizings.

DNB Asset Management is one of the largest 2nd pillar pension asset managers in Latvia, offering its clients three types of investment strategies: conservative, balanced and active. Last year DNB Active pension plan earned 7.93%, the highest return both among active pension plans and all 2nd pillar pension plans in Latvia. DNB Balanced pension plan generated 6.41% - the best return among all balanced pension plans in Latvia - and DNB Conservative pension plan delivered 5.03% return, being one of the most profitable conservative 2nd pillar pension plans in Latvia.

DNB Lizings maintained its market share in 2014 due to successful partnerships with all major car dealers. The volume of the leasing portfolio increased by 1% in 2014.

DNB banka, being a socially responsible bank, also continued to implement several nationwide projects in 2014 that are relevant for the people of Latvia. For example, the DNB Latvian Barometer has, for several years, been the only study in Latvia examining the sentiment, views and attitudes of the country's residents towards various socioeconomic issues on a regular and long-term basis. The study is highly appreciated by specialists, politicians, economists, students, educators and the public at large throughout Latvia.

The "Latvija var!" project is being implemented in partnership with the magazine *Ir* and Latvian Television, and it is aimed at confirming that there are people and companies in Latvia that have reached outstanding results in science, technology, exports etc.

A REPORT FROM THE MANAGEMENT BOARD AND THE SUPERVISORY COUNCIL (continued)

The Latvian banking sector and DNB will face challenges in 2015 due to the slow rate of economic development in Latvia and globally, as well as because of the prevailing geopolitical situation. It must be stressed, however, that DNB Group in Latvia will continue its stable development, continuing to increase the bank's efficiency and facilitating client satisfaction with DNB banka's financial products and services.

We wish to thank all clients for their trust in DNB banka, as well as all of our employees for contributing the professional and energetic work to the bank's growth.

_______________	_______________
Mats Wermelin	Atle Knai
Chairman of the Supervisory Council	CEO, Chairman of the Management Board

Riga
26 March 2015

The Supervisory Council and the Management Board of the Bank as of 31 December 2014

The Supervisory Council

Name	*Institution*	*Position*	*Date of appointment*
Terje Turnes	DNB Bank ASA	Chairman of the Supervisory Council	1 March 2011
Tony Samuelsen	DNB Bank ASA	Member of the Supervisory Council	26 March 2008*
Eline Skramstad	DNB Bank ASA	Member of the Supervisory Council	11 December 2012
Leif Rene Hansen		Member of the Supervisory Council	31 May 2013

* From 14 June 2012 till 31 May 2013 Tony Samuelsen was the Vice Chairman of the Supervisory Council

On 23 March 2015 Terje Turnes resigned from the Supervisory Council and Mats Wermelin was appointed as the Member of the Supervisory Council.

On 26 March 2015 Mats Wermelin was appointed as the Chairman of the Supervisory Council.

The Management Board

Name	*Position*	*Date of appointment*
Aasmund Skaar*	CEO, Chairman of the Management Board	1 September 2012
Arne Vilhelmsen	CRO, Member of the Management Board	1 July 2014
Janis Teteris	CFO, Member of the Management Board	1 August 2009**
Ivars Kapitovics	Head of Retail Banking, Member of the Management Board	10 August 2006
Lauris Macijevskis	Head of Corporate Banking, Member of the Management Board	1 August 2014
Dace Kaulina	Head of HR Department, Member of the Management Board	25 January 2013
Intars Sloka	COO, Member of the Management Board	25 January 2013

* From 1 January 2015 Atle Knai is the Chairman of the Management Board

** Till 31 July 2014 Janis Teteris was the Head of Corporate Banking, Member of the Management Board

The following members of the Management Board have left their positions since 31 December 2013:

Name	*Position*	*Date of resignation*
Ole Christian Karterud	CRO, Member of the Management Board	30 June 2014
Tom Erdal	CFO, Member of the Management Board	31 July 2014

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board of AS DNB banka is responsible for the preparation of the financial statements of the Group and the Bank.

The financial statements on pages 7 to 73 are prepared in accordance with the source documents and present fairly the financial position of the Group and the Bank as at 31 December 2014 and the results of their operations and cash flows for the year ended 31 December 2014.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in European Union (EU) on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management Board in the preparation of the financial statements.

The Management Board of AS DNB banka 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. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Bank of Latvia, Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable for credit institutions.

Atle Knai CEO, Chairman of the Management Board	Arne Vilhelmsen CRO, Member of the Management Board	Janis Teteris CFO, Member of the Management Board	Ivars Kapitovics Member of the Management Board

Lauris Macijevskis Member of the Management Board	Dace Kaulina Member of the Management Board	Intars Sloka COO, Member of the Management Board

Riga
26 March 2015

INDEPENDENT AUDITORS' REPORT

To the shareholder of AS DNB banka

Report on the financial statements

We have audited the accompanying consolidated financial statements of AS DNB banka and its subsidiaries (hereinafter – the Group) and the accompanying financial statements of AS DNB banka (hereinafter - the Bank), which are set out on pages 7 through 73 of the accompanying 2014 Annual Report, which comprise the financial position as at 31 December 2014, the statement of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2014 (set out on pages 2 through page 3 of the accompanying 2014 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2014.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga,
30 March 2015

Consolidated statement of comprehensive income for the years ended 31 December 2014 and 2013

	Notes	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Interest income	5	56,175	61,312	52,107	57,615
Interest expense	6	(11,176)	(16,530)	(9,603)	(14,778)
Net interest income		**44,999**	**44,782**	**42,504**	**42,837**
Fees and commission income	7	18,275	19,553	15,858	17,659
Fees and commission expense	8	(5,951)	(5,977)	(5,696)	(5,841)
Net fees and commissions		**12,324**	**13,576**	**10,162**	**11,818**
Net result from operations with foreign currency, trading securities and derivative financial instruments	9	1,298	6,487	1,269	6,521
Net result from operations with investment property	10	(1,105)	1,283	(1,226)	(1,383)
Other operating income	11	2,651	4,397	4,822	6,501
Dividend income		9	12	9	888
Operating income		**60,176**	**70,537**	**57,540**	**67,182**
Personnel expenses	12	(18,699)	(19,219)	(18,143)	(18,614)
Other administrative expenses	12	(16,218)	(20,714)	(16,381)	(21,191)
Depreciation	21, 22	(3,711)	(3,926)	(2,868)	(3,008)
Other operating expenses	13	(1,589)	(1,448)	(1,496)	(1,360)
Net allowances for impairment loss	25	62	(14,953)	(168)	(14,570)
Profit before income tax		**20,021**	**10,277**	**18,484**	**8,439**
Corporate income tax	14	(540)	343	(14)	137
Profit for the period from continuing operations		**19,481**	**10,620**	**18,470**	**8,576**
Profit attributable to:					
Equity holders of the Bank		19,481	10,620	18,470	8,576
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Changes in revaluation reserve of fixed assets		20	117	20	117
Other comprehensive income total		**20**	**117**	**20**	**117**
Total comprehensive profit		**19,501**	**10,737**	**18,490**	**8,693**
Total comprehensive profit attributable to:					
Equity holders of the Bank		19,501	10,737	18,490	8,693

The financial statements on pages 7 to 73 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

Mats Wermelin	Atle Knai	Janis Teteris
Chairman of the Supervisory Council	CEO, Chairman of the Management Board	CFO, Member of the Management Board

Riga,
26 March 2015

The accompanying notes are an integral part of these financial statements

Consolidated statement of financial position at 31 December 2014 and 31 December 2013

Assets	**Notes**	**2014 Group EUR'000**	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Cash and balances with central banks	15	52,606	195,887	52,606	195,887
Due from other credit institutions (demand)	16	40,358	54,277	39,806	53,691
Derivatives	20	19,168	33,031	19,168	33,031
Financial assets designated at fair value through profit or loss	18	35,337	41,455	35,337	41,455
Debt securities and other fixed income securities		*34,790*	*40,909*	*34,790*	*40,909*
Investment funds		*547*	*546*	*547*	*546*
Financial assets available-for-sale		267	65	267	65
Loans and advances		2,093,622	1,978,873	2,049,300	1,939,161
Due from other credit institutions (term)	16	*486,523*	*257,995*	*486,523*	*257,995*
Loans to customers	17	*1,607,099*	*1,720,878*	*1,562,777*	*1,681,166*
Accrued income and deferred expenses		1,603	1,266	1,269	925
Investment property	23	62,148	66,992	10,245	17,370
Property and equipment	22	32,330	32,854	6,733	6,676
Intangible assets	21	3,001	2,412	2,589	1,955
Investments in subsidiaries	19	-	-	8,841	8,860
Deferred corporate income tax	14	8,701	8,715	8,701	8,715
Current corporate income tax		374	614	-	21
Other assets	24	12,960	10,038	3,767	4,035
Total assets		**2,362,475**	**2,426,479**	**2,238,629**	**2,311,847**

The financial statements on pages 7 to 73 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

Mats Wermelin	Atle Knai	Janis Teteris
Chairman of the Supervisory Council	CEO, Chairman of the Management Board	CFO, Member of the Management Board

Riga,
26 March 2015

The accompanying notes are an integral part of these financial statements

***Consolidated statement of financial position at 31 December 2014 and 31 December 2013** (continued)*

Liabilities	**Notes**	**2014 Group EUR'000**	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Liabilities to central banks	26	60,500	-	60,500	-
Liabilities to credit institutions on demand	27	6,903	16,248	6,903	16,248
Derivatives	20	14,751	32,221	14,751	32,221
Financial liabilities at amortised cost:		2,012,158	2,130,332	1,866,849	1,985,582
Due to credit institutions (term)	27	*930,261*	*1,035,254*	*780,074*	*885,036*
Deposits from customers and other financial liabilities	28	*1,081,897*	*1,095,078*	*1,086,775*	*1,100,546*
Accrued expenses and deferred income	29	4,574	6,329	4,393	5,921
Deferred tax liability	14	49	28	-	-
Income tax liability		126	-	-	-
Other liabilities	30	6,607	4,683	1,764	2,272
Provisions	31	2,446	1,778	26,880	31,504
Total liabilities		**2,108,114**	**2,191,619**	**1,982,040**	**2,073,748**
Shareholders' equity					
Share capital	32	191,178	191,178	191,178	191,178
Share premium		69,713	69,713	69,713	69,713
Reserve capital		224,118	224,118	224,118	224,118
Revaluation reserve		187	167	187	167
Accumulated result		(230,835)	(250,316)	(228,607)	(247,077)
Total shareholders' equity attributable to the shareholders of the Bank		**254,361**	**234,860**	**256,589**	**238,099**
Total shareholders' equity		**254,361**	**234,860**	**256,589**	**238,099**
Total liabilities and shareholders' equity		**2,362,475**	**2,426,479**	**2,238,629**	**2,311,847**

The financial statements on pages 7 to 73 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

Mats Wermelin	Atle Knai	Janis Teteris
Chairman of the Supervisory Council	CEO, Chairman of the Management Board	CFO, Member of the Management Board

Riga,
26 March 2015

The accompanying notes are an integral part of these financial statements

Statement of changes in equity for the years ended 31 December 2014 and 31 December 2013

Group

	Share capital EUR'000	Share premium EUR'000	Reserve capital EUR'000	Revaluation reserve EUR'000	Accumulated result EUR'000	Total EUR'000
At 31 December 2012	**191,178**	**69,713**	**224,118**	**50**	**(260,936)**	**224,123**
Profit for the year	**-**	**-**	**-**	-	10,620	**10,620**
Increase of revaluation reserve	**-**	**-**	**-**	117	-	**117**
Total comprehensive profit	**-**	**-**	**-**	**117**	**10,620**	**10,737**
At 31 December 2013	**191,178**	**69,713**	**224,118**	**167**	**(250,316)**	**234,860**
Profit for the year	-	-	-	-	19,481	**19,481**
Increase of revaluation reserve	-	-	-	20	-	**20**
Total comprehensive profit	**-**	**-**	**-**	**20**	**19,481**	**19,501**
At 31 December 2014	**191,178**	**69,713**	**224,118**	**187**	**(230,835)**	**254,361**

Bank

	Share capital EUR'000	Share premium EUR'000	Reserve capital EUR'000	Revaluation reserve EUR'000	Accumulated result EUR'000	Total EUR'000
At 31 December 2012	**191,178**	**69,713**	**224,118**	**50**	**(255,653)**	**229,406**
Profit for the year	**-**	**-**	**-**	**-**	8,576	**8,576**
Increase of revaluation reserve	**-**	**-**	**-**	117	-	**117**
Total comprehensive profit	**-**	**-**	**-**	**117**	**8,576**	**8,693**
At 31 December 2013	**191,178**	**69,713**	**224,118**	**167**	**(247,077)**	**238,099**
Profit for the year					18,470	**18,470**
Increase of revaluation reserve	-	-	-	20	-	**20**
Total comprehensive profit	**-**	**-**	**-**	**20**	**18,470**	**18,490**
At 31 December 2014	**191,178**	**69,713**	**224,118**	**187**	**(228,607)**	**256,589**

The accompanying notes are an integral part of these financial statements

Consolidated statement of cash flow for the years ended 31 December 2014 and 31 December 2013

	Note	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Cash flow from operating activities					
Profit before income tax and dividends		20,021	10,277	18,484	8,439
Depreciation and amortization of intangible assets and property and equipment		3,711	3,926	2,868	3,008
(Decrease) / Increase in provisions for doubtful debts and off-balance sheet liabilities		(62)	14,953	168	14,570
Loss from revaluation of securities, derivatives and loans		1,372	280	1,372	280
Loss / (Profit) from revaluation of investment property		792	(2,018)	822	838
Loss / (Profit) from sale of fixed and intangible assets		25	(51)	11	(24)
Dividends received		(9)	(13)	(9)	(888)
Loss from foreign currency revaluation		526	31	556	30
Cash flow from operating activities before changes in assets and liabilities		**26,376**	**27,385**	**24,272**	**26,253**
Decrease in loans and advances to customers		113,167	36,655	118,976	36,289
Decrease / (Increase) in due from credit institutions		2,671	(386)	2,665	(384)
Decrease / (Increase) in financial assets designated at fair value through profit and loss		5,760	52,255	5,760	52,255
(Increase) in due to credit institutions		(44,493)	(88,666)	(44,462)	(98,692)
(Increase) / Decrease in accrued income and deferred expenses		(337)	(310)	(344)	(282)
(Decrease) in other assets and taxes		(2,196)	(1,864)	(334)	(677)
(Decrease) in clients deposits		(13,181)	159,663	(13,771)	159,834
(Decrease) in derivatives		(4,621)	(3,796)	(4,621)	(3,796)
(Decrease) / Increase in accrued expenses and deferred income		(1,755)	872	(1,528)	652
Increase / (Decrease) in other liabilities		2,219	437	(5,126)	(2,662)
Increase in cash and cash equivalents as a result of operating activities		**83,610**	**182,245**	**81,487**	**168,790**
Cash flow from investing activities					
Acquisition of property and equipment and intangible assets		(4,031)	(2,298)	(3,681)	(2,221)
Sale of property and equipment and intangible assets		230	319	111	110
Acquisition of participation in share capital of subsidiary and Business Unit		-	-	(301)	(285)
Sale / (Acquisition) of investment property		4,052	(7,298)	6,303	5,664
Increase / (Decrease) in cash and cash equivalents as a result of investment activities		**251**	**(9,277)**	**2,432**	**3,268**
Cash flow from financing activities					
Dividends received		9	13	9	888
Increase in cash and cash equivalents as a result of financing activities		**9**	**13**	**9**	**888**
Net increase in cash and cash equivalents		**83,870**	**172,981**	**83,928**	**172,946**
Cash and cash equivalents at the beginning of the year		489,240	316,290	488,660	315,744
Loss of foreign currency revaluation on cash and cash equivalents		(526)	(31)	(556)	(30)
Cash and cash equivalents at the end of the year	15	**572,584**	**489,240**	**572,032**	**488,660**
Cash flow from interest received		57,593	62,392	53,555	58,695
Cash flow from interest paid		11,607	15,183	10,000	13,465

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

1 INCORPORATION AND PRINCIPAL ACTIVITIES

AS DNB banka was established as Riga Commercial Bank on 26 June 1989. On 6 September 1991 it was incorporated in the Republic of Latvia as a joint stock company. The Bank and its subsidiaries (the Group) are engaged in banking and the financial services business.

On June 30, 2011 DNB Bank ASA (former DnB NOR Bank ASA) has acquired from Bank DNB A/S (former Bank DnB NORD A/S) all Bank shares which belonged to Bank DNB A/S (Denmark) and constituted 100% of share capital of Bank; DNB Bank ASA (Norway) became the direct shareholder of the Bank.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Reporting Currency

The accompanying financial statements are reported in thousands of euro (EUR'000), unless otherwise stated.

b) Basis of Presentation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in EU. The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, derivative contracts and the Group's and Bank's buildings and investment properties which are measured at fair value.

The preparation of financial statements in conformity with IFRS as adopted in EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

These financial statements comprise of both, the financial statements of the parent company AS DNB banka and the consolidated statements.

c) Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

d) Income and Expense Recognition

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. Interest income includes coupons earned on fixed income investment securities.

When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Notes to the Financial Statements *(continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income and Expense Recognition (continued)

Fee and commission income and expenses are recognized on an accrual basis except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Borrowing fees and commissions expenses paid to other financial institutions are recognized as transaction costs and recorded using the "Effective interest rate method". Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection

e) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in euro at actual rates of exchange set forth by the European Central Bank at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency, such as investments in equity instruments, are translated using the exchange rates at the date, when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rate of exchange prevailing at the end of the period. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the income statement as a profit or loss from revaluation of foreign currency positions.

The principal rates of exchange (1 EUR to foreign currency units) set by the European Central Bank and used in the preparation of the Group's and the Bank's balance sheets were as follows:

Reporting date	USD
As at 31 December 2014	1,21410
As at 31 December 2013	1,37910

f) Taxation on income

Income tax payable on profits, based on the applicable tax law, is recognized as an expense in the period in which profits arise.
Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liability is calculated using the tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to apply when the temporary differences reverse. The principal temporary differences arise from different fixed asset depreciation rates, as well as tax losses carried forward. Where an overall deferred taxation asset arises, it is only recognised in the financial statements to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Taxes other than on income are recorded within operating expenses.

g) Cash and Cash Equivalents

For purposes of the cash flow statements cash and cash equivalents comprise cash balances, balances due from the central banks, due from other credit institutions with original maturity less than 3 months and insignificant risk due to change in value, less balances on demand due to other credit institutions.

h) Loans and receivables and allowances for loan impairment

Balances due from banks and loans and advances to customers are accounted for as loans and receivables and are carried at amortised cost. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. All loans and advances are recognised in the balance sheet when cash is advanced to borrowers. For the purposes of these financial statements, finance lease receivables are included in loans and advances to non-banking customers.

