AS Citadele banka

Annual report

for the year ended
31 December 2015

Citadele

KEY FIGURES

EUR millions	Group			Bank		
	2015 Audited	**2014 Audited**	**Change**	**2015 Audited**	**2014 Audited**	**Change**
Net interest income	60.5	62.5	(3%)	48.1	52.1	(8%)
Net commission and fee income	35.5	33.4	6%	25.3	24.4	3%
Operating income(1)	112.7	111.9	1%	86.5	90.1	(4%)
Impairment charge and reversals, net	(6.2)	(9.2)	(33%)	(6.2)	(10.6)	(41%)
Net profit	26.1	32.4	(20%)	19.5	29.2	(33%)
Return on average assets (ROA)(2)	0.90%	1.20%	(0.30pp)	0.82%	1.31%	(0.48pp)
Return on average equity (ROE)(3)	13.2%	20.2%	(7.09pp)	10.2%	18.5%	(8.23pp)
Cost to income ratio (CIR)(4)	68.5%	60.2%	8.28pp	67.1%	52.3%	14.78pp
Cost of risk ratio (COR)(5)	0.8%	1.3%	(0.48pp)	0.7%	1.2%	(0.48pp)
Capital adequacy ratio (CAR)	13.4%	11.0%	2.4pp	15.1%	12.3%	2.8pp
Adjusted for IPO costs(6):						
Net profit	31.1	32.4	(4%)	24.5	29.2	(16%)
Return on average assets (ROA)(2)	1.07%	1.20%	(0.13pp)	1.03%	1.31%	(0.28pp)
Return on average equity (ROE)(3)	15.5%	20.2%	(4.76pp)	12.7%	18.5%	(5.79pp)

EUR millions	Group			Bank		
	2015 Audited	**2014 Audited**	**Change**	**2015 Audited**	**2014 Audited**	**Change**
Total assets	2,960	2,855	4%	2,409	2,331	3%
Loans to customers	1,172	1,076	9%	983	941	4%
Deposits from customers	2,570	2,517	2%	2,037	1,949	5%
Shareholders' equity	220	177	24%	209	173	21%
Loan-to-deposit ratio(7)	46%	43%	3pp	48%	48%	(0pp)

(1) Operating income consists the following items of statement of income: of net interest income, net commission and fee income, net Gain on transactions with financial instruments and other income.
(2) Return on average assets (ROA) is calculated as annualised net profit for the relevant period divided by the period end average total assets.
(3) Return on average equity (ROE) is calculated as annualised net profit for the relevant period divided by the period end average total equity.
(4) Cost to income ratio (CIR) is calculated as administrative expense plus amortization and depreciation plus other expense divided by operating income.
(5) Cost of risk ratio (COR) is calculated as collective and specific loans impairments divided by the period end average net loans.
(6) One-time costs that had to be recognised in the statement of income of 2015 due to the postponed IPO process amount to EUR 5.0 million.
(7) Loan to deposit ratio is calculated as the carrying value of loans to customers divided by deposits from customers at the end of the relevant period.

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Rounding and Percentages

Some numerical figures included in this financial report have been subject to rounding adjustments. Accordingly, numerical figures shown for the same category presented in different tables may vary slightly, and numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

In these financial statements, certain percentage figures have been included for convenience purposes in comparing changes in financial and other data over time. However, certain percentages may not sum to 100% due to rounding.

HIGHLIGHTS OF 2015

- **Citadele continues to finance Baltic businesses, maintain strong liquidity and improves capital position**
  Citadele banka has increased lending to Baltic businesses in accordance with its strategy. At the same time it has maintained a sound liquidity profile by increasing customer deposits. With the support of the new shareholders, as well as profit generation, the capital base has continued to grow.

- **Citadele's primary card product adds new exciting features**
  Citadele is the only bank in the market that offers its customers a unique payment card with integrated e-ticket and contactless payment functionality. The e-ticket function now enables Citadele's payment cards to serve as electronic tickets for rides on public transport in Riga.

- **Change of ownership**
  In April 2015, a consortium of international investors led by New York-based Ripplewood Advisors LLC and its founder Timothy Collins acquired a 75% plus one share stake in Citadele banka from the Latvian Privatization Agency. The European Bank for Reconstruction and Development (EBRD) holds a 25% minus one share stake.

- **Rating upgrade**
  Moody's Investors Service upgraded Citadele bank's long-term deposit ratings to B1 from B2, and changed its long-term outlook for Citadele banka to “positive”. Additionally, Moody’s upgraded Latvia’s sovereign ratings to A3 from Baa1 reflecting continued macroeconomic improvements.