A credit risk allowances for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowances is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the current interest rate of the loans.

The Group first assesses whether objective evidence of impairment exists individually for material loans. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If the Group determines that no objective evidence of impairment exists, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. For the purposes of a collective evaluation of impairment loans are grouped on a basis of similar credit risk characteristics.

***Notes to the Financial Statements** (continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Loans and receivables and allowances for loan impairment (continued)

The Group reviews their loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any objective indication that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and current economic climate in which the borrowers operate. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Nevertheless, it is possible, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

When a loan is uncollectible, it is written off against the related allowances for credit losses; subsequent recoveries are credited to the income statement.

Allowances for individual loan impairment are made in the currency of the related asset and are subject to revaluation at period end at the rate set by the European Central Bank. Foreign exchange rate differences arising from such revaluation are recorded in the income statement as additional allowances or income from the recovery of existing allowances (if any). The corresponding result of revaluing the respective asset covered by the allowances for loan impairment is recorded as profit/ loss to foreign currency transactions. Allowances for collective loan impairment are made in EUR.

Individual and collective impairments

Material loans are subject for quarterly individual assessment of provision need if at least one loss event has occurred, e.g. one or more commitments of the customer are overdue more than 90 days (principal or interest), restructuring of one or more commitments of the customer, customer has major financial problems or other issues that will lead to major financial problems, customer has breached financial covenants / other covenants that affects the customer's ability to service his liabilities, suspension or revocation of license held by the customer engaged in licensed activities, significant drop in rating class etc. If the Group determines that no loss event has occurred for specific loan, it is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment (using IBNR approach, where provisions amount is based on historical loss rate for specific group and probability of becoming impaired).

Immaterial loans (materiality threshold is set based on exposure amount) are assessed quarterly on the basis of portfolios, i.e. mortgage loans, private RE loans, small and medium size loans to legal entities, as well as active lease agreements. Within each portfolio approach differs based on loans quality – number of overdue days and status of restructuring. The main part of immaterial loans is mortgage and private loans secured with real estate collateral. Provisions for non-performing loans (over 90 days overdue) are made based on information about updated collateral values, expected realisation value of collateral, estimated expenses related to collateral realisation as well as potential recovery of uncovered loan amount after realisation of collateral. If loan is not due or delayed up to 90 days or restructured, impairment is calculated based on historical and estimated migration to non-performing status. Impairment for non-performing loans is classified as specific provisions while impairment for restructured loans and impairment for performing loans are classified as group provisions (IBNR).

Impairment for terminated leasing agreements are calculated based on realised losses, in case of consumer loans impairment is calculated based on overdue days.

Restructured loans

Where possible, the Bank seeks to restructure loans rather than take possession of collateral. This mostly involves adjusting the payment schedule made by a borrower in a manner matching the borrower's financial capacity (temporarily reducing principal repayments, extending payment terms) and the agreement of new loan conditions. If the customer faces long term financial difficulties, the Bank together with the customer is looking for long term solution if possible (e.g. extended maturity, voluntarily sales of property etc.). Once the terms have been renegotiated and executed a loan is no longer considered non-performing as long as a borrower complies with the renegotiated terms and conditions. Such loans are continuously reviewed to ensure that all criteria are met and that future payments are likely to occur and interest and fee income is accrued and recognised as for other performing loans. Restructured loans continue to be subject to an individual or collective impairment assessment on a quarterly basis.

The Bank recognises decreasing provisions for impairment losses due to shortening of discounting period of expected cash flows and treats it as a part of interest income.

i) Leases - when the Group or the Bank is a lessor

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific assets and the arrangement conveys a right to use the asset.

Notes to the Financial Statements *(continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Leases - *when the Group or the Bank is a lessor (continued)*

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Contingent rents are recognised as revenue in the period in which they are earned.

Assets under operating leases are recognised as equipment at historical cost net of accumulated depreciation. Depreciation is calculated on a straight-line. Assets are depreciated till its residual value over the estimated useful life of property and equipment that is determined based on useful lives of similar assets of the Group and the Bank. Rentals receivable under operating leases are credited to the income statement on a straight-line basis over the lease term and presented in other income.

If a sale and leaseback transaction results in an operating lease and the sales price is above fair value of the asset sold, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

j) Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit and loss are designated by management on initial recognition as a part of financial assets which are managed and their performance evaluated on a fair value basis.

Financial assets at fair value through profit or loss are measured at fair value based on quoted bid prices. In the absence of the active market, the fair value of financial assets at fair value through profit or loss is derived from the value of an instrument that is substantially the same or from discounted cash flow models. Gains and losses arising from changes in the fair value of financial assets are recognised in the income statement.

Interest earned whilst holding financial assets at fair value through profit or loss is recorded as interest income.

All regular way purchases and sales of financial assets at fair value through profit or loss are recognised at settlement date.

k) Subsidiaries

Investments in subsidiaries in the Bank's financial statements are accounted for under the cost method.

The Bank recognises income from investment only to the extent that the Bank receives dividends from the accumulated profit of the subsidiaries arising after the date of acquisition.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets transferred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If there is objective evidence that an impairment loss on investments in subsidiaries carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of investment. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

l) Property and Equipment

Property is valued at fair value. Equipment and other assets are recorded at cost, less accumulated depreciation, revaluation method is being applied.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

***Notes to the Financial Statements** (continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and Equipment (continued)

Depreciation is provided using the straight-line method to write off the cost or revaluated amount of each asset to their residual value over the estimated useful life of the asset. The following depreciation rates have been applied:

Category	Annual Rate
Buildings	1% – 2%
Building parts	2% – 6%
Engineering networks and equipment	4%
Office equipment	10% – 20%
Network and computer equipment	20% –25%
Vehicles	20%

Maintenance and repair costs are charged to the income statement as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Leasehold improvements are capitalised and depreciated over the shorter of their useful life and remaining lease contract period on a straight-line basis.

Revaluation reserve

The fair value of land and buildings is determined from market-based evidence by appraisal that is normally undertaken by professionally qualified values. The fair value of items of plant and equipment is their market value determined by appraisal.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

m) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

n) Intangible assets

Acquired computer software licences are recognised as intangible assets on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised on the straight-line basis of their expected useful lives, not exceeding five years.

o) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, interest rate swaps and options, commodity swaps are initially recognised at their fair value. Derivatives are revalued at least monthly. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives are reported in the income statement.

Derivatives notional amounts are recognised in Bank off-balance sheet accounts.

Notes to the Financial Statements *(continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are mainly amounts due to customers and due to banks. These are recognised initially at cost, being their issue proceeds (fair value of consideration received) net of directly attributable transaction costs incurred. Financial liabilities are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

q) Off-balance sheet items

In the ordinary course of business, the Group and the Bank have been involved with off-balance sheet financial instruments consisting of commitments to extend loans and advances, financial guarantees and commercial letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

r) Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments, in active markets are based on quoted market prices.

s) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

t) Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. These provisions relate to the guarantees issued, to other off balance sheet items and also to legal reserve. The assessment of provisions requires the application of management's judgement and estimates, as to the probability of an outflow of resources, the probability of recovery of resources from corresponding sources including security or collateral or insurance arrangements where appropriate, and the amounts and timings of such outflows and recoveries, if any.

The provisions for employee vacation pay are calculated for the Group's and the Bank's personnel based on each employees' total number of vacation days earned but not used and average salary including social security expense.

u) Financial Guarantees

The Group measures issued financial guarantees initially at their fair value, which is normally evidenced by the amount of fees received. This amount is then amortised on a straight-line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at balance sheet date.

v) Trust Activities

Funds managed or held in custody by the Group and the Bank on behalf of individuals, trusts and other institutions are not regarded as assets of the Group and the Bank and, therefore, are not included in the balance sheet.

Notes to the Financial Statements *(continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are outlined below:

- Impairment losses of loans and advances:
  The Group reviews its loan portfolio to assess impairment on a regular basis as described in Note 2(h).

  The Group in 2014 has revised provisioning approach for loans not assessed individually. The provisioning approach has been revised on Baltic level to align it to the methodology used in parent company in Norway.
  To assess the provisioning level for mortgage and private loans secured with real estate collateral, the Bank has performed individual and statistical revaluation of real estate collaterals, as well as reviewed and adjusted assumptions used in calculations (e.g. expected recovery of unsecured part after realisation of collateral and estimated migration of restructured loans to non-performing status). In total it resulted in decrease in provisions by EUR 1,300 thou. As a result of statistical revaluation of real estate collaterals provisions decreased by EUR 1,000 thou, as a result of adjusted assumptions related to outcome in auctions provisions decreased by EUR 1,600 thou and as a result of adjusted assumption regarding expected recovery of unsecured part after realisation of collateral provisions increased by EUR 1,300 thou.

- Deferred assets:
  Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognised based on profitability assumptions over five year horizon. The future taxable profit of 2015-2017 has been approved by the Management Board, while 2018-2019 is considered as plausible taxable profit of the Bank.

- Fair values:
  Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgements include considerations of liquidity and model inputs. The valuation of financial instruments is described in more detail in Note 36.

- Impairment of investments in subsidiaries:
  Investments in subsidiaries are valued at cost in the Bank's separate financial statements. On a regular basis, the Bank compares the cost of investment with the carrying value of net assets of a subsidiary to see whether any impairment indication exists. If impairment indication exists, the recoverable amount of the investment is calculated based on discounted estimated future free cash flows to equity of the subsidiary. Future cash flows are based on budgets and projections prepared by the subsidiary and assessed for reasonableness. Discount rate is equal to the required rate of return to equity. An impairment loss is recorded when the decline in value of subsidiary is significant and prolonged.

  Key assumptions used in calculations and sensitivity to changes in assumptions:
  Management believes that reasonable impairment of investment indication exists only in SIA Salvus and SIA Salvus 3 subsidiaries.

  SIA Salvus and SIA Salvus 3 subsidiaries cash flows are most sensitive to the following assumptions:
  Gross margins - gross margins are based on average values achieved in the prior of the budget period. These are decreased over the budget period. A decrease of 1% per annum was applied for the SIA Salvus and SIA Salvus 3 investment property sales as less liquid assets will remain in portfolio. A decreased demand can lead to a decline in gross margin. Additional decrease in gross margin by 1% per annum would result in a further impairment of investments in amount of EUR 453 thou for SIA Salvus and EUR 74 thou for SIA Salvus 3.
  Discount rates - a discount factor of 11.6% has been applied to forecast free cash flows to equity used in the impairment testing. A rise in pre-tax discount rate to 12.6% in SIA Salvus subsidiary would result in a further impairment in amount of EUR 38 thou.
  Period of cash flow projections – management's cash flow projections until the end of 2020 were used. Life cycle of investment property portfolio has been determined based on historical sales volumes, thus, based on reasonable facts.

  Impairment has been identified for both subsidiaries in 2014 (see Note 19).

- Investment property:
  See Note 36.

Notes to the Financial Statements *(continued)*

3 ADOPTION OF NEW AND/OR CHANGED IFRS AND INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) INTERPRETATIONS

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The following new and/or amended IFRSs have been adopted by the Group as of 1 January 2014:

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

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- Amendment to IAS 27 *Separate Financial Statements* - As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The implementation of this amendment had no impact on the financial statements of the Group.
- Amendment to IAS 28 *Investments in Associates and Joint Ventures* - As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment had no impact on the financial statements of the Group.
- Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities - This amendment clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The implementation of this amendment had no impact on the financial statements of the Group.
- Amendment to IAS 36 *Impairment of Assets* - This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment did not have any impact on the financial position or performance of the Group. Additional information is disclosed in Note 2(w).
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* - The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment did not have any impact on the financial position or performance of the Group, since it does not apply hedge accounting.
- IFRS 10 *Consolidated Financial Statements* - IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The implementation of this standard will not have any impact on the Group.IFRS 11 *Joint Arrangements* - IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today’s accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The implementation of this amendment had no impact on the financial statements of the Group since it has no joint ventures.
- IFRS 12 *Disclosures of Interests in Other Entities* - IFRS 12 combines the disclosure requirements for an entity’s interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures are also required such as disclosing the judgments made to determine control over another entity. The amendment did not have any impact on the financial position or performance of the Group.
- *Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities* - The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment had no impact on the financial statements of the Group, as the parent of the Group is not an investment entity.

Notes to the Financial Statements *(continued)*

3 ADOPTION OF NEW AND/OR CHANGED IFRS AND INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) INTERPRETATIONS (continued)

Standards issued but not yet effective

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

Amendments to IAS 1 ***Presentation of financial statements: Disclosure Initiative*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 ***Property, Plant & Equipment*** **and IAS 38** ***Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 16 ***Property, Plant & Equipment*** **and IAS 41** ***Agriculture: Bearer Plants*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not have bearer plants.

Amendments to IAS 19 ***Employee Benefits*** *(*effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group.

Amendments to IAS 27 ***Equity method in separate financial statements*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 9 ***Financial Instruments*** (effective for financial years beginning on or after 01.01.2018, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 ***- Investment Entities: Applying the consolidation exception*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10 and IAS 28 – ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard.

Notes to the Financial Statements *(continued)*

3 ADOPTION OF NEW AND/OR CHANGED IFRS AND INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) INTERPRETATIONS (continued)

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The implementation of this standard will not have any impact on the Group.

IFRS 14 *Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this standard will not have any impact on the Group.

IFRS 15 *Revenue from Contracts with Customers* *(*effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs

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

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

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

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

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

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

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 21 *Levies* (effective for financial years beginning on or after 17 June 2014)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Group has not yet evaluated the impact of the implementation of this interpretation.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

Notes to the Financial Statements *(continued)*

4 RISK MANAGEMENT

Sound risk management is a prerequisite for long-term value generation as the profitability is dependent on Group's ability to identify, manage and accurately price risk. In 2014 the Bank continued to carry out harmonisation of risk management process with the parent bank DNB Bank ASA (Norway) and further on aims to follow main parent bank's policies and guidelines to the extent possible. However, it has to be taken into account that the Group is using standardised approach for calculation of credit risk capital requirements while parent bank follows internal ratings based approach. Therefore, harmonization of some sub-processes in risk management area is limited.

Organisation and authorization structure

- *Supervisory Council and Management Board.* The Supervisory Council sets long-term targets for the Group's risk profile. The risk profile is operationalised through the risk management framework, including the establishment of authorisations. The Management Board is responsible for development, implementation, control and regular revision of risk management framework.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas.
- *Annual review of limits*. Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions*. Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas.

Monitoring and use

- *Accountability*. All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting*. Risk reporting in the Group ensures that all executives have the necessary information about current risk levels and possible future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units.
- *Capital assessment*. A summary and analysis of the Group's capital and risk situation is presented on a regular basis to the Bank's senior management.
- *Use of risk information*. Risk is an integral part of the management and monitoring of business areas to the extent possible, including taken into account during strategic and planning processes, lending process, product development and other daily business activities.

Relevant risk measures

Risk is followed up through risk measures adapted to operations in the various business areas, for example, monitoring of set limits, key financial and risk figures and ratios, portfolio risk targets, stress testing as well as risk analysis during internal capital adequacy assessment process.

Risk categories

For risk management purposes, Group distinguishes between the following main risk categories:

- *Credit risk* is the risk of financial losses due to failure on the part of the Group's customers (counterparties) to meet their payment obligations towards DNB. Credit risk also includes concentration risk and residual risk.
- *Market risk* is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices.
- *Liquidity risk* is the risk to incur unacceptable losses due to inability to fund increases in assets and meet obligations as they come due.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events. This definition covers losses due to legal risk, but does not include business risk.*Business risk* is the risk of profit fluctuations due to changes in external factors such as the market situation, government regulations or the loss of income due to a weakened reputation. Reputational risk is often a consequence of other risk categories. The Group's business risk is generally handled through the strategy process and by maintaining ongoing focus on safeguarding and improving the Group's reputation.

The Group quantifies total risk during internal capital adequacy assessment process by calculating capital needed to cover various types of risk, except liquidity risk. Risk measurement is a field in constant development, and measurement methods and tools are subject to continual improvement.

***Notes to the Financial Statements** (continued)*

4 RISK MANAGEMENT (continued)

a) Credit Risk

Credit risk is the main risk category in the Group. The credit portfolio includes loans, liabilities in the form of other extended credits, guarantees, leasing, factoring, interest bearing securities, approved, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk, which arises in connections with payment transfers as not all transactions take place in real time, also involves counterparty risk.

Credit risk management framework

The Group's credit policy, credit strategies and credit guidelines (*Credit Manual*) regulate credit activity in the Group and are based on the parent bank's relevant credit policies and guidelines. The best practice, experience and competence of the parent bank are taken over in order to have common and strong credit culture.

Strategic goal for the whole DNB Group is to ensure that the loan portfolio has a quality and compositions which secure the Group's profitability in the short and long term. The Group intends to grow credit portfolio with low and medium risk customers.

Main credit risk management principles

- Customer's true willingness and ability to repay the loan is/ must be the key element when considering whether to approve a loan; collateral is considered only as a risk mitigant.
- Keep a balanced loan portfolio from concentration point of view, including the balance between private individuals and legal entities.
- Avoidance of large risk concentrations related to a single customer/ group or clusters in higher risk categories and specific business sectors whereby significant changes in one or a few risk drivers may substantially affect the Group's profitability.
- Not financing industries where the Group does not have competence and experience.
  Any changes to a credit facility are approved at the appropriate decision making level.

Risk Classification

Risk classification is an important element of the credit process and the management of the Group's credit risk. The Group has developed different risk classification models to cover specific loan portfolios/ credit products. Risk classification systems are used for decision support, risk monitoring and internal reporting. The risk parameters used in the classification systems are an integral part of the credit process and ongoing monitoring including the follow-up of credit strategies.

The Group's credit risk models provide a basis for statistically based calculations of expected losses in a long-term perspective and risk-adjusted capital in a portfolio perspective. Customers are classified based on the probability of default (PD). Customers are re-classified according to risk with every significant credit approval or major change in customer's risk profile, but at least once a year, unless otherwise decided.

The risk classes are defined on the basis of the scales used by international rating agencies. Probability of default (PD) is a statistical measure representing the expected rate of defaulted customers to the total number of customers initially attributed to the specific class (grade) in one year horizon. There are ten risk classes for performing loans. In addition, doubtful and non-performing commitments are placed in classes 11 and 12 for internal reporting purposes.

***Notes to the Financial Statements** (continued)*

4 RISK MANAGEMENT (continued)

a) Credit Risk (continued)

Risk segmentation	Risk class	PD (%) as from	PD (%) up to
Low	1	0,01	0,10
	2	0,10	0,25
	3	0,25	0,50
	4	0,50	0,75
Moderate	5	0,75	1,25
	6	1,25	2,00
	7	2,00	3,00
High	8	3,00	5,00
	9	5,00	8,00
	10	8,00	…

Credit Approval Authorizations

Credit decision making is based on a dual credit approval system with individual credit approval authorities.
All individual credit approval authorities are personal and are assigned based on person's qualification, experience and competence. "Two pairs of eyes" principle follows throughout all credit approval process.
The Group has defined a list of criteria when credit decisions must be lifted one level up than ordinary decision making level or delegated to specially authorized persons.

Credit Risk Mitigation

Credit risk mitigation is an integral part of credit risk management process in the Group. Defined requirements for new customers, prudent evaluation of debt service capacity and collateral held as security are the main credit risk mitigation measures. However, other risk mitigation techniques, tools and processes, including but not limited to different risk classification models, calculation of debt service capacity, transparent credit approval authorities and strict credit decision making rules, ongoing credit risk monitoring are used in daily activities as well.

Credit Risk Measurement

Credit risk is monitored by following developments in risk parameters, migration and distribution over the various risk classes. Developments in risk concentrations are monitored closely with respect to exposure and risk classes.

The Group has developed different management tools in order to monitor the ongoing credit risk of a customer and implement relevant measures proactively in the case of negative development, already at an early stage. Larger exposures are monitored individually case-on-case basis where the frequency and scope depends on the size and risk classification of the exposure, while monitoring of smaller exposures is performed by business units based on automatically generated reports or in close cooperation with risk reporting unit. The Group has established the system for identification of commitments showing early warning signals when special attention and separate follow up is needed.

Credit Risk Stress Testing

Stress testing is used to define the potential impact of diverse extraordinary, yet probable and materially unfavourable occurrences or changes in market conditions on the risk profile, financial and capital ratios of the Group. Stress testing supports management understanding of risk profile with forward-looking view on resilience under adverse conditions. Stress tests are performed at least once in every six months. Within the stress test at least 2 scenarios are developed – standard scenario and severe scenario. Stress tests are performed for at least two time periods, i.e. 1 and 2 years' periods; within the framework of the annual ICAAP also for 3 years' period.

***Notes to the Financial Statements** (continued)*

4 RISK MANAGEMENT (continued)

a) Credit Risk (continued)

In case of private individuals stress testing is performed based on top-down method, which is based on macroeconomic indicators (unemployment, GDP, inflation etc.), as well as scenario analysis of non-performing and restructured loan portfolio development.

According to standard scenario macroeconomic situation will improve, e.g. moderate GDP growth, decrease in registered unemployment. According to severe scenario macroeconomic indicators will significantly deteriorate. According to this scenario GDP will decrease, while unemployment will increase.

Stress testing for legal entities is performed based on bottom-up method - enough representative proportion of the performing portfolio in terms of total exposures is subject to individual assessment. Afterwards, results are extrapolated in order to cover whole performing loan portfolio. Also non-performing and doubtful loans are subject for individual assessment.

The stress tests help to identify possible future changes in economic conditions which could have a negative impact on the Group's credit exposure and ability to withstand such changes. These assessments are taken into account in the Group's risk and capital adequacy assessment process as well as to estimate the necessary capital buffer. Results of stress testing have direct impact on strategic and business decisions of the Group.

Industry Risk Management

The Group has defined maximum limit to any single industry sector. The Group has recognized and regularly reviews sensitive sectors to which lending is frozen on existing level. Within Real estate sector the Group has strict guidelines and limits to manage, reduce the volumes and increase the quality of the portfolio in this segment.

Acceptable Risk Criteria have been prepared for the different industries. These are used as indicative standards when appraising a customer's creditworthiness. In order to increase industry competence the Group has organized the Corporate Banking according to industry strategy specialization, and complex financing is done in close cooperation with the industry divisions and sections of the parent bank.

Following parent bank's credit policy, ethical and corporate social responsibility guidelines the Group has determined to which industry sectors financing shall not be pursued.

Country Risk Management

The Group closely follows "home market" approach. The Group restricts to the large extent any exposure related to countries where DNB Group has no presence.

All countries are classified according to Group's PD risk scale the classification of country risk is based on classification by external rating agencies. Risk grades are reviewed and updated not less than once a year. Country risk limits are approved only based on parent bank's recommendations. Country risk limits are reviewed annually, unless there is any deterioration in risk classification of the particular country.

In 2014 the Group continued launching new initiatives in order to improve credit risk management process as well as harmonizing further credit processes with DNB Group.

Offsetting

Group and Bank **2014**

	Gross carrying amount EUR'000	Amounts offset in the statement of financial position EUR'000	Carrying amount EUR'000	Amounts not offset in the statement of financial position EUR'000	Amounts after possible netting EUR'000
<u>Assets</u>					
Derivatives	19,168	-	19,168	7,678	11,490
<u>Liabilities</u>					
Derivatives	14,751	-	14,751	7,678	7,073

***Notes to the Financial Statements** (continued)*

4 RISK MANAGEMENT (continued)

b) Market risk

The Group is mainly exposed to such market risks as currency risk and interest rate risk. The Group does not have any open positions in commodity or equity instruments and is not exposed to changes in commodity or equity prices. During the year 2014 there were no significant changes in market risk management process.

Currency risk

The Group and the Bank seek to match assets, liabilities and off-balance sheet items denominated in foreign currencies in order to keep foreign currency exposures within limits set by the Credit Institution Law and internally by the sole shareholder DNB Bank ASA. According to the Credit Institution Law the Bank's open position in each foreign currency may not exceed 10% of the Bank's own funds and that the total foreign currency open position may not exceed 20% of the Bank's own funds. During the year 2014 the Bank was in compliance with all limits.

Sensitivity to currency risk

Sensitivity of the Bank to currency risk is calculated by multiplying foreign currency open positions by possible changes in currency rates. An impact on the Group's profit or loss, assuming a changes in currency rates by 5%, is EUR 8 thousand as of December 31, 2014 (December 31, 2013: EUR 20 thousand).

Interest rate risk

In normal course of business, the interest rate risk arise due to timing differences in the maturity (for fixed rate) and repricing (for floating rate) of the Group's and the Bank's assets, liabilities and off-balance sheet items.
Interest rate risk from single currency positions is calculated and monitored, using the basis point value (BPV) analysis, which reflects the sensitivity of the present value of the Group's future cash flows to a parallel shift of 0.01% in market interest rates. The Group follows a conservative approach to interest rate risk and seeks to match maturity and repricing profiles of assets, liabilities and off-balance sheet items in order to keep BPV within limits set by the sole shareholder, DNB Bank ASA. Limits are set for each currency in which the Group and the Bank have significant activity as well as for all currencies altogether. During the year 2014 the Group and the Bank were in compliance with the limits.
Interest rate risk management involves the usage of funding and fund placements for different time periods or/and different repricing periods as well as derivative financial instruments, such as interest rate swap agreements.

Sensitivity to interest rate risk

Sensitivity of the Group to an interest rate risk, in terms of a basis point value, is provided in the table below.

		EUR'000
	December 31, 2014	**December 31, 2013**
EUR	9.1	0.4
USD	-0.3	0.1
Other currencies	0.1	0.1
Total	9.5	0.7

***Notes to the Financial Statements** (continued)*

4 RISK MANAGEMENT (continued)

c) Liquidity risk

The Group has a low liquidity risk profile as it is strongly supported by a committed long-term multicurrency funding line from the sole shareholder DNB Bank ASA (counterparty credit rating A-1/A+/Stable, affirmed by Standard & Poor's in October 2014). DNB Bank ASA acts as a lender of a last resort. This commitment was proven during the recent global financial turmoil, when DNB Bank ASA supplied the Group with liquidity at all times in sufficient amounts and in a timely manner.

Liquidity risk management process

The level of the Bank's liquidity risk is limited by the surviving periods analyzed across different stress scenarios, which are based on both idiosyncratic and systemic stress assumptions. The survival periods are defined as a period with a positive cumulative cash flow; these are regularly measured and reported to the Bank's management bodies.

The Bank uses a set of liquidity risk metrics to measure its liquidity position, structural liquidity mismatches, and a concentration of funding. Liquidity ratio, set by the Financial and Capital Market Commission, as of December 31, 2014 is 47.7% (December 31, 2013: 52.8%), which is sufficiently above the regulatory minimum of 30%.

Liquidity risk is managed in a manner to ensure a constant ability to settle contractual obligations. The Bank has developed a set of early warning indicators for a timely identification of liquidity crises, and a contingency funding plan to manage the Bank's liquidity during the market disruption.

d) Operational risk

Operational risk management

Operational risk management in the Group is performed by following the policy for the management of operational risk. Operational risk should be low, and risk management should ensure that the risk of unwanted losses is reduced.

All managers are responsible for knowing and managing operational risk within their own area of responsibility. This is to be ensured through risk assessment of everyday operations of all major changes in operations as well as of particularly critical functions. When a need for improvement measures is identified, special follow-ups are initiated. In order to limit the consequences of serious events, operational disruptions etc., comprehensive contingency and business continuity plans have been drawn up to be able to handle a crisis situation in a rational and effective manner, thus contributing to limiting damage and restoring a normal situation.

The Group's insurance coverage is an element in operational risk management. Insurance contracts are entered into to limit the financial consequences of undesirable events which occur in spite of established security routines and other risk-mitigating measures. The insurance program also covers legal liabilities the Group may face related to its operations.

Operational risk measurement

Operational risk events in the Group which result in losses and near-events with a loss potential are registered, reported and followed up on an ongoing basis in the Group's event database. Undesirable events which cause, or could have caused, financial losses for the Group represent valuable information and learning about necessary improvement needs.

The Group's management is kept updated on the status of operational risk through the periodic risk report, which provides a basis for analysing the risk situation. In addition, the Group's management is kept updated on the Group's operational risk in the annual status report on ongoing management and control of operational and business risk. The status report includes a presentation of key group-wide risks, relevant improvement measures and a detailed qualitative assessment based on the Group's ambitions within key areas of risk management and quality assurance.

***Notes to the Financial Statements** (continued)*

5 INTEREST INCOME

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Interest income:				
Interest on financial assets measured at amortised cost:	54,363	59,493	50,295	55,796
- interest on loans and receivables to customers	*51,153*	*54,846*	*47,085*	*51,149*
- interest on impaired loans	*2,384*	*3,853*	*2,384*	*3,853*
- interest on balances due from credit institutions and central banks	*826*	*794*	*826*	*794*
Interest on financial assets designated at fair value through profit or loss	1,062	1,386	1,062	1,386
Interest on derivatives	750	433	750	433
Total interest income	**56,175**	**61,312**	**52,107**	**57,615**

6 INTEREST EXPENSE

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Interest expense:				
- interest on deposits from customers	(2,052)	(3,315)	(2,067)	(3,330)
- interest on balances due to credit institutions	(6,272)	(10,418)	(4,684)	(8,651)
- payments on Guarantee fund and charge of financial stability	(2,852)	(2,797)	(2,852)	(2,797)
Total interest expense	**(11,176)**	**(16,530)**	**(9,603)**	**(14,778)**
Net interest income	**44,999**	**44,782**	**42,504**	**42,837**

7 FEES AND COMMISSION INCOME

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Money transfers	7,436	8,769	7,436	8,769
Credit card service	2,519	2,627	2,519	2,627
Assets management	3,009	2,467	977	956
Commissions on loans monitoring and service	1,015	1,086	651	711
Client service	1,430	1,345	1,390	1,307
Guarantees	532	743	535	756
Insurance	779	894	779	894
Cash operations	571	652	571	652
Trade finance	104	128	104	128
Investment products	204	193	218	210
Other	676	649	678	649
Total fees and commission income	**18,275**	**19,553**	**15,858**	**17,659**

Notes to the Financial Statements *(continued)*

8 FEES AND COMMISSION EXPENSES

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Money transfers	(3,614)	(3,445)	(3,613)	(3,445)
Credit card service	(54)	(50)	(54)	(50)
Cash operations	(884)	(1,040)	(884)	(1,040)
Client Service	(359)	(398)	(359)	(398)
Loans monitoring expense	(236)	(293)	(196)	(275)
Guarantees	(21)	(78)	(21)	(78)
Commissions on loans	(49)	(88)	(49)	(88)
Other	(734)	(585)	(520)	(467)
Total fee and commission expenses	**(5,951)**	**(5,977)**	**(5,696)**	**(5,841)**
Net fees and commission	**12,324**	**13,576**	**10,162**	**11,818**

9 NET GAIN/(LOSS) FROM OPERATIONS WITH FOREIGN CURRENCY, TRADING SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Gain from operations with foreign currencies	2,285	6,081	2,285	6,114
Gain from trading with financial assets at fair value through profit or loss	397	717	397	717
Loss from revaluation of financial assets at fair value through profit or loss	(358)	(337)	(358)	(337)
Loss from foreign currency revaluation	(12)	(31)	(41)	(30)
(Loss) / gain from derivatives revaluation	(1,014)	57	(1,014)	57
	1,298	**6,487**	**1,269**	**6,521**

10 NET RESULT FROM OPERATIONS WITH INVESTMENT PROPERTY

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Net rental expenses/income				
Rent of investment property*	1,641	899	69	91
Investment property related expenses	(3,017)	(2,711)	(806)	(1,113)
Net rental expenses	**(1,376)**	**(1,812)**	**(737)**	**(1,022)**
Net profit / loss from revaluation and sale				
Unrealised (loss) / gain from investment property revaluation	(792)	2,018	(822)	(838)
Realized profit from sale of investment property	1,063	1,077	333	477
Net profit/(loss) from revaluation and sale	**271**	**3,095**	**(489)**	**(361)**
Net result from operations with investment property	**(1,105)**	**1,283**	**(1,226)**	**(1,383)**

*Group and Bank receive income from renting commercial objects only.

***Notes to the Financial Statements** (continued)*

11 OTHER OPERATING INCOME

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Profit from sale of fixed assets	36	51	26	24
Operating lease income	24	185	-	-
Income from subsidiaries	-	-	2,765	2,837
Other operating income	2,591	4,161	2,031	3,640
	2,651	**4,397**	**4,822**	**6,501**

12 ADMINISTRATIVE EXPENSES

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Salary to Management Board	1,169	1,034	1,054	958
Salary to employees	14,182	14,602	13,847	14,191
Social insurance contributions	3,348	3,583	3,242	3,465
Total salaries and related expenses	**18,699**	**19,219**	**18,143**	**18,614**
Maintenance of equipment and IT cost	6,211	9,347	5,974	9,120
Advertising and representation	2,288	2,066	2,089	1,928
Maintenance and occupancy costs of building	2,925	3,146	3,613	4,031
Payments for management services to Group	1,334	1,288	1,334	1,288
Communications	747	869	706	824
Professional services	152	206	118	138
Training	264	317	246	312
Insurance to personnel	231	242	225	233
Insurance	264	223	214	192
Business travel	180	144	175	141
Other	1,622	2,866	1,687	2,984
Total other administrative expenses	**16,218**	**20,714**	**16,381**	**21,191**
Total administrative expenses	**34,917**	**39,933**	**34,524**	**39,805**

The total number of staff employed by the Group as at 31 December 2014 was 722, by the Bank was 717 (by the Group as at 31 December 2013 was 767, by the Bank was 745).

13 OTHER OPERATING EXPENSES

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Loss from write off and sale of fixed assets	61	104	37	87
Other operating expenses	1,528	1,344	1,459	1,273
	1,589	**1,448**	**1,496**	**1,360**

14 CORPORATE INCOME TAX

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Corporate income tax for the year	505	(158)	-	4
Deferred tax	35	(185)	14	(141)
	540	**(343)**	**14**	**(137)**

***Notes to the Financial Statements** (continued)*

14 CORPORATE INCOME TAX (continued)

Corporate income tax differs from the theoretically calculated tax amount, which would be applicable on profit before taxation at the 15% rate as stipulated by the law (see below):

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Profit before taxation	**20,021**	**10,277**	**18,484**	**8,439**
Theoretically calculated tax at a tax rate of 15%	3,003	1,542	2,773	1,266
Undeductable revaluation of securities and derivatives	510	(199)	429	256
Impairment for debtors	81	118	127	61
Other net expenses not deductible for tax purposes	98	67	267	184
Non-taxable income	-	(131)	-	(131)
Unrecognised deferred tax asset	(4,197)	(1,239)	(3,596)	(1,636)
	(505)	158	-	-
Deferred tax asset at the beginning of the year	(8,687)	(8,502)	(8,715)	(8,574)
Change in deferred tax asset during the year	35	(185)	14	(141)
Deferred tax at the end of the year	**(8,652)**	**(8,687)**	**(8,701)**	**(8,715)**

Deferred tax has been calculated from the following temporary differences between assets and liabilities values for financial and tax purposes:

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Gross deferred income tax liability:				
Temporary difference on property and equipment depreciation	2,146	2,462	1,025	909
Gross deferred income tax asset:				
Temporary difference on accruals for unused annual leave and bonuses	(255)	(275)	(255)	(269)
Other temporary differences	223	404	(314)	120
Unrecognised deferred tax asset	22,991	25,093	23,080	26,390
Tax loss carried forward	(33,757)	(36,371)	(32,237)	(35,865)
Net deferred tax assets	**(8,652)**	**(8,687)**	**(8,701)**	**(8,715)**

Deferred income tax assets are recognised for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The deferred tax assets recognised at 31 December 2014 in respect of tax losses have been based on profitability assumptions over five year horizon. The expected future taxable profits are based on business plan assumptions taking into consideration uncertainties arising from the current economic environment. If the business plan earnings and assumptions in following quarters substantially deviate from the current assumptions, the amount of existing deferred tax assets may need to be adjusted.