- **Experienced Supervisory Board**
  The new Supervisory Board now includes seven new members. Timothy C. Collins and Elizabeth Critchley have been appointed as Chairman and Deputy Chairman, respectively, while James L. Balsillie, Dhananjaya Dvivedi, David Shuman, and Lawrence N. Lavine have been newly elected to join them on the Supervisory Board. Sylvia Y. Gansser-Potts has also been newly appointed to serve alongside. Geoffrey Dunn continues to serve as the EBRD's appointed board member. Klāvs Vasks continues to serve as an independent board member.

LETTER FROM THE MANAGEMENT BOARD

Strong domestic demand underpins GDP growth Latvia[1]

GDP growth in Latvia increased to 2.8% in 2015 (up from 2.4% in 2014), driven primarily by domestic demand and rising incomes. Russian macro issues have had a minimal impact on the local Latvian economy due to Russia's low share of exports, and this decline has been offset by increased exports to other markets within and outside the EU. As a result, total goods exported in Latvia increased slightly in 2015 compared to 2014. Latvia expects to see reductions in the fiscal deficit and government debt in 2015, and this trend should continue with the establishment of the new government in February 2016 that is expected to promote policies for further fiscal consolidation and economic growth.

In 2015, retail trade grew by 4.9% on the back of an improving labour market. After two years of stagnant output, manufacturing output increased by 4.1% and experienced a significant boost in March and April when the largest steel maker in the Baltics resumed production. In 2015, the best performing sectors of manufacturing were furniture, computer and optical equipment manufacturing.

Despite the strengthening labour market, consumer price inflation remained under control in 2015 at 0.2% growth. As a result of the drop in global commodity prices, domestic fuel and food prices in 2015 declined by an average of 14.4% and 1.6%, respectively. This was offset by an increase in electricity prices resulting from the liberalization of the household electricity market, as well as an increase in prices for public transport.

Overall economic activity in 2015 was supported by a strong labour market as unemployment declined from 10.8% in 2014 to around 10.0% in 2015. Wages grew by more than 6.5%, while labour productivity growth since 2010 has averaged 2.5-3.0%. The declining working age population could put pressure on wage growth in the coming years.

Moderate economic recovery in the EU continues

In 2015, the economic recovery in the EU and euro area continued to strengthen. GDP growth in 2015 is expected to reach 1.9% in the EU and 1.6% in the euro area compared to 1.4% and 0.9% growth respectively in 2014. Growth across the EU remains uneven as GDP growth in Ireland, Sweden and many CEE countries significantly exceeds the EU growth average while Greece, Italy, Finland and France continue to underperform.

Faster growth in the EU was supported by a number of positive factors, such as lower oil prices, depreciation of euro exchange rate and improving financial conditions in combination with a broadly neutral fiscal stance. Faster economic growth has contributed to a further fall in the overall unemployment rate that is expected to reach 9.5% in the EU, down from 10.2% in 2014.

ECB further eases monetary policy as global risks increase

In response to persistently low inflation, weak economic growth in the euro area and deteriorating inflation expectations in the euro area, the ECB continued to ease monetary policy. In January 2015, the ECB introduced a QE programme for sovereign bonds, the Public Sector Purchase Programme (PSPP), which was started on 9 March 2015 and was initially scheduled to last until at least September 2016.

However, inflation in euro area has remained low, in part due to the sharp decline in global oil and food prices. In December 2015 the persistently low inflation, the slowdown in emerging markets and the weakest global GDP growth since 2009 led the ECB to extend the QE programme until March 2017 and cut the ECB deposit rate by a further 10bp to -0.3%.

Easing of monetary policy has led to deprecation of the euro vis-à-vis U.S. dollar and other major currencies and that has helped to boost GDP growth in euro area in 2015.

Experienced shareholders join the Supervisory Board

2015 brought a change in Citadele ownership that was anticipated for several years. A consortium of international investors led by New York-based Ripplewood Advisors LLC acquired a 75% + 1 share stake in AS Citadele banka from the Latvian Privatization Agency. The deal signalled a major milestone in the history of the bank. With support from the experienced and committed group of international investors, Citadele is now well-positioned to transform into a banking leader in Latvia and across the Baltics. The European Bank for Reconstruction and Development (EBRD) holds the remaining 25% - 1 share of the Group. The consortium of investors and the EBRD also increased the capital of Citadele by EUR 10 million at transaction closing in April 2015.