As at 31 December 2014 tax losses of the Group constituted EUR 225 mln. In accordance with the law “On Corporate Income Tax” tax losses can be carried forward and set off against taxable income during the unlimited period of time.

Notes to the Financial Statements *(continued)*

15 CASH AND CASH EQUIVALENTS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Cash	27,490	40,804	27,490	40,804
Balances with the central banks	25,116	155,083	25,116	155,083
Total cash and balances on demand with central banks	**52,606**	**195,887**	**52,606**	**195,887**
Balances due from other credit institutions with the original maturity less than 3 months	526,881	309,601	526,329	309,021
Balances on demand due to other credit institutions	(6,903)	(16,248)	(6,903)	(16,248)
Total cash and cash equivalents	**572,584**	**489,240**	**572,032**	**488,660**

The correspondent account with the Bank of Latvia reflects the balance of the Bank's correspondent account, on which interest is paid in the amount of the compulsory reserve requirement.

The Bank is required to comply with minimum reserve requirements set by the European Central Bank. This requires the Bank's monthly average EUR balance on its correspondent account with the Bank of Latvia to exceed a specified minimum during the maintenance period of requirements.

The Bank was in compliance with the reserve requirement during the reporting period.

16 DUE FROM CREDIT INSTITUTIONS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Demand deposits				
Republic of Latvia credit institutions	555	595	3	9
OECD credit institutions*	38,409	52,968	38,409	52,968
Non-OECD credit institutions	1,394	714	1,394	714
Total demand deposits	**40,358**	**54,277**	**39,806**	**53,691**
Term deposits				
Republic of Latvia credit institutions	1,020	2,149	1,020	2,149
OECD credit institutions**	485,503	255,846	485,503	255,846
Total term deposits	**486,523**	**257,995**	**486,523**	**257,995**
Total	**526,881**	**312,272**	**526,329**	**311,686**

The effective interest rate on balances due from other credit institutions as for 31 December 2014 was 0.05% (2013: 0.3%)

* Including DNB Bank ASA EUR 37,556 thou (2013: EUR 52,685 thou)
** Including DNB Bank ASA EUR 485,000 thou (2013: EUR 255,317 thou)

Due from credit institutions includes buy/sell-back deal with DNB Bank ASA in amount of EUR 60,500 thou, maturity 23 January 2015, with the rollover option. As deal collateral Dutch Mortgages DMPL VII A2 bonds, ISIN NL0009639285, in notional amount of EUR 75,100 thou were received. According to the terms of transaction, price risk arising from the off-balance sheet bonds position is borne by DNB Bank ASA. The deal has been prolonged from 23 January 2015 till 27 April 2015.
Collateral received is used as collateral for long-term funding from Bank of Latvia (see Note 26).

***Notes to the Financial Statements** (continued)*

17 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans by original maturity

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Less than a year	18,956	165,516	14,011	201,914
More than a year	1,750,777	1,793,284	1,684,685	1,684,976
Accrued interest	4,307	5,746	4,234	5,703
	1,774,040	**1,964,546**	**1,702,930**	**1,892,593**
Less allowances for loan impairment	(165,726)	(241,861)	(138,938)	(209,620)
Less allowances for unpaid interest	(1,215)	(1,807)	(1,215)	(1,807)
Total	**1,607,099**	**1,720,878**	**1,562,777**	**1,681,166**

Loan portfolio includes loans secured by the Republic of Latvia Government guarantees of EUR 4,777 thou (2013: EUR 3,203 thou).

The average interest rate on loans as at 31 December 2014 was 2.3% (2013: 2.6%).

(b) Analysis of loans by client type

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Individuals	1,047,560	1,143,712	1,011,517	1,111,455
Private companies	654,801	739,159	620,634	703,778
Public companies	42,233	40,603	39,529	31,095
Management/employees of Bank	15,567	16,191	14,567	15,216
Local government	6,040	19,135	5,856	18,540
Finance institutions	3,532	-	6,593	6,806
Accrued interest	4,307	5,746	4,234	5,703
	1,774,040	**1,964,546**	**1,702,930**	**1,892,593**
Less allowances for loan impairment	(165,726)	(241,861)	(138,938)	(209,620)
Less allowances for unpaid interest	(1,215)	(1,807)	(1,215)	(1,807)
Total	**1,607,099**	**1,720,878**	**1,562,777**	**1,681,166**

(c) Analysis of loans by products

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Mortgage loans	893,355	968,519	893,355	968,519
Commercial loans	593,578	682,769	672,568	760,101
Private loans	112,035	137,249	112,035	137,249
Leasing	150,027	149,537	-	295
Card loans	10,084	11,877	10,084	11,877
Consumer loans	10,556	8,680	10,556	8,680
Other	98	169	98	169
Accrued interest	4,307	5,746	4,234	5,703
	1,774,040	**1,964,546**	**1,702,930**	**1,892,593**
Less allowances for loan impairment	(165,726)	(241,861)	(138,938)	(209,620)
Less allowances for unpaid interest	(1,215)	(1,807)	(1,215)	(1,807)
Total	**1,607,099**	**1,720,878**	**1,562,777**	**1,681,166**

Notes to the Financial Statements *(continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Analysis of loans by industry

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Individuals	1,042,898	1,139,843	1,007,013	1,106,721
Management of real estate	184,104	213,321	264,782	288,087
Manufacturing	85,763	117,879	64,198	93,737
Trade	88,742	83,554	66,551	70,244
Transport	61,374	49,557	35,386	16,995
Agriculture	40,289	28,504	28,132	16,770
Construction	57,526	22,739	45,708	7,863
Management/employees of Bank	15,567	16,191	14,567	15,216
Non-profit and religious organizations	11,191	6,786	11,139	6,786
Other	163,698	254,941	143,217	238,986
Total loans to residents	**1,751,152**	**1,933,315**	**1,680,693**	**1,861,405**
Loans issued to non-residents	18,581	25,485	18,003	25,485
Accrued interest	4,307	5,746	4,234	5,703
	1,774,040	**1,964,546**	**1,702,930**	**1,892,593**
Less allowances for loan impairment	(165,726)	(241,861)	(138,938)	(209,620)
Less allowances for unpaid interest	(1,215)	(1,807)	(1,215)	(1,807)
Total	**1,607,099**	**1,720,878**	**1,562,777**	**1,681,166**

(e) Analysis of loans by countries

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Latvia	1,751,152	1,933,315	1,680,693	1,861,405
Other countries	18,581	25,485	18,003	25,485
Accrued interest	4,307	5,746	4,234	5,703
Total	**1,774,040**	**1,964,546**	**1,702,930**	**1,892,593**
Less allowances for loan impairment	(165,726)	(241,861)	(138,938)	(209,620)
Less allowances for unpaid interest	(1,215)	(1,807)	(1,215)	(1,807)
Total	**1,607,099**	**1,720,878**	**1,562,777**	**1,681,166**

(f) Gross investment in finance lease

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Not later than 1 year	75,109	40,737	-	6
1 – 5 years	80,582	114,303	-	-
More than 5 years	100	901	-	-
Total gross finance lease receivables	**155,791**	**155,941**	**-**	**6**

Notes to the Financial Statements *(continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

Unearned future interest income from investments in finance lease

	2014 Group EUR'000	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Not later than 1 year	2,826	704	-	1
1 – 5 years	2,847	5,428	-	-
Total unearned future interest income	**5,673**	**6,132**	**-**	**1**

Net investment in finance lease

	2014 Group EUR'000	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Not later than 1 year	72,283	40,032	-	4
1 – 5 years	77,735	108,880	-	-
More than 5 years	100	901	-	-
Total investment in finance lease	**150,118**	**149,813**	**-**	**4**
Less allowances for loan impairment	(22,943)	(28,488)	-	-
Less allowances for homogenous groups of loans	(357)	(670)	-	-
Total net investment in finance lease	**126,818**	**120,655**	**-**	**4**

(g) The following table provides the division of loans and advances to customers by quality:

	2014 Group EUR'000	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Neither past due nor impaired	1,365,928	1,421,085	1,335,332	1,402,878
Past due but not impaired	110,207	126,320	98,826	105,781
Impaired	293,598	411,395	264,538	378,231
Accrued interest	4,307	5,746	4,234	5,703
Total gross loans and advances to customers	**1,774,040**	**1,964,546**	**1,702,930**	**1,892,593**
Less allowances for loan impairment	(156,348)	(227,425)	(129,916)	(195,854)
Less allowances for homogenous groups of loans	(9,378)	(14,436)	(9,022)	(13,766)
Less allowances for unpaid interest	(1,215)	(1,807)	(1,215)	(1,807)
Total net loans and advances to customers	**1,607,099**	**1,720,878**	**1,562,777**	**1,681,166**

***Notes to the Financial Statements** (continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(h) The following table provides the division of loans and advances to customers neither past due nor impaired:

Grades	Risk classes	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Corporate *	**Low**	162,053	117,506	247,926	195,730
	Medium	188,065	251,676	160,299	235,820
	High	58,607	80,996	57,757	77,448
SME*	**Low**	3,045	11,934	1,569	602
(Small and medium sized	**Medium**	104,409	87,703	47,567	53,551
enterprises)	**High**	22,985	31,353	22,746	24,543
Private individuals	**Low**	653,353	407,343	644,245	398,826
	Medium	119,042	334,308	101,168	321,546
	High	54,369	98,266	52,055	94,812
	Total	**1,365,928**	**1,421,085**	**1,335,332**	**1,402,878**

***** The information is based on business lines. The legal entities are treated as Corporate if gross commitments are over 1 MEUR or turnover is more than 10 MEUR. Central and local government are also treated as Corporate.

(h) The following table provides the division of loans and advances to customers neither past due nor impaired (continued)**:**

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Mortgage loans	715,402	729,069	715,402	729,069
Commercial	450,979	500,298	535,688	584,171
Leasing	115,305	102,080	-	-
Private loans	67,802	74,749	67,802	74,749
Card loans	6,275	6,976	6,275	6,976
Consumer loans	10,165	7,913	10,165	7,913
Total	**1,365,928**	**1,421,085**	**1,335,332**	**1,402,878**

***Notes to the Financial Statements** (continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(i) The following table provides the division of loans and advances to customers past due but not impaired:

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Commercial loans				
Past due up to 30 days	10,356	8,862	7,985	6,843
Past due 31-60 days	2,973	2,150	2,684	1,037
Past due 61-90 days	92	233	92	233
Past due over 90 days	2,296	1,804	2,296	1,804
Total	**15,717**	**13,049**	**13,057**	**9,917**
Mortgage loans (issued to private individuals secured with real estate collateral)				
Past due up to 30 days	49,148	60,355	49,148	60,355
Past due 31-60 days	13,568	11,458	13,568	11,458
Past due 61-90 days	5,863	5,108	5,863	5,108
Past due over 90 days	-	865	-	865
Total	**68,579**	**77,786**	**68,579**	**77,786**
Private loans (issued to private individuals secured with real estate collateral)				
Past due up to 30 days	9,819	10,079	9,819	10,079
Past due 31-60 days	2,955	1,937	2,955	1,937
Past due 61-90 days	658	1,409	658	1,409
Past due over 90 days	305	730	305	730
Total	**13,737**	**14,155**	**13,737**	**14,155**
Consumer loans				
Past due up to 30 days	191	180	191	180
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	1	-	1
Total	**191**	**181**	**191**	**181**
Leasing				
Past due up to 30 days	5,458	10,615	-	-
Past due 31-60 days	1,180	3,022	-	-
Past due 61-90 days	193	785	-	-
Past due over 90 days	1,890	2,985	-	-
Total	**8,721**	**17,407**	**-**	**-**

Notes to the Financial Statements *(continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(i) The following table provides the division of loans and advances to customers past due but not impaired (continued):

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Card loans				
Past due up to 30 days	3,261	3,637	3,261	3,637
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	-	-	-
Total	**3,261**	**3,637**	**3,261**	**3,637**
Other loans				
Past due up to 30 days	-	9	-	9
Past due 31-60 days	1	-	1	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	96	-	96
Total	**1**	**105**	**1**	**105**
Past due up to 30 days	78,233	93,737	70,404	81,103
Past due 31-60 days	20,677	18,567	19,208	14,432
Past due 61-90 days	6,806	7,535	6,613	6,750
Past due over 90 days	4,491	6,481	2,601	3,496
Total	**110,207**	**126,320**	**98,826**	**105,781**
Total gross loans and advances to customers past due but not impaired	**110,207**	**126,320**	**98,826**	**105,781**
Fair value of collateral	**122,997**	**121,428**	**111,616**	**120,726**

(j) The following table provides the division of impaired loans and advances to customers of Group and Bank:

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Commercial	126,882	169,421	123,822	166,012
Mortgage loans	109,373	161,665	109,373	161,665
Private loans	30,497	48,345	30,497	48,345
Leasing	26,000	30,050	-	295
Card loans	549	1,262	549	1,262
Consumer loans	200	588	200	588
Other	97	64	97	64
Total	**293,598**	**411,395**	**264,538**	**378,231**

Notes to the Financial Statements *(continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(j) The following table provides the division of Group's loans and advances to customers individually impaired:

	Commercial loans EUR'000	Mortgage loans EUR'000	Private loans EUR'000	Consumer loans EUR'000	Leasing EUR'000	Card loans EUR'000	Other loans EUR'000	Total EUR'000
31 December 2014								
Impaired loans	126,882	109,373	30,497	200	26,000	549	97	**293,598**
Fair value of collateral	74,855	45,592	14,588	-	3,058	-	41	**138,134**
31 December 2013								
Impaired loans	169,421	161,665	48,345	588	30,050	1,262	64	**411,395**
Fair value of collateral	107,329	55,415	19,331	-	28	-	-	**182,103**

(j) The following table provides the division of Bank's loans and advances to customers individually impaired:

	Commercial loans EUR'000	Mortgage loans EUR'000	Private loans EUR'000	Consumer loans EUR'000	Leasing EUR'000	Card Loans EUR'000	Other loans EUR'000	Total EUR'000
31 December 2014								
Impaired loans	123,822	109,373	30,497	200	-	549	97	**264,538**
Fair value of collateral	74,698	45,592	14,588	-	-	-	41	**134,919**
31 December 2013								
Impaired loans	166,012	161,665	48,345	588	295	1,262	64	**378,231**
Fair value of collateral	107,329	55,415	19,331	-	28	-	-	**182,103**

Notes to the Financial Statements *(continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(k) The following table provides the division of restructured loans and advances to customers:

Information regarding all kinds of restructured loans included (impaired, past due but not impaired and neither past due nor impaired)

	2014 Group EUR'000	**2013 Group EUR'000**	**2014 Bank EURL'000**	**2013 Bank EUR'000**
Mortgage loans	85,953	127,975	85,953	127,975
Commercial	101,531	147,283	100,873	146,530
Private loans	19,560	26,424	19,560	26,424
Leasing	9,273	4,091	-	18
Consumer loans	7	121	7	121
Other	97	97	97	97
Total	**216,421**	**305,991**	**206,490**	**301,165**

The following table provides the division of Group's restructured loans and advances to customers as at 31 December 2014:

	Neither past due nor impaired EUR'000	**Past due but not impaired EUR'000**	**Impaired EUR'000**	**Total EUR'000**
Mortgage loans	14,749	18,745	52,459	**85,953**
Commercial	16,491	5,532	79,508	**101,531**
Private loans	2,787	4,965	11,808	**19,560**
Leasing	7,344	223	1,706	**9,273**
Consumer loans	4	1	2	**7**
Other	-	-	97	**97**
Total	**41,375**	**29,466**	**145,580**	**216,421**

The following table provides the division of Bank's restructured loans and advances to customers as at 31 December 2014:

	Neither past due nor impaired EUR'000	**Past due but not impaired EUR'000**	**Impaired EUR'000**	**Total EUR'000**
Mortgage loans	14,749	18,745	52,459	**85,953**
Commercial	16,491	5,532	78,850	**100,873**
Private loans	2,787	4,965	11,808	**19,560**
Consumer loans	4	1	2	**7**
Other	-	-	97	**97**
Total	**34,031**	**29,243**	**143,216**	**206,490**

***Notes to the Financial Statements** (continued)*

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(k) The following table provides the division of restructured loans and advances to customers (continued)**:**

The following table provides the division of Group's restructured loans and advances to customers as at 31 December 2013:

	Neither past due nor impaired EUR'000	Past due but not impaired EUR'000	Impaired EUR'000	Total EUR'000
Mortgage loans	28,529	26,892	72,554	127,975
Commercial	36,727	2,232	108,324	147,283
Private loans	5,152	4,589	16,683	26,424
Leasing	791	1,467	1,833	4,091
Consumer loans	30	14	77	121
Other	-	97	-	97
Total	**71,229**	**35,291**	**199,471**	**305,991**

The following table provides the division of Bank's restructured loans and advances to customers as at 31 December 2013

	Neither past due nor impaired EUR'000	Past due but not impaired EUR'000	Impaired EUR'000	Total EUR'000
Mortgage loans	28,529	26,893	72,554	127,975
Commercial	36,727	2,232	107,571	146,530
Private loans	5,152	4,589	16,683	26,424
Consumer loans	-	-	18	18
Leasing	30	14	77	121
Other	-	97	-	97
Total	**70,438**	**33,825**	**196,903**	**301,165**

Loan is considered as restructured if at least one of following action has been performed:

- There are postponed or cancelled principal payment for the Loan for period that is longer than 90 calendar days or repeatedly postponed or cancelled principal payments and total period in last year exceeds 90 calendar days;
- There are postponed, cancelled or capitalized interest payments for the Loan for period that is longer than 90 calendar days or repeatedly postponed, cancelled or capitalized interest payments and total period in last year exceeds 90 calendar days;
- Change of Loan principal repayment schedule that result in decrease of monthly payments by more than 30%;
- There are repossessed collateral or other assets for full or partial loan repayment;
- Substitution of initial borrower or attraction of additional borrower if in case attraction of additional borrower would not be performed that would result in overdue of payments more than 90 days;
- Decrease of loan interest rate due to financial difficulties of the customer.

Loan is not considered as restructured anymore if at least for one year customer has done all payments in accordance with amount and term stated in new changed agreement never behind the schedule by more than 30 days.

***Notes to the Financial Statements** (continued)*

18 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated at fair value through profit or loss

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Debt securities				
Latvian government securities	34,790	40,909	34,790	40,909
Total debt securities	**34,790**	**40,909**	**34,790**	**40,909**
Investment funds				
DNB Rezerves fonds	547	546	547	546
Total investment funds	**547**	**546**	**547**	**546**
Total	**35,337**	**41,455**	**35,337**	**41,455**

	Moody's equivalent grades	2014 EUR'000	2014 %	2013 EUR'000	2013 %
High grade					
Risk rating class 1	**Aaa**	-	-	-	-
Risk rating class 2	**Aa1-A3**	-	-	-	-
Risk rating class 3	**Baa1-Baa2**	34,790*	98	40,909*	99
Risk rating class 4	**Baa3**	-	-	-	-
Not rated		547	2	546	1
Total		**35,337**	**100**	**41,455**	**100**

* According to Latvia's credit rating. In February 2015 Moody's Investors Service ungraded Latvia's credit rating from Baa1 to A3.

The effective interest rate on securities at fair value through profit or loss as at December 31, 2014 was 3.2% (2013: 2.8%).

19 INVESTMENTS IN SUBSIDIARIES

The Bank's investments in subsidiaries are specified as follows:

	Share capital EUR'000	Bank's share %	Investment value 2014 EUR'000	Impairment 2014 EUR'000	Net investment Value 2014 EUR'000	Investment value 2013 EUR'000	Impairment 2013 EUR'000	Net investment value 2013 EUR'000
SIA DNB līzings	4,838	100	4,838	-	4,838	4,838	-	4,838
IPAS DNB Asset Managemant	598	100	947	-	947	947	-	947
SIA Skanstes 12	1,181	100	1,181	-	1,181	1,181	-	1,181
SIA SALVUS*	3,217	100	3,217	2,326	891	3,217	2,064	1,153
SIA SALVUS 2*	3,031	100	3,031	2,917	114	3,031	2,917	114
SIA SALVUS 3*	57	100	57	57	-	57	-	57
SIA SALVUS 4*	285	100	285	-	285	285	-	285
SIA SALVUS 5*	285	100	285	-	285	285	-	285
SIA SALVUS 6*	300	100	300	-	300	-	-	-
	13,792		**14,141**	**5,300**	**8,841**	**13,841**	**4,981**	**8,860**

* Subsidiaries of AS DNB banka established with the aim to ensure sales and/or management of real estate foreclosed in the course of compulsory and/or voluntary collection proceedings.

***Notes to the Financial Statements** (continued)*

20 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments whose value depends on the value of one or more underlying assets defined in the contract.

Derivatives are used to hedge market risk positions arising from ordinary banking operations and from derivative transactions with counterparties.

Types of derivatives held:

- **Foreign exchange forward** – agreement to exchange two currencies at a future date at an agreed upon forward exchange rate.

- **Foreign exchange swap** – agreement to exchange two currencies at a set rate and then to re-exchange those currencies at an agreed upon rate at a fixed date in the future.

- **Interest rate swap** – agreement to exchange a series of periodic interest payments. The most common interest rate swap is an agreement that involves the exchange of fixed-rate payments for floating-rate payments.

- **Cross-currency interest rate swap** – agreement to exchange interest payments and principals denominated in two different currencies and then to re-exchange those principals at an agreed upon rate at a fixed date in the future. The most common cross-currency interest rate swap is an agreement that involves the exchange of principals and floating-rate payments in one currency for floating-rate payments in another currency.

- **Interest rate caps** – an interest rate cap is a series of interest rate calls designed to protect a buyer from losses resulting from an increase in interest rates. The option buyer has to pay an initial payment – premium to owe the right to receive compensation when an interest rate exceeds agreed level of rate.

- **Interest rate floors** – an interest rate floor is a series of interest rate puts designed to protect a buyer from losses resulting from a decrease in interest rates. The option buyer has to pay an initial payment – premium to owe the right to receive compensation when an interest rate is below agreed level of rate.

- **Interest rate collars** – an interest rate collar is combination of an interest rate cap and an interest rate floor. Depending on the terms the buyer of interest rate collar option pays or receives an initial payment – a premium.

- **Commodity swaps** – agreement to exchange cash flows based on the fixed price calculated on the notional amount of commodity for a cash flow based on the floating price calculated on the same notional amount of commodity.

The Group's and the Bank's counterparty credit risk represents the potential cost to replace derivative contracts if counterparties fail to perform their obligation. Credit risk divides into current and potential credit risk. Current credit risk is the risk that the party owing more than the bank in a derivative contract will default at the reporting date. Potential credit risk is the risk that the counterparty will default at any future time during the life of the contract.

To control the level of credit risk taken, the Group and the Bank assess counterparties using similar techniques as for its lending activities. The counterparty credit risk is managed primarily through limitation of exposures to each counterparty, valuation of exposures on a daily basis and collateralization of exposures.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on off balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not indicate the Group's and the Bank's exposure to credit risks. The financial result from positions in derivatives becomes favourable or unfavourable as a result of fluctuations in market prices, such as interest rates, foreign exchange rates and commodity prices relative to the terms specified in agreements.

***Notes to the Financial Statements** (continued)*

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The notional amounts and fair values of derivative instruments held are set out in the following table (Group and Bank):

	2014			2013		
	Contract/ notional amount EUR'000	Fair value Assets EUR'000	Fair value Liabilities EUR'000	Contract/ notional amount EUR'000	Fair value Assets EUR'000	Fair value Liabilities EUR'000
Derivatives held for trading:						
- currency swaps*	600,321	13,711	10,344	757,332	19,874	20,642
- interest rate swaps	307,719	2,551	2,770	300,276	2,402	2,164
- forwards	5,924	296	193	26,007	30	27
- options	184,782	1,175	192	142,893	1,710	563
- commodity	57,641	1,435	1,252	44,587	9,015	8,825
Total		**19,168**	**14,751**		**33,031**	**32,221**

* Including cross-currency interest rate swaps

21 INTANGIBLE ASSETS

Movement table of intangible assets of the Group and the Bank for 2014 is as follows:

	Licences and software Group EUR'000	Goodwill Group EUR'000	Total intangible assets Group EUR'000	Licences and software Bank EUR'000	Total intangible assets Bank EUR'000
Historical cost					
31 December 2013	**7,491**	**351**	**7,842**	**6,932**	**6,932**
Additions	1,338	-	1,338	1,336	**1,336**
Disposals and write-offs	-	-	-	-	**-**
31 December 2014	**8,829**	**351**	**9,180**	**8,268**	**8,268**
Amortisation					
31 December 2013	**5,430**	**-**	**5,430**	**4,977**	**4,977**
Amortisation for the period	749	-	749	702	**702**
Disposals and write-offs	-	-	**-**	-	**-**
31 December 2014	**6,179**	**-**	**6,179**	**5,679**	**5,679**
Net book value					
31 December 2013	**2,061**	**351**	**2,412**	**1,955**	**1,955**
31 December 2014	**2,650**	**351**	**3,001**	**2,589**	**2,589**

Intangible assets include advance payments for acquired intangible assets as of 31 December 2014 in amount of EUR 126 thou (2013: EUR 471 thou).

***Notes to the Financial Statements** (continued)*

21 INTANGIBLE ASSETS (continued)

Movement table of intangible assets of the Group and the Bank for 2013 is as follows:

	Licences and software Group EUR'000	Goodwill Group EUR'000	Total intangible assets Group EUR'000	Licences and software Bank EUR'000	Total intangible assets Bank EUR'000
Historical cost					
31 December 2012	**6,755**	**351**	**7,106**	**6,161**	**6,161**
Additions	777	-	777	771	**771**
Disposals and write-offs	(41)	-	(41)	-	**-**
31 December 2013	**7,491**	**351**	**7,842**	**6,932**	**6,932**
Amortisation					
31 December 2012	**4,731**	**-**	**4,731**	**4,295**	**4,295**
Amortisation for the period	740	-	**740**	682	**682**
Disposals and write-offs	(41)	-	**(41)**	-	**-**
31 December 2013	**5,430**	**-**	**5,430**	**4,977**	**4,977**
Net book value					
31 December 2012	**2,024**	**351**	**2,375**	**1,866**	**1,866**
31 December 2013	**2,061**	**351**	**2,412**	**1,955**	**1,955**

22 PROPERTY AND EQUIPMENT

Movement table of property and equipment of the Group for 2014 is as follows:

	Land and buildings EUR'000	Office equipment EUR'000	Leasehold improve-ments EUR'000	Operating lease EUR'000	Total EUR'000
Historical cost or revaluation					
31 December 2013	**29,267**	**18,612**	**2,797**	**741**	**51,417**
Additions	56	2,282	355	-	2,693
Disposals and write-offs	-	(1,835)	(2)	(507)	(2,344)
31 December 2014	**29,323**	**19,059**	**3,150**	**234**	**51,766**
Depreciation					
31 December 2013	**2,535**	**13,871**	**1,643**	**514**	**18,563**
Depreciation for the year	717	1,989	236	20	2,962
Disposals and write-offs	-	(1,715)	-	(374)	(2,089)
31 December 2014	**3,252**	**14,145**	**1,879**	**160**	**19,436**
Net book value					
31 December 2013	**26,732**	**4,741**	**1,154**	**227**	**32,854**
31 December 2014	**26,071**	**4,914**	**1,271**	**74**	**32,330**

***Notes to the Financial Statements** (continued)*

22 PROPERTY AND EQUIPMENT (continued)

Movement table of property and equipment of the Group for 2013 is as follows:

	Land and buildings EUR'000	Office equipment EUR'000	Vehicles EUR'000	Leasehold improve-ments EUR'000	Operating lease EUR'000	Total EUR'000
Historical cost or revaluation						
31 December 2012	**29,101**	**18,669**	**31**	**3,325**	**1,425**	**52,551**
Additions	166	1,231	-	124	-	1,521
Disposals and write-offs	-	(1,288)	(31)	(652)	(684)	(2,655)
31 December 2013	**29,267**	**18,612**	**-**	**2,797**	**741**	**51,417**
Depreciation						
31 December 2012	**1,822**	**13,062**	**31**	**1,925**	**925**	**17,765**
Depreciation for the year	713	2,077	-	299	97	3,186
Disposals and write-offs	-	(1,268)	(31)	(581)	(508)	(2,388)
31 December 2013	**2,535**	**13,871**	**-**	**1,643**	**514**	**18,563**
Net book value						
31 December 2012	**27,279**	**5,607**	**-**	**1,400**	**500**	**34,786**
31 December 2013	**26,732**	**4,741**	**-**	**1,154**	**227**	**32,854**

Movement table of property and equipment of the Bank for 2014 is as follows:

	Land and buildings EUR'000	Office equipment EUR'000	Leasehold improve-ments EUR'000	Total EUR'000
Historical cost or revaluation				
31 December 2013	**1,366**	**18,469**	**2,376**	**22,211**
Additions	20	2,209	116	2,345
Disposals and write-offs	-	(1,835)	(2)	(1,837)
31 December 2014	**1,386**	**18,843**	**2,490**	**22,719**
Depreciation				
31 December 2013	**206**	**13,803**	**1,526**	**15,535**
Depreciation for the year	13	1,965	188	2,166
Disposals and write-offs	-	(1,715)	-	(1,715)
31 December 2014	**219**	**14,053**	**1,714**	**15,986**
Net book value				
31 December 2013	**1,160**	**4,666**	**850**	**6,676**
31 December 2014	**1,167**	**4,790**	**776**	**6,733**

Notes to the Financial Statements *(continued)*

22 PROPERTY AND EQUIPMENT (continued)

Movement table of property and equipment of the Bank for 2013 is as follows:

	Land and buildings	Office equipment	Vehicles	Leasehold improve-ments	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Historical cost or revaluation					
31 December 2012	**1,246**	**18,540**	**31**	**2,854**	**22,671**
Additions	120	1,215	-	115	1,450
Disposals and write-offs	-	(1,286)	(31)	(593)	(1,910)
31 December 2013	**1,366**	**18,469**	**-**	**2,376**	**22,211**
Depreciation					
31 December 2012	**195**	**13,015**	**31**	**1,793**	**15,034**
Depreciation for the year	11	2,057	-	258	2,326
Disposals and write-offs	-	(1,269)	(31)	(525)	(1,825)
31 December 2013	**206**	**13,803**	**-**	**1,526**	**15,535**
Net book value					
31 December 2012	**1,051**	**5,525**	**-**	**1,061**	**7,637**
31 December 2013	**1,160**	**4,666**	**-**	**850**	**6,676**

Minimum lease payments receivable under operating leases	2014 Group	2013 Group
	EUR'000	EUR'000
Not later than 1 year	74	**138**
Later than 1 year and not later than 5 years	-	**90**
Later than 5 years	-	-
Total	**74**	**228**

***Notes to the Financial Statements** (continued)*

23 INVESTMENT PROPERTY

Investment property contains properties that Group has overtaken from existing loans (as collaterals).

The structure of investment property by type (based on investment amount) is following:

	2014 Group	2013 Group
Apartments, parking places	32%	34%
Empty land plots	22%	18%
Private house	15%	15%
Objects for commercial use	31%	33%

The structure of investment property by geographic location:

	2014 Group	2013 Group
Riga and Riga region (incl. Jurmala)	93%	90%
Other regions	7%	10%

	Group EUR'000	Bank EUR'000
Investment property book value as at 31 December 2012	**57,676**	**23,873**
Additions, purchases of new properties	18,506	377
Net gain / (loss) resulting from adjustment to fair value of projects	3,095	(838)
Disposals	(12,285)	(6,042)
Investment property book value as at 31 December 2013	**66,992**	**17,370**
Additions, purchases of new properties	11,119	320
Net gain / (loss) resulting from adjustment to fair value of projects	271	(489)
Disposals	(16,234)	(6,956)
Investment property book value as at 31 December 2014	**62,148**	**10,245**

Detailed information regarding fair value measurement of investment properties is described in Note 36.

24 OTHER ASSETS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Guarantee deposits for auctions and prepayments for investment property	8,446	4,374	12	81
Prepayments and overpaid taxes	611	361	129	-
Credit card claims and other payment services	1,931	60	1,931	60
Short term debts	648	272	648	272
Other	2,097	6,749	1,603	4,073
Total	**13,733**	**11,816**	**4,323**	**4,486**
Less provisions for debtors	(773)	(1,778)	(556)	(451)
Total	**12,960**	**10,038**	**3,767**	**4,035**

Notes to the Financial Statements *(continued)*

25 PROVISIONS FOR CREDIT LOSSES

Group provisions for impairment loans and other assets	**Loans Total EUR' 000**	Com-mercial EUR' 000	Mort-gage loans EUR' 000	Consu-mer loans EUR' 000	Leasing EUR' 000	Card loans EUR' 000	Private and other EUR' 000	IBNR EUR' 000	**Other assets EUR' 000**	**Off balance sheet liabilities EUR' 000**	**Total EUR' 000**
31 December 2012	**317,198**	**114,154**	**134,429**	**411**	**29,249**	**760**	**37,174**	**1,022**	**1,446**	**-**	**318,644**
Fully provided for and written off	**(84,036)**	(57,319)	(19,508)	-	-	(18)	(7,191)	-	**(71)**	**-**	**(84,107)**
Charge to income statement:	**32,402**	17,188	11,389	147	-	306	2,612	760	403	20	**32,825**
- individual loans and assets	**31,642**	17,188	11,389	147	-	306	2,612	-	**403**	**20**	**32,065**
- homogenous groups of loans	**760**	-	-	-	-	-	-	760	**-**	**-**	**760**
Interest income due to shortening of discounting period	**(3,855)**	(3,316)	(243)	-	-	-	(296)	-	**-**	**(1)**	**(3,856)**
Released during the period	**(18,041)**	(7,918)	(8,748)	-	(215)	-	(1,160)	-	-	-	**(18,041)**
31 December 2013	**243,668**	**62,789**	**117,319**	**558**	**29,034**	**1,048**	**31,139**	**1,782**	**1,778**	**19**	**245,465**
Fully provided for and written off	**(74, 247)**	(11,114)	(44,030)	(556)	(5,688)	(912)	(11,947)	-	**(1,228)**	**-**	**(75,475)**
Charge to income statement:	**27,170**	**11,452**	**10,624**	**179**	**181**	**353**	**2,842**	**1,539**	**223**	**4**	**27,397**
- individual loans and assets	**25,631**	11,452	10,624	179	181	353	2,842	-	**223**	**4**	**25,858**
- homogenous groups of loans	**1,539**	-	-	-	-	-	-	1,539	**-**	**-**	**1,539**
Interest income due to shortening of discounting period	**(2,385)**	(2,031)	(174)	-	-	-	(180)	-	**-**	**(3)**	**(2,388)**
Released during the period	**(27,265)**	(7,670)	(14,056)	(30)	(419)	(132)	(4,620)	(338)	**-**	**-**	**(27,265)**
31 December 2014	**166,941**	**53,426**	**69,683**	**151**	**23,108**	**357**	**17,234**	**2,983**	**773**	**20**	**167,734**

Income statement item "Net allowances for impairment loss" also includes recovered loans and other assets that were written-off in previous periods in amount of EUR 873 thou (2013: EUR 588 thou).

Income statement item "Net allowances for impairment loss" includes expenses for non-performing commitments in amount of EUR 679 thou (2013: EUR 757 thou).

***Notes to the Financial Statements** (continued)*

25 PROVISIONS FOR CREDIT LOSSES (continued)

Bank provisions for impairment loans and other assets	**Loans Total EUR' 000**	Com-mercial EUR' 000	Mort-gage loans EUR' 000	Consu-mer loans EUR' 000	Card loans EUR' 000	Private and other EUR' 000	IBNR EUR' 000	**Other assets EUR' 000**	**Off-balance sheet liabilities EUR' 000**	**Total EUR' 000**
31 December 2012	**282,204**	**108,555**	**134,429**	**411**	**760**	**37,174**	**875**	**5,119**	**33,615**	**320,938**
Fully provided for and written off	**(81,691)**	(54,974)	(19,508)	-	(18)	(7,191)	-	**-**	**(2,383)**	**(84,074)**
Charge to income statement:	**32,527**	17,292	11,389	147	306	2,612	781	**312**	**277**	**33,116**
- individual loans and assets	**31,746**	17,292	11,389	147	306	2,612	-	**312**	**277**	**32,335**
- homogenous groups of loans	**781**	-	-	-	-	-	781	**-**	**-**	**781**
Interest income due to shortening of discounting period	**(3,855)**	(3,316)	(243)	-	-	(296)	-	**-**	**(1)**	**(3,856)**
Released during the period	**(17,758)**	(7,850)	(8,748)	-	-	(1,160)	-	**-**	**(862)**	**(18,620)**
31 December 2013	**211,427**	**59,707**	**117,319**	**558**	**1,048**	**31,139**	**1,656**	**5,431**	**30,646**	**247,504**
Fully provided for and written off	**(68,965)**	(11,520)	(44,030)	(556)	(912)	(11,947)	-	**-**	**(4,324)**	**(73,289)**
Charge to income statement:	**26,917**	11,452	10,624	179	353	2,842	1,467	**425**	**188**	**27,530**
- individual loans and assets	**25,450**	11,452	10,624	179	353	2,842	-	**425**	**188**	**26,063**
- homogenous groups of loans	**1,467**	-	-	-	-	-	1,467	**-**	**-**	**1,467**
Interest income due to shortening of discounting period	**(2,385)**	(2,031)	(174)	-	-	(180)	-	**-**	**(3)**	**(2,388)**
Released during the period	**(26,841)**	(7,670)	(14,056)	(30)	(132)	(4,620)	(333)	**-**	**(312)**	**(27,153)**
31 December 2014	**140,153**	**49,938**	**69,683**	**151**	**357**	**17,234**	**2,790**	**5,856**	**26,195**	**172,204**

Income statement item "Net allowances for impairment loss" also includes recovered loans and other assets that were written-off in previous periods in amount of EUR 873 thou (2013: EUR 588 thou).

Income statement item "Net allowances for impairment loss" includes expenses for non-performing commitments in amount of EUR 664 thou (2013: EUR 662 thou)

***Notes to the Financial Statements** (continued)*

26 LIABILITIES TO CENTRAL BANKS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Central Bank	60,500	-	60,500	-
Terms deposits	**60,500**	**-**	**60,500**	**-**

In December 2014 AS DNB banka participated in the European Central Bank's Targeted Long-Term Refinancing Operations (TLTRO) and received the funding EUR 60.5 million for 4 years at 0.15% p.a.

27 DUE TO OTHER CREDIT INSTITUTIONS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Demand deposits				
Republic of Latvia credit institutions	6,316	14,640	6,316	14,640
OECD credit institutions*	91	797	91	797
Non-OECD credit institutions	496	811	496	811
Total demand deposits	**6,903**	**16,248**	**6,903**	**16,248**
Term deposits				
Republic of Latvia credit institutions	80,469	65,351	80,469	65,351
OECD credit institutions**	849,535	969,536	699,535	819,536
	930,004	**1,034,887**	**780,004**	**884,887**
Accrued interest	257	367	70	149
Total term deposits	930,261	1,035,254	780,074	885,036
Total deposits	**937,164**	**1,051,502**	**786,977**	**901,284**

* Including DNB Bank ASA EUR 0 thou (2013: EUR 414 thou).
** Including DNB Bank ASA for the Group EUR 820,000 thou, Bank - EUR 670,000 thou (2013: Group - 940,000 thou, Bank – 790,000 thou).

28 DUE TO CUSTOMERS

Analysis of deposits by maturity and client type

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Demand deposits				
Private companies	334,128	332,817	335,845	336,733
Individuals	318,037	265,397	318,037	265,397
State institutions	15,920	13,786	15,920	13,786
Funds in transit	2,545	2,656	2,545	2,656
Non-residents OECD	5,680	10,034	5,680	10,034
Non-residents non-OECD	10,833	8,423	10,833	8,423
Total demand deposits	**687,143**	**633,113**	**688,860**	**637,029**
Term deposit accounts				
Private companies	172,159	218,287	175,314	219,835
Individuals	164,395	162,185	164,395	162,185
State institutions	38,404	63,153	38,404	63,153
Non-residents OECD	2,836	1,699	2,836	1,699
Non-residents non- OECD	16,266	15,605	16,266	15,605
Accrued interest	694	1,036	700	1,040
Total term deposits	**394,754**	**461,965**	**397,915**	**463,517**
Total deposits and transit funds	**1,081,897**	**1,095,078**	**1,086,775**	**1,100,546**

Notes to the Financial Statements (continued)

29 ACCRUED EXPENSES AND DEFERRED INCOME

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Accrued expenses for unused annual leave and bonuses	1,700	1,831	1,694	1,793
Accrued expenses for payments to Deposit Guarantee Fund and FCMC	828	808	828	808
Other accrued expenses	2,046	3,690	1,871	3,320
	4,574	**6,329**	**4,393**	**5,921**

30 OTHER LIABILITIES

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Accrued liabilities	3,771	1,908	94	71
Accounts payable	200	1,547	159	1,011
Other short-term liabilities	2,636	1,228	1,511	1,190
	6,607	**4,683**	**1,764**	**2,272**

31 PROVISIONS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Provisions for SIA DNB līzings obligations	-	-	26,176	30,625
Other provisions	2,446	1,778	704	879
	2,446	**1,778**	**26,880**	**31,504**

Provisions were made for SIA DNB līzings obligations for the loan portfolio issued by SIA DNB līzings based on the Bank's guarantee.

Calculations of the write downs were made based on the quality of the assets of the SIA DNB līzings using the same approach as in the Bank.

32 SHARE CAPITAL

As of December 31, 2014 100% of AS DNB banka shares in total amount of EUR 191,178 thou were owned by DNB Bank ASA.

Notes to the Financial Statements *(continued)*

33 OFF-BALANCE SHEET ITEMS

		2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Memorandum items					
Contingent liabilities					
	guarantees	43,017	54,697	43,017	54,697
Commitments					
	loan issuing commitments	184,498	158,582	189,460	189,669
	guarantee issue agreements	24,397	12,281	24,397	12,281
	letters of credit	440	30	440	30
Other					
	*euro cash front-loading**	-	24,153	-	24,153

* Liabilities to the Bank of Latvia for issued Euro cash sets to customers (Euro cash front-loading). Until Euro changeover Euro cash front-loading is perceived as off balance sheet item.

34 MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Credit risk exposures relating to on-balance sheet assets are as follows:				
Balances due from banks	526,881	312,272	526,329	311,686
Loans and advances to customers	1,607,099	1,720,878	1,562,777	1,681,166
Securities designated at fair value through profit and loss	35,337	41,455	35,337	41,455
Derivative financial instruments	19,168	33,031	19,168	33,031
Credit risk exposures relating to off-balance sheet items are as follows:				
Contingent liabilities	43,017	54,697	43,017	54,697
Financial commitments	440	30	440	30

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties are defined as shareholders, members of the Supervisory Council and the Management Board, key management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, foreign currency transactions and financial instruments. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows:

***Notes to the Financial Statements** (continued)*

35 RELATED PARTY TRANSACTIONS (continued)

Due from related parties	**2014 Group EUR'000**	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Due from parent companies:				
DNB Bank ASA	535,133	310,757	535,133	310,757
Due from subsidiaries	-	-	88,477	86,094
Due from other related parties:				
AB DNB bankas	561	151	561	151
DNB Pank	48	1	38	1
DNB Bank Polska S.A.	27	20	27	20
DNB Baltic IT A/S	-	38	-	38
Balances due from related parties	**535,769**	**310,967**	**624,236**	**397,061**

Due to related parties

	2014 Group EUR'000	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Due to parent companies:				
DNB Bank ASA	827,074	967,024	676,887	816,805
Due to subsidiaries	-	-	4,879	5,470
Due to other related parties:				
DNB Bank ASA Latvijas filiale	3,152	3,894	3,129	3,894
AB DNB bankas	496	811	496	811
DNB Pank	91	383	91	383
Balances due to related parties	**830,813**	**972,112**	**685,482**	**827,363**

Notes to the Financial Statements *(continued)*

35 RELATED PARTY TRANSACTIONS (continued)

The Group's and Bank's income/expenses from transactions with related parties are analysed as follows:

	2014 Group EUR'000	2013 Group EUR'000	2014 Bank EUR'000	2013 Bank EUR'000
Interest received for money market deposits/ loans	**793**	**665**	**1,771**	**1,690**
Parent companies	793	662	793	662
Subsidiaries	-	-	978	1,025
Other related parties	-	3	-	3
Commission received	**427**	**314**	**891**	**882**
Subsidiaries	-	-	464	568
Other related parties	427	314	427	314
Dividends	**-**	**-**	**-**	**875**
Subsidiaries	-	-	-	875
Other income	**325**	**169**	**2,986**	**2,951**
Parent companies	-	4	-	4
Subsidiaries	-	-	2,833	2,899
Other related parties	325	165	153	48
Interest paid on money market deposits/loans	**(5,806)**	**(8,681)**	**(4,232)**	**(6,929)**
Parent companies	(5,806)	(8,665)	(4,217)	(6,900)
Subsidiaries	-	-	(15)	(13)
Other related parties	-	(16)	-	(16)
Expenses from derivatives	**(10,804)**	**(1,264)**	**(10,804)**	**(1,264)**
Parent companies	(10,804)	(1,264)	(10,804)	(1,264)
Derivative revaluation result	**17,808**	**(9,910)**	**17,808**	**(9,910)**
Parent companies	17,808	(9,910)	17,808	(9,910)
Commission paid	**(200)**	**(175)**	**(199)**	**(175)**
Parent companies	(198)	(174)	(197)	(174)
Other related parties	(2)	(1)	(2)	(1)
Other expenses	**(1,901)**	**(5,109)**	**(3,471)**	**(6,997)**
Parent companies	(1,153)	(1,411)	(1,153)	(1,411)
Subsidiaries	-	-	(1,570)	(1,888)
Other related parties	(748)	(3,698)	(748)	(3,698)
	642	**(23,991)**	**4,750**	**(18,877)**

As at 31 December 2014 loans issued to key management personnel amounted to EUR 1,502 thou (2013: EUR 1,669 thou).

As at 31 December 2014 the provision for investment in subsidiaries were made in amount EUR 5,300 thou.

According to agreement the Bank made settlement for debtor in SIA DNB līzings in amount of EUR 4,556 thou (2013: EUR 2,383 thou) for debts covering and write-off.

Information regarding salary to Management Board see Note 12.

Notes to the Financial Statements *(continued)*

36 FAIR VALUES OF ASSETS AND LIABILITIES

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, there are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

Assets
Fair value of securities has been estimated based on quoted price where available. To build the yield curve, debt securities of the same issuer with known average bid yields are used and connected into a curve using a linear interpolation. An average bid yield is used in case the market price is observable from more than one source. In assessing the fair value for other financial assets, the management has performed discounted cash flow analysis; up-to-date market information at assessment moment is being used assessing cash flows. For loans, where base interest rates are pegged to floating market interest rates, the Group has considered difference between average interest margin of issued loans and average interest margin for newly issues loans. Given that for part of the loan portfolio this margin has been changed (increased) since issuance, the Group has estimated that for such loans the carrying value is considered equal to fair value.

Liabilities
Fair value of financial liabilities at amortised cost such as Due to credit institutions and Due to customers which are not on demand have been estimated based on discounted cash flow model using interest rates for similar products as at year end. Fair value of those financial liabilities that are on demand or have floating interest rate (e.g. Due to credit institutions) have been estimated to be approximately equal to its carrying amount.

A discounted cash flow model is used to value foreign exchange derivatives, commodity derivatives and over-the-counter vanilla interest rate swaps. The model estimates future variable cash flows and discounts those cash flows, together with the fair value, to arrive at a net present value. Market value of interest rate option is calculated using Black-Scholes option pricing model.

(a) Fair value hierarchy: assets and liabilities recognised at fair value in statement of financial position

Group		**2014**			
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Recurring fair value					
<u>Assets</u>					
Derivatives	-	19,168	-	**19,168**	**19,168**
Financial assets designated at fair value through profit or loss	-	34,790	547	**35,337**	**35,337**
Financial assets available-for-sale	-	-	267	**267**	**267**
Investment properties	-	-	62,148	**62,148**	**62,148**
<u>Liabilities</u>					
Derivatives	-	14,751	-	**14,751**	**14,751**
Non-recurring fair value					
<u>Assets</u>					
Fixed assets - buildings	-	-	26,071	**26,071**	**26,071**

***Notes to the Financial Statements** (continued)*

36 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

(a) Fair value hierarchy: assets and liabilities recognised at fair value in statement of financial position (continued)

Group		**2013**			
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Recurring fair value					
<u>Assets</u>					
Derivatives	-	33,031	-	**33,031**	**33,031**
Financial assets designated at fair value through profit or loss	-	40,909	546	**41,455**	**41,455**
Financial assets available-for-sale	-	-	65	**65**	**65**
Investment properties	-	-	66,992	**66,992**	**66,992**
<u>Liabilities</u>					
Derivatives	-	32,221	-	**32,221**	**32,221**
Non-recurring fair value					
<u>Assets</u>					
Fixed assets - buildings	-	-	26,733	**26,733**	**26,733**

Bank		**2014**			
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Recurring fair value					
<u>Assets</u>					
Derivatives	-	19,168	-	**19,168**	**19,168**
Financial assets designated at fair value through profit or loss	-	34,790	547	**35,337**	**35,337**
Financial assets available-for-sale	-	-	267	**267**	**267**
Investment properties	-	-	10,245	**10,245**	**10,245**
<u>Liabilities</u>					
Derivatives	-	14,751	-	**14,751**	**14,751**
Non-recurring fair value					
<u>Assets</u>					
Fixed assets - buildings	-	-	1,167	**1,167**	**1,167**

Bank		**2013**			
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Recurring fair value					
<u>Assets</u>					
Derivatives	-	33,031	-	**33,031**	**33,031**
Financial assets designated at fair value through profit or loss	-	40,909	546	**41,455**	**41,455**
Financial assets available-for-sale	-	-	65	**65**	**65**
Investment properties	-	-	17,370	**17,370**	**17,370**
<u>Liabilities</u>					
Derivatives	-	32,221	-	**32,221**	**32,221**
Non-recurring fair value					
<u>Assets</u>					
Fixed assets - buildings	-	-	1,160	**1,160**	**1,160**

Notes to the Financial Statements *(continued)*

36 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Fair value hierarchy: assets and liabilities recognised at amortised cost in statement of financial position

Group	**2014**				
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Assets					
Cash and balances with central banks	52,606	-	-	**52,606**	**52,606**
Due from credit institutions on demand	40,358	-	-	**40,358**	**40,358**
Loans	-	-	2,050,926	**2,050,926**	**2,093,622**
Liabilities					
Liabilities to credit institutions on demand	6,903	-	-	**6,903**	**6,903**
Financial liabilities at amortised cost	687,143	-	1,385,818	**2,072,961**	**2,072,658**

Group	**2013**				
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Assets					
Cash and balances with central banks	195,887	-	-	**195,887**	**195,887**
Due from credit institutions on demand	54,277	-	-	**54,277**	**54,277**
Loans	-	-	1,923,324	**1,923,324**	**1,978,873**
Liabilities					
Liabilities to credit institutions on demand	16,248	-	-	**16,248**	**16,248**
Financial liabilities at amortised cost	633,114	-	1,497,641	**2,130,755**	**2,130,332**

Bank	**2014**				
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Assets					
Cash and balances with central banks	52,606	-	-	**52,606**	**52,606**
Due from credit institutions on demand	39,806	-	-	**39,806**	**39,806**
Loans	-	-	2,006,604	**2,006,604**	**2,049,300**
Liabilities					
Liabilities to credit institutions on demand	6,903	-	-	**6,903**	**6,903**
Financial liabilities at amortised cost	688,860	-	1,238,792	**1,927,652**	**1,927,349**

Bank	**2013**				
	Level 1 EUR'000	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair value EUR'000**	**Balance sheet EUR'000**
Assets					
Cash and balances with central banks	195,887	-	-	**195,887**	**195,887**
Due from credit institutions on demand	53,691	-	-	**53,691**	**53,691**
Loans	-	-	1,883,612	**1,883,612**	**1,939,161**
Liabilities					
Liabilities to credit institutions on demand	16,248	-	-	**16,248**	**16,248**
Financial liabilities at amortised cost	637,030	-	1,348,975	**1,986,005**	**1,985,582**

Notes to the Financial Statements *(continued)*

36 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Fair value: investment properties and fixed assets (building)

Classes of investment properties

Level 3 measurement of fair value is applied for all investment properties. Properties are categorized according to the real estate segment:

- residential (apartments, living houses)
- land plots
- commercial objects

Fair value measurement, valuation techniques, changes in valuation techniques, inputs and other key information

Valuation methods in fair value measurement has remained as before – market comparable method, income capitalization method and discounted cash flow method. All valuations are carried out according to the market value definition and calculations are performed at highest and best use.

Portfolio	Valuation technique	Inputs		Average per square meter 2014, EUR	Range* per sqm 2014, EUR
Residential					
Apartments	comparable method			660	83 – 2500
Living house	comparable method			440	30 - 3000
Land plots					
Agricultural	comparable method			0.31	0.10 – 1
Residential	comparable method			7.80	0.32 – 110
Commercial	comparable method, DCF			26	10.25 - 1300
Commercial					
Offices	DCF	rent rate	3 - 10 EUR/sqm		
		occupancy	70%-95%		
		discount rates	9%-12%		
		exit yield	8%-11%		
Industrial	DCF	rent rate	0.7 – 5 EUR/sqm		
		occupancy	70%-90%		
		discount rates	10%-15%		
		exit yield	9%-14%		

* Due to extensive variety of properties in real estate portfolio, indicated price ranges are wide. Each portfolio consists of properties in different technical conditions/with different zoning, located in different regions of Latvia. Value difference between capital city and other cities/country side is very substantial.

Reconciliation of balances of classes of investment property

Group

	Apartments EUR'000	Land plots EUR'000	Living houses EUR'000	Commercial objects EUR'000	Total EUR'000
Book value as at 31 December 2013	**22,234**	**12,726**	**9,065**	**22,967**	**66,992**
Additions, purchases of new properties	3,013	2,932	3,319	1,855	**11,119**
Net result from adjustment to fair value projects	427	418	(401)	(173)	**271**
Disposal	(6,356)	(2,705)	(2,370)	(4,803)	**(16,234)**
Book value as at 31 December 2014	**19,318**	**13,371**	**9,613**	**19,846**	**62,148**

Notes to the Financial Statements *(continued)*

36 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Fair value: investment properties and fixed assets (building) (continued)

Bank

	Apartments EUR'000	Land plots EUR'000	Living houses EUR'000	Commercial objects EUR'000	Total EUR'000
Book value as at 31 December 2013	**6,640**	**3,187**	**4,462**	**3,081**	**17,370**
Additions, purchases of new properties	134	15	169	2	**320**
Net result from adjustment to fair value projects	226	(183)	(422)	(110)	**(489)**
Disposal	(3,640)	(949)	(1,113)	(1,254)	**(6,956)**
Book value as at 31 December 2014	**3,360**	**2,070**	**3,096**	**1,719**	**10,245**

Valuation process

Revaluation process is managed by SPV (SIA Salvus) and revaluation end results are approved by The Banks management board. Responsible management board member for revaluation process is the Bank's Chief Financial Officer (CFO) who is also SPV's Chairman of the Board. Revaluation is performed according to revaluation principles which are approved by the SPV's management board. Revaluation principles determine precise guidelines for the whole annual revaluation process. The principles each year are reviewed together with internal/external auditors and internal evaluators (two employees, both of whom hold professional qualification certificates and has significant experience in real estate valuation) in order to determine whether any changes or adjustments are necessary.

General approach
Assets are divided in three groups or portfolios:

- Under 100 thou portfolio (book value under EUR 100 thou);
- Over 100 thou portfolio (book value between EUR 100 thou – EUR 500 thou);
- Over 500 thou portfolio (book value over EUR 500 thou).

Under 100 thou portfolio is revaluated trough The Matrix (tool developed by external evaluators which reflects quarterly prices changes for different type of properties in different locations). Over 100 thou portfolio and Over 500 thou portfolio is revaluated using individual valuations (prepared by external evaluators) which are not older than current year.
Since implementation of current revaluation principles (end of 2012) sales record shows that sales are above book value. In 2014 particular Over 100 thou portfolio was sold 16% above the book value. This indicates that previous adjustments for current portfolio were overcautious which is the main reason to reduce current adjustment from -15% to -10% (impact around EUR 1,000 thou). That also levels adjustment assumptions with Under 100 thou portfolio.

Adjustments
All individual valuations can be considered as subjective, so there exists and can exist a difference between two valuers/valuations (i.e. market values) for one property. According to the Latvian Association of Property Appraisers (also member of TEGVO and IVSC) the acceptable difference is up to 15% depending on the complexity of the property. To maintain conservative approach and to avoid reflecting overoptimistic valuations in the books, following adjustments to Individual valuations (i.e. market values) are applied:

- Under 100 thou portfolio - 10% reduction to the latest available valuations which further are used in The Matrix;
- Over 100 thou portfolio - 10% reduction;
- Over 500 thou portfolio is reviewed manually and adjustments, if any, are made accordingly to defined principles on how fair value for particular portfolio is set and/or adjusted.

Check-up of the results
All Individual valuations in Over 500K portfolio are reviewed by The Banks internal evaluators. All other Individual valuations are reviewed on a random basis.
Revaluation results (after all adjustments) are manually reviewed by responsible asset managers. If any inaccuracies are discovered, manual adjustments are performed based on defined principles, maintaining conservative approach.

Notes to the Financial Statements *(continued)*

36 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Fair value: investment properties and fixed assets (building) (continued)

Sensitivity information

Fair value measurement inputs (i.e. rent rates and their growth, occupancy rates, discount rates, yield etc.) used in income method calculations (direct income capitalization method or discounted cash flow method) can significantly influence outcome of calculations. Higher rent rates and occupancy rates gives higher value and vice versa if the rates are lower. Higher discount rates and exit yields gives lower value and vice versa if the rates are lower.
However all those inputs are connected and significant changes in one input trigger changes in other inputs; e.g. if an optimistic rent rates and long term occupancy rates are used then it affects discount rate and it should go up and this understanding is maintained through the whole valuation process.

Highest and best use

There are number of properties that currently are not used according to highest and best use. Mostly those are undeveloped (for residential, commercial or mixed development) land plots or unfinished development (unfinished multi-apartment or office buildings). In terms of value, it makes approximately EUR 15 million or 20% from whole real estate portfolio.

37 CAPITAL ADEQUACY

Regulation (EU) No 575/2013 (Capital requirements regulation) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and Directive 2013/36/EU (Capital requirements directive) of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC were approved on 26th of June 2013. Capital adequacy assessment of the Group is performed according to the requirements of the Capital requirements regulation and Capital requirements directive.

The Group from year to year concentrates its' attention to continuously improve capital adequacy assessment processes. In 2014 the Group has made number of changes to provide reporting on capital adequacy, liquidity and leverage ratio in compliance with new requirements.

The capital of the Group is calculated and allocated for the risk coverage following the Group's Capital Adequacy Assessment Policy and Minimum Capital Requirements Calculation Regulations. The Group's objectives when managing capital are:

1) to comply with the capital requirements set by the Financial and Capital Market Commission as well as the internal targets set by the Bank's senior management
2) to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders
3) to support the development of the Group's business with the help of the strong capital base.

Capital adequacy report is submitted to the supervising authority quarterly. Internally reports on capital adequacy are available on request, however, usually are prepared on a quarterly basis and submitted to the senior management afterwards.

The Group's regulatory capital is equal to Tier 1 capital which consists of the ordinary shares, share premium, mandatory reserve, retained earnings of the previous financial year, the audited profit of current financial year and less the intangible assets, revaluation profit of investment properties and current year losses, if any.

At the end of 2014 the Group's capital adequacy ratio is 13.8% and the Bank's – 15.3% (2013: 12.3%; 13.3%). The Capital requirements regulation determines capital ratio as at least 8%. The Group and the Bank fully comply with requirement of capital conservation buffer (2.5% or total risk exposure amount).

According to the Capital requirements regulation, the Bank shall provide own funds which shall at all times exceed or equal the sum of the capital requirements for:

- credit risk
- market risk
- operational risk.

The Group calculates credit risk capital requirement using standardised approach, for the calculation of market risk capital requirement the Group uses open positions and applies Basic Indicators Approach for calculation of operational risk capital requirement.

***Notes to the Financial Statements** (continued)*

37 CAPITAL ADEQUACY (continued)

The risk-weighted assets are measured by means of risk weights classified according to the essence of each asset and counterparty. A similar treatment with some adjustments is adopted for the off-balance sheet exposures.

The Group reviews and improves the risk identification and management policies and procedures according to changes in the Group's activities and financial situation at least once a year. Amendments and updates mostly are done during annual internal capital adequacy assessment process when significant risks are to be reassessed or identified and assessed.

	2014 Group EUR'000	**2013 Group EUR'000**	**2014 Bank EUR'000**	**2013 Bank EUR'000**
Total own funds for solvency purposes	**223,990**	**216,318**	**233,698**	**223,734**
Tier 1: Original own funds	223,990	216,318	233,698	223,734
--Paid up capital	191,178	191,178	191,178	191,178
--Share premium	69,713	69,713	69,713	69,713
Reserves	(26,198)	(36,598)	(22,959)	(33,678)
-Valuation differences to eligible as original own funds	(7,702)	(5,563)	(1,645)	(1,524)
Other deductions from Original Own Funds				
-- Intangible assets	(3,001)	(2,412)	(2,589)	(1,955)
Tier 2: Additional own funds	-	-	-	-
--Revaluation reserves	-	-	-	-
Total own funds for solvency purposes	**223,990**	**216,318**	**233,698**	**223,734**

Capital requirements	**129,985**	**140,842**	**122,151**	**134,877**
Standardised approach (SA)	118,457	129,121	110,933	124,019
Capital requirements for position foreign exchange and commodity risks	-	1,350	-	859
Capital requirements for operational risks (OpR)	10,283	10,371	9,973	9,999
Capital requirements for credit valuation adjustment risk	1,245	-	1,245	-
Surplus /(Deficit) of own funds, before other and transitional capital requirements	94,005	75,476	111,547	88,857
Solvency ratio (%)	**13.8%**	**12.3%**	**15.3%**	**13.3%**
Internal assessment of capital	**223,990**	**216,318**	**233,698**	**223,734**

Notes to the Financial Statements *(continued)*

37 CAPITAL ADEQUACY (continued)

The Group uses "Pillar 1 +" approach for internal capital adequacy assessment, at first minimum regulatory capital requirements are analysed and after that internal capital add-ons are calculated without taking into account any diversification effects between particular risks.

During internal capital adequacy assessment process, the Group usually performs actions as follows:

- analyses available amount of own funds and its historical volatility, including the breakdown of certain capital elements
- analyses amount of minimum and internal capital requirements and its historical volatility in the breakdown of the risk types
- analyses significant risks for which capital needs to be maintained
- analyses asset and off-balance sheet items, including analysis of loan portfolio volume, structure, quality, amount of provisions made as well as estimates appropriate forecasts for following periods
- calculates minimum and internal capital requirements by taking into account planned changes in the Group's activities and financial situation
- performs stress testing and estimates capital buffer
- prepares forecast of available own funds by taking into account planned incomes and expenses, including provision amount to be made, planned capital injections and other significant factors
- prepares regulatory and internal capital adequacy forecast, including setting appropriate strategic goals.

Regular monitoring and control of capital adequacy has been carried out in the Group. Internal capital adequacy assessment process has been done according to the Financial and Capital Market Commission requirements. Internal capital adequacy assessment process is a part of DNB Bank ASA (Norway) capital adequacy assessment process. Adaptation of processes, models and methods to DNB Bank ASA requirements is done according to DNB Bank ASA (Norway) policies and guidelines. Improvement of internal capital adequacy assessment process will continue in the coming years by taking into account changes in internal and external factors.

There were several risks that have been assessed as significant for 2014 and for which adequate internal capital has been kept in addition to the set of minimum regulatory capital requirements.

Concentration risk
Internal capital requirements for individual and inter-connected party's concentration, industries concentration, collateral concentration and concentration of currencies are calculated. The Group applies its internal methodology based on standardized Herfindahl-Hirshmann Index to calculate add-ons to the regulatory capital for specific concentration dimensions.

Operational risk
The basic indicator approach is used for the regulatory capital requirement calculation for the operational risk. The internal capital requirement is calculated by comparing regulatory capital requirement with the amount evaluated during the internal capital adequacy assessment process. The most conservative of the two values is used for the capital requirement.

Business risk and Strategic risk
Business and strategic risks are mitigated through annual budgeting and strategic planning processes. However, according to the requirements stipulated by the Financial and Capital Market Commission, the Group keeps capital not less than 5% of the sum of minimum capital requirements to cover these risks.

Interest rate risk
For interest rate risk management the Group uses an internal model based on gap analysis and Basis Point Value method, which covers the most significant interest rate risk sources and allows assessing influence on the Group's income and economic value. The Group has set internal parameters for possible changes in interest rates for each significant currency. Capital add-on is calculated as an absolute maximum impact on the Group's economic value.

As internal capital adequacy assessment process (ICAAP) is an integral part of risk management framework, the risk definitions used are the same as in overall risk management.

***Notes to the Financial Statements** (continued)*

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below allocates the Group's assets and liabilities to maturity groupings based on the time remaining from the balance sheet date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 31 December 2014 was as follows:

	Up to 1 month EUR`000	**1 - 3 months EUR`000**	**3 – 12 months EUR`000**	**Over 12 months EUR`000**	**Total EUR`000**
Assets					
Cash and balances with the Central banks	52,606	-	-	-	**52,606**
Due from other credit institutions (demand)	40,358	-	-	-	**40,358**
Derivatives	5,217	2,074	2,304	9,573	**19,168**
Financial assets at fair value through profit or loss	35,337	-	-	-	**35,337**
Financial assets available-for-sale	-	-	-	267	**267**
Loans and advances to customers	525,399	79,910	183,592	1,304,721	**2,093,622**
Due from other credit institutions (term)	*486,523*	-	-	-	***486,523***
Loans to customers	*38,876*	*79,910*	*183,592*	*1,304,721*	***1,607,099***
Accrued income and deferred expenses	236	596	229	542	**1,603**
Investment property	-	-	-	62,148	**62,148**
Fixed assets	11	-	74	32,245	**32,330**
Intangible assets	-	-	-	3,001	**3,001**
Other assets	4,338	491	8,478	8,728	**22,035**
Total assets	**663,502**	**83,071**	**194,677**	**1,421,225**	**2,362,475**
Liabilities					
Liabilities to central banks	-	-	-	60,500	**60,500**
Liabilities on demand to credit institutions	6,903	-	-	-	**6,903**
Derivatives	4,378	1,385	1,751	7,237	**14,751**
Financial liabilities at amortised cost:	951,392	230,100	506,688	323,978	**2,012,158**
Due to credit institutions (term)	*77,815*	*150,890*	*386,951*	*314,605*	***930,261***
Deposits from customers	*873,577**	*79,210*	*119,737*	*9,373*	***1,081,897***
Accrued expenses and deferred income	9	1,352	191	3,022	**4,574**
Other liabilities	4,365	3,294	1,329	240	**9,228**
Total liabilities	**967,047**	**236,131**	**509,959**	**394,977**	**2,108,114**
Shareholders` equity				**254,361**	**254,361**
Total liabilities and shareholders` equity	**967,047**	**236,131**	**509,959**	**649,338**	**2,362,475**
Contingent liabilities	1,148	2,458	12,646	26,765	**43,017**
Commitments	184,508	172	1,619	23,036	**209,335**
Liquidity risk	**(489,201)**	**(155,690)**	**(329,547)**	**(722,086)**	**(252,352)**

* Including demand deposits from customers in amount of EUR 687,143 thou

Notes to the Financial Statements *(continued)*

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The table below allocates the Group's assets and liabilities to maturity groupings based on the time remaining from the balance sheet date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 31 December 2013 was as follows:

	Up to 1 month EUR`000	1 - 3 months EUR`000	3 – 12 months EUR`000	Over 12 months EUR`000	Total EUR`000
Assets					
Cash and balances with the Central banks	195,887	-	-	-	**195,887**
Due from other credit institutions (demand)	54,277	-	-	-	**54,277**
Derivatives	3,989	2,874	5,626	20,542	**33,031**
Financial assets at fair value through profit or loss	41,455	-	-	-	**41,455**
Financial assets available-for-sale	-	-	-	65	**65**
Loans and advances to customers	275,406	55,367	217,503	1,430,597	**1,978,873**
Due from other credit institutions (term)	*255,314*	*2,149*	*532*	-	***257,995***
Loans to customers	*20,092*	*53,218*	*216,971*	*1,430,597*	***1,720,878***
Accrued income and deferred expenses	231	85	940	10	**1,266**
Investment property	-	-	-	66,992	**66,992**
Fixed assets	27	24	90	32,713	**32,854**
Intangible assets	-	-	-	2,412	**2,412**
Other assets	7,891	131	5,992	5,353	**19,367**
Total assets	**579,163**	**58,481**	**230,151**	**1,558,684**	**2,426,479**
Liabilities					
Liabilities on demand to credit institutions	16,248	-	-	-	**16,248**
Derivatives	4,714	3,782	6,293	17,432	**32,221**
Financial liabilities at amortised cost:	834,164	214,438	217,021	864,709	**2,130,332**
Due to credit institutions (term)	*59,897*	*27,996*	*97,754*	*849,607*	**1,035,254**
Deposits from customers	*774,267**	*186,442*	*119,267*	*15,102*	**1,095,078**
Accrued expenses and deferred income	3,261	1,009	2,059	-	**6,329**
Other liabilities	2,321	1,487	2,278	403	**6,489**
Total liabilities	**860,708**	**220,716**	**227,651**	**882,544**	**2,191,619**
Shareholders` equity	**-**	**-**	**-**	**234,860**	**234,860**
Total liabilities and shareholders` equity	**860,708**	**220,716**	**227,652**	**1,117,403**	**2,426,479**
Contingent liabilities	2,178	3,993	20,304	28,222	**54,697**
Commitments	107,090	4,802	39,885	19,116	**170,893**
Liquidity risk	**(390,813)**	**(171,030)**	**(57,690)**	**393,943**	**(225,590)**

* Including demand deposits from customers in amount of EUR 633,113 thou

Notes to the Financial Statements *(continued)*

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The table below allocates the Bank's assets and liabilities to maturity groupings based on the time remaining from the balance sheet date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 31 December 2014 was as follows:

	Up to 1 month EUR`000	1 - 3 months EUR`000	3 – 12 months EUR`000	Over 12 months EUR`000	Total EUR`000
Assets					
Cash and balances with the Central banks	52,606	-	-	-	**52,606**
Due from other credit institutions (demand)	39,806	-	-	-	**39,806**
Derivatives	5,217	2,074	2,304	9,573	**19,168**
Financial assets at fair value through profit or loss	35,337	-	-	-	**35,337**
Financial assets available-for-sale	-	-	-	267	**267**
Loans and advances to customers	520,595	62,149	138,272	1,328,284	**2,049,300**
Due from other credit institutions (term)	*486,523*	-	-	-	***486,523***
Loans to customers	*34,072*	*62,149*	*138,272*	*1,328,284*	***1,562,777***
Accrued income and deferred expenses	4	586	145	534	**1,269**
Investment property	-	-	-	10,245	**10,245**
Fixed assets	11	-	-	6,722	**6,733**
Intangible assets	-	-	-	2,589	**2,589**
Investments in the share capital of related companies	-	-	-	8,841	**8,841**
Other assets	3,736	-	3	8,729	**12,468**
Total assets	**657,312**	**64,809**	**140,724**	**1,375,784**	**2,238,629**
Liabilities					
Liabilities to central banks	-	-	-	60,500	**60,500**
Liabilities on demand to credit institutions	6,903	-	-	-	**6,903**
Derivatives	4,378	1,385	1,751	7,237	**14,751**
Financial liabilities at amortised cost:	953,253	80,084	509,534	323,978	**1,866,849**
Due to credit institutions (term)	*77,815*	*703*	*386,951*	*314,605*	***780,074***
Deposits from customers	*875,438**	*79,381*	*122,583*	*9,373*	***1,086,775***
Accrued expenses and deferred income	-	1,330	41	3,022	**4,393**
Other liabilities	2,224	-	19	26,401	**28,644**
Total liabilities	**966,758**	**82,799**	**511,345**	**421,138**	**1,982,040**
Shareholders` equity	**-**	**-**	**-**	256,589	**256,589**
Total liabilities and shareholders` equity	**966,758**	**82,799**	**511,345**	**677,727**	**2,238,629**
Contingent liabilities	1,148	2,458	12,646	26,765	**43,017**
Commitments	189,471	172	1,619	23,035	**214,297**
Liquidity risk	**(500,065)**	**(20,620)**	**(384,886)**	**648,257**	**(257,314)**

* Including demand deposits from customers in amount of EUR 688,860 thou

***Notes to the Financial Statements** (continued)*

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The table below allocates the Bank's assets and liabilities to maturity groupings based on the time remaining from the balance sheet date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 31 December 2013 was as follows:

	Up to 1 month EUR`000	1 - 3 months EUR`000	3 – 12 months EUR`000	Over 12 months EUR`000	Total EUR`000
Assets					
Cash and balances with the Central banks	195,887	-	-	-	**195,887**
Due from other credit institutions (demand)	53,691	-	-	-	**53,691**
Derivatives	3,988	2,874	5,626	20,543	**33,031**
Financial assets at fair value through profit or loss	41,455	-	-	-	**41,455**
Financial assets available-for-sale	-	-	-	65	**65**
Loans and advances to customers	295,047	36,178	254,859	1,353,077	**1,939,161**
Due from other credit institutions (term)	*255,314*	*2,149*	*532*	-	***257,995***
Loans to customers	*39,733*	*34,029*	*254,327*	*1,353,077*	***1,681,166***
Accrued income and deferred expenses	37	76	812	-	**925**
Investment property	-	-	-	17,370	**17,370**
Fixed assets	3	-	-	6,673	**6,676**
Intangible assets	-	-	-	1,955	**1,955**
Investments in the share capital of related companies	-	-	-	8,860	**8,860**
Other assets	6,131	-	-	6,640	**12,771**
Total assets	**596,239**	**39,128**	**261,297**	**1,415,183**	**2,311,847**
Liabilities					
Liabilities on demand to credit institutions	16,248	-	-	-	**16,248**
Financial liabilities held for trading	4,714	3,782	6,293	17,432	**32,221**
Financial liabilities at amortised cost:	838,170	214,220	218,485	714,707	**1,985,582**
Due to credit institutions (term)	*59,897*	*27,779*	*97,754*	*699,606*	***885,036***
Deposits from customers	*778,273**	*186,441*	*120,731*	*15,101*	***1,100,546***
Accrued expenses and deferred income	3,259	1,001	1,661	-	**5,921**
Other liabilities	2,274	3	15,522	15,977	**33,776**
Total liabilities	**864,665**	**219,006**	**241,961**	**748,116**	**2,073,748**
Shareholders` equity	**-**	**-**	**-**	**238,099**	**238,099**
Total liabilities and shareholders` equity	**864,665**	**219,006**	**241,961**	**986,215**	**2,311,847**
Contingent liabilities	2,178	3,993	20,304	28,222	**54,697**
Commitments	138,177	4,802	39,885	19,116	**201,980**
Liquidity risk	**(408,781)**	**(188,673)**	**(40,852)**	**381,630**	**(256,676)**

* Including demand deposits from customers in amount of EUR 637,029 thou

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The following table represents the analysis of the remaining cash flows of financial liabilities.

The table below allocates the Group's financial liabilities undiscounted cash flows as at 31 December 2014:

	Up to 1 month EUR'000	**1-3 months EUR'000**	**3-12 months EUR'000**	**1-5 years EUR'000**	**>5 years EUR'000**	**Total EUR'000**
Short term funding	(84,700)	(667)	(2,021)	-	-	**(87,388)**
Long term funding	(154)	(293)	(386,252)	(527,338)	-	**(914,037)**
Demand deposits	(684,084)	-	-	-	-	**(684,084)**
Term deposits	(187,319)	(79,542)	(121,686)	(8,766)	(737)	**(398,050)**
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
inflow	121,310	29,773	43,766	69,822	387,143	**651,814**
outflow	(120,034)	(29,103)	(43,408)	(68,758)	(387,001)	**(648,304)**
Foreign exchange derivatives						
inflow	3,535	2,582	-	-	-	**6,117**
outflow	(3,445)	(2,577)	-	-	-	**(6,022)**
Derivatives settled on a net basis	99	(21)	(88)	234	-	**224**
Total	**(954,792)**	**(79,848)**	**(509,689)**	**(534,806)**	**(595)**	**(2,079,730)**

The table below allocates the Bank's financial liabilities cash flows as at 31 December 2014:

	Up to 1 month EUR'000	**1-3 months EUR'000**	**3-12 months EUR'000**	**1-5 years EUR'000**	**>5 years EUR'000**	**Total EUR'000**
Short term funding	(84,700)	(667)	(2,021)	-	-	**(87,388)**
Long term funding	(66)	(126)	(385,473)	(375,409)	-	**(761,074)**
Demand deposits	(685,801)	-	-	-	-	**(685,801)**
Term deposits	(187,467)	(79,712)	(124,539)	(8,766)	(737)	**(401,221)**
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
inflow	121,310	29,773	43,766	69,822	387,143	**651,814**
outflow	(120,034)	(29,103)	(43,408)	(68,758)	(387,001)	**(648,304)**
Foreign exchange derivatives						
inflow	3,535	2,582	-	-	-	**6,117**
outflow	(3,445)	(2,577)	-	-	-	**(6,022)**
Derivatives settled on a net basis	99	(21)	(88)	234	-	**224**
Total	**(956,569)**	**(79,851)**	**(511,763)**	**(382,877)**	**(595)**	**(1,931,655)**

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The following table represents the analysis of the remaining cash flows of financial liabilities.

The table below allocates the Group's financial liabilities undiscounted cash flows as at 31 December 2013:

	Up to 1 month EUR'000	1-3 months EUR'000	3-12 months EUR'000	1-5 years EUR'000	>5 years EUR'000	Total EUR'000
Short term funding	(76,094)	(2,691)	(2,826)	-	-	**(81,611)**
Long term funding	(327)	(25,622)	(97,703)	(851,540)	-	**(975,192)**
Demand deposits	(633,114)	-	-	-	-	**(633,114)**
Term deposits	(141,199)	(186,540)	(119,909)	(13,560)	(1,719)	**(462,927)**
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
inflow	287,406	49,697	43,750	20,156	356,301	**757,310**
outflow	(288,285)	(50,508)	(44,341)	(20,161)	(356,301)	**(759,596)**
Foreign exchange derivatives						
inflow	23,430	-	2,577	-	-	**26,007**
outflow	(23,432)	-	(2,575)	-	-	**(26,007)**
Derivatives settled on a net basis	(24)	(152)	(315)	(269)	-	**(760)**
Total	**(851,639)**	**(215,816)**	**(221,342)**	**(865,374)**	**(1,719)**	**(2,155,890)**

The table below allocates the Bank's financial liabilities cash flows as at 31 December 2013:

	Up to 1 month EUR'000	1-3 months EUR'000	3-12 months EUR'000	1-5 years EUR'000	>5 years EUR'000	Total EUR'000
Short term funding	(76,093)	(2,691)	(2,826)	-	-	**(81,610)**
Long term funding	(195)	(25,368)	(96,525)	(701,361)	-	**(823,449)**
Demand deposits	(637,030)	-	-	-	-	**(637,030)**
Term deposits	(141,283)	(186,541)	(121,383)	(13,559)	(1,719)	**(464,485)**
Derivatives:						
Derivatives settled on a gross basis						
Currency swaps						
inflow	287,406	49,697	43,750	20,156	356,301	**757,310**
outflow	(288,285)	(50,508)	(44,341)	(20,161)	(356,301)	**(759,596)**
Foreign exchange derivatives						
inflow	23,430	-	2,577	-	-	**26,007**
outflow	(23,432)	-	(2,575)	-	-	**(26,007)**
Derivatives settled on a net basis	(24)	(152)	(315)	(269)	-	**(760)**
Total	**(855,506)**	**(215,563)**	**(221,638)**	**(715,194)**	**(1,719)**	**(2,009,620)**

Notes to the Financial Statements *(continued)*

39 CURRENCY ANALYSIS

The currency analysis of assets and liabilities by currency profile of the Group as at 31 December 2014 was as follows:

	USD	**EUR**	**Other currencies**	**Total EUR'000**
Assets				
Cash and balances with the central banks	3,637	48,095	874	**52,606**
Due from other credit institutions (demand)	7,465	16,786	16,107	**40,358**
Derivatives	-	19,168	-	**19,168**
Financial assets at fair value through profit or loss	-	35,337	-	**35,337**
Financial assets available-for-sale		267	-	**267**
Loans and advances	12,841	2,078,796	1,985	**2,093,622**
Due from other credit institutions (term)	*-*	*486,523*	*-*	***486,523***
Loans to customers	*12,841*	*1,592,273*	*1,985*	***1,607,099***
Accrued income and deferred expenses	4	1,599	-	**1,603**
Investment property	-	62,148	-	**62,148**
Property and equipment	-	32,330	-	**32,330**
Intangible assets	-	3,001	-	**3,001**
Other assets	68	21,966	1	**22,035**
Total assets	**24,015**	**2,319,493**	**18,967**	**2,362,475**
Liabilities				
Liabilities to central banks	**-**	60,500	**-**	**60,500**
Liabilities to credit institutions (demand)	320	6,567	16	**6,903**
Derivatives	-	14,751	-	**14,751**
Financial liabilities at amortised cost:	139,699	1,830,751	41,708	**2,012,158**
Due to credit institutions (term)	*38,301*	*891,893*	*67*	***930,261***
Deposits from customers	*101,398*	*938,858*	*41,641*	***1,081,897***
Accrued expenses and deferred income	-	4,574	-	**4,574**
Other liabilities	98	7,830	1,300	**9,228**
Total liabilities	**140,117**	**1,924,973**	**43,024**	**2,108,114**
Shareholders' equity	**-**	254,361	-	**254,361**
Total liabilities and shareholders' equity	**140,117**	**2,179,334**	**43,024**	**2,362,475**
Net long / (short) position on balance sheet	*(116,102)*	*140,159*	*(24,057)*	**-**
Off-balance sheet claims arising from foreign exchange				
Net long / (short) position on foreign exchange	*116,099*	*(136,662)*	*23,159*	*2,596*
Net long / (short) position	**(3)**	**3,497**	**(898)**	**2,596**

***Notes to the Financial Statements** (continued)*

39 CURRENCY ANALYSIS (continued)

The currency analysis of assets and liabilities by currency profile of the Group as at 31 December 2013 was as follows:

	EUR (prev.LVL)	USD	EUR	Other currencies	Total EUR'000
Assets					
Cash and balances with the central banks	179,629	2,214	13,058	986	**195,887**
Due from other credit institutions (demand)	354	31,882	16,140	5,901	**54,277**
Derivatives	33,031	-	-	-	**33,031**
Financial assets at fair value through profit or loss	40,909	-	546	-	**41,455**
Financial assets available-for-sale	28	-	37	-	**65**
Loans and advances	68,440	15,811	1,888,553	6,069	**1,978,873**
Due from other credit institutions (term)	*7,271*	-	*245,543*	*5,181*	***257,995***
Loans to customers	*61,169*	*15,811*	*1,643,010*	*888*	***1,720,878***
Accrued income and deferred expenses	1,228	4	34	-	**1,266**
Investment property	17,370	-	49,622	-	**66,992**
Property and equipment	32,571	-	283	-	**32,854**
Intangible assets	2,412	-	-	-	**2,412**
Other assets	17,375	10	1,981	1	**19,367**
Total assets	**393,347**	**49,921**	**1,970,254**	**12,957**	**2,426,479**
Liabilities					
Liabilities to credit institutions (demand)	4,795	189	10,852	412	**16,248**
Derivatives	32,221	-	-	-	**32,221**
Financial liabilities at amortised cost:	389,416	107,579	1,594,770	38,567	**2,130,332**
Due to credit institutions (term)	*3,426*	*28,578*	*1,003,180*	*70*	***1,035,254***
Deposits from customers	*385,990*	*79,001*	*591,590*	*38,497*	***1,095,078***
Accrued expenses and deferred income	6,215	-	114	-	**6,329**
Other liabilities	3,240	-	3,249	-	**6,489**
Total liabilities	**435,887**	**107,768**	**1,608,985**	**38,979**	**2,191,619**
Shareholders' equity	**234,860**	**-**	**-**	**-**	**234,860**
Total liabilities and shareholders' equity	**670,747**	**107,768**	**1,608,985**	**38,979**	**2,426,479**
Net long / (short) position on balance sheet	*(277,400)*	*(57,847)*	*361,269*	*(26,022)*	*-*
Off-balance sheet claims arising from foreign exchange					
Net long / (short) position on foreign exchange	*258,234*	*58,002*	*(344,888)*	*26,365*	*(2,287)*
Net long / (short) position	**(19,166)**	**155**	**16,381**	**343**	**(2,287)**

Notes to the Financial Statements *(continued)*

39 CURRENCY ANALYSIS (continued)

The currency analysis of assets and liabilities by currency profile of the Bank as at 31 December 2014 was as follows:

	USD	EUR	Other currencies	Total EUR'000
Assets				
Cash and balances with the central banks	3,637	48,095	874	**52,606**
Due from other credit institutions (demand)	7,465	16,234	16,107	**39,806**
Derivatives	-	19,168	-	**19,168**
Financial assets at fair value through profit or loss	-	35,337	-	**35,337**
Financial assets available-for-sale		267	-	**267**
Loans and advances	12,938	2,034,371	1,991	**2,049,300**
Due from other credit institutions (term)	-	*486,523*	-	***486,523***
Loans to customers	*12,938*	*1,547,848*	*1,991*	***1,562,777***
Accrued income and deferred expenses	4	1,265	-	**1,269**
Investment property	-	10,245	-	**10,245**
Property and equipment	-	6,733	-	**6,733**
Intangible assets	-	2,589	-	**2,589**
Investments in the share capital of related companies	-	8,841	-	**8,841**
Other assets	68	12,399	1	**12,468**
Total assets	**24,112**	**2,195,544**	**18,973**	**2,238,629**
Liabilities				
Liabilities to central banks	**-**	60,500	**-**	**60,500**
Liabilities to credit institutions (demand)	320	6,567	16	**6,903**
Derivatives	-	14,751	-	**14,751**
Financial liabilities at amortised cost:	139,827	1,685,314	41,708	**1,866,849**
Due to credit institutions (term)	*38,301*	*741,706*	*67*	***780,074***
Deposits from customers	*101,526*	*943,608*	*41,641*	***1,086,775***
Accrued expenses and deferred income	-	4,393	-	**4,393**
Other liabilities	112	28,532		**28,644**
Total liabilities	**140,259**	**1,800,057**	**41,724**	**1,982,040**
Shareholders' equity	**-**	**256,589**	-	**256,589**
Total liabilities and shareholders' equity	**140,259**	**2,056,646**	**41,724**	**2,238,629**
Net long / (short) position on balance sheet	*(116,147)*	*138,898*	*(22,751)*	**-**
Off-balance sheet claims arising from foreign exchange				
Net long / (short) position on foreign exchange	*116,099*	*(136,662)*	*23,159*	***2,596***
Net long / (short) position	**(48)**	**2,236**	**408**	**2,596**

Notes to the Financial Statements *(continued)*

39 CURRENCY ANALYSIS (continued)

The currency analysis of assets and liabilities by currency profile of the Bank as at 31 December 2013 was as follows:

	EUR (prev. LVL)	USD	EUR	Other currencies	Total EUR'000
Assets					
Cash and balances with the central banks	179,629	2,214	13,058	986	**195,887**
Due from other credit institutions (demand)	143	31,883	15,764	5,901	**53,691**
Derivatives	33,031	-	-	-	**33,031**
Financial assets at fair value through profit or loss	40,909	-	546	-	**41,455**
Financial assets available-for-sale	28	-	37	-	**65**
Loans and advances	102,959	17,447	1,812,730	6,025	**1,939,161**
Due from other credit institutions (term)	*7,271*	-	*245,543*	*5,181*	***257,995***
Loans to customers	*95,688*	*17,447*	*1,567,187*	*844*	***1,681,166***
Accrued income and deferred expenses	921	4	-	-	**925**
Investment property	17,370	-	-	-	**17,370**
Property and equipment	6,619	-	57	-	**6,676**
Intangible assets	1,955	-	-	-	**1,955**
Investments in the share capital of related companies	8,860	-	-	-	**8,860**
Other assets	12,513	10	247	1	**12,771**
Total assets	**404,937**	**51,558**	**1,842,439**	**12,913**	**2,311,847**
Liabilities					
Liabilities to credit institutions (demand)	4,796	189	10,852	411	**16,248**
Derivatives	32,221	-	-	-	**32,221**
Financial liabilities at amortised cost:	391,450	109,261	1,446,304	38,567	**1,985,582**
Due to credit institutions (term)	*3,426*	*28,578*	*852,962*	*70*	***885,036***
Deposits from customers	*388,024*	*80,683*	*593,342*	*38,497*	***1,100,546***
Accrued expenses and deferred income	5,807	-	114	-	**5,921**
Other liabilities	3,822	13	29,941	-	**33,776**
Total liabilities	**438,096**	**109,463**	**1,487,211**	**38,978**	**2,073,748**
Shareholders' equity	**238,099**	**-**	**-**	**-**	**238,099**
Total liabilities and shareholders' equity	**676,195**	**109,463**	**1,487,211**	**38,978**	**2,311,847**
Net long (short) position on balance sheet	*(271,258)*	*(57,905)*	*355,228*	*(26,065)*	*-*
Off-balance sheet claims arising from foreign exchange					
Net long (short) position on foreign exchange	*258,234*	*58,002*	*(344,889)*	*26,366*	*(2,287)*
Net long/(short) position	**(13,024)**	**97**	**10,339**	**301**	**(2,287)**

40 LITIGATION AND CLAIMS

The Management of the Bank believes that any legal proceedings pending as at 31 December 2014 will not result in material losses for the Bank and/ or Group.

41 EVENTS AFTER BALANCE SHEET DATE

In January 2015, AS DNB banka issued the Payment Guarantee No.22/MSG-15 in amount of EUR 45 million in favour of DNB Bank ASA. The purpose of the Guarantee is to reduce the price of the long-term funding in the amount of EUR 150 million provided by DNB Bank ASA to SIA DNB līzings.

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