The newly elected Supervisory Board comprises seven new members who now sit alongside two members from the previous board. They each bring a wealth of experience from different sectors and geographies, and we have been benefitting greatly from their combined insights and acumen.

Up until privatization closing in April 2015, Citadele was operating under the European Commission Restructuring plan. The plan placed a number of restrictions on Citadele, such as caps on lending and deposit amounts in all Baltic countries, a cap on the capital adequacy ratio, a dividend ban, and other restrictions. Despite having these

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[1] Source: Central Statistical Bureau of Latvia, Eurostat, ECB, European Commission Winter 2016 Economic Forecast, Citadele calculations.

restrictions in place, Citadele was able to improve operating results each year and increase profitability, and this solid performance was recognised by Moody's Investors Service. In June 2015 Citadele's long-term deposit rating was upgraded to B1 from B2. This decision was taken in light of the improved financial results and profitability, as well as the increase in Citadele's loan portfolio quality. Furthermore, the rating agency looked favourably upon the privatization of the Bank, which allowed the Bank to shape a stronger capital base and the remove European Commission restrictions.

Strategic Focus – Retail And SME Banking

Shortly after privatization in mid-2015, the Bank worked alongside new shareholders to create a region specific growth strategy for Citadele. Citadele aims to become the "primary bank of choice" for aspiring retail and small business customers across the Baltics, and continue to improve products and services for clients in the corporate and private capital management segments. The strategy will be implemented using following tactical steps:

- Becoming the primary bank of choice for mass affluent retail customers by increasing new and existing customers that use Citadele as their primary bank and develop current account "hook" products, new card products and new online banking features.
- Enhancing consumer lending products to retail customers by building strong relationships with retailers, offering card products, and improving the loan approvals process.
- Driving growth in the underserved SMEs and micro-SMEs segments by expanding product offerings such as small business overdrafts, improving customer relationship management, and building advisory package for customers.
- Expanding the scope of offer in Private Capital Management, Asset Management and Pension product offerings to promote product usage among Bank clients and commission income growth.

We see significant growth potential in the Baltics and will align our strategy to the local market dynamics in each country. To facilitate the execution of the strategy, we have accelerated investments in new services and information technology infrastructure to ensure an easy, reliable and secure banking environment for our clients. We have already launched several unique products and features during the first months of 2016, such as issuing payment cards with a unique e-ticket feature and extending micro-loans to SMEs. We believe that by striving to be the leading local bank, Citadele will continue to understand and respond effectively to the needs of its customer base and remain responsive and adaptive to market dynamics.

IPO process

In October 2015, the Bank and its shareholders decided to launch an Initial Public Offering for Citadele, which would have been the first Latvian IPO in 11 years. The purpose of the IPO was to attract and raise capital from international investors to fund Citadele's growth strategy and optimize the capital structure. Whilst there was positive interest from retail and institutional investors, market conditions and the pricing environment were unfavourable. We therefore swiftly decided to post-pone the IPO process and assess other potential strategic alternatives. The IPO road show was a productive means to market both Citadele's and the Baltic region's equity story. We intend to continue to focus on executing Citadele's growth strategy and enhancing our market position to demonstrate performance.

Whilst Citadele's core strategy is to grow the business organically and focus upon expanding its customer base, we may also consider potential value-enhancing strategic opportunities to build Citadele's market position across the Baltics that provide incremental operational and growth benefits

Financial Performance

Citadele Group maintained solid performance in 2015that saw increases in the core lending portfolio and continued improvements in asset quality. Gross loans for the group grew 8.4% to EUR 1,263 million in 2015 from EUR 1,164 million in 2014, driven by increases across all business segments and geographies. Portfolio quality also improved with continued reductions in the NPL ratio and an increase in NPL coverage. Revenue generation remained healthy in 2015 despite the low interest rate environment and net commission income increased, leading to sustained core profitability. The overall capital adequacy ratio further improved to 13.4% in 2015 from 11.0% in 2014.

Reported net profit for the Group for 2015 was EUR 26.1 million (Bank: EUR 19.5 million). When adjusted for costs related to IPO of EUR 5.0 million, adjusted net profit for the year was EUR 31.1 million. The adjusted net profit translates into 15.7% ROE and 1.07% ROA (Bank: 12.8% ROE and 1.04% ROA).The majority of the reported net profit was generated in the Latvian banking operations – EUR 19.5 million (2014: EUR 29.2 million). Lithuanian banking operations added EUR 3.4 million (2014: EUR 0.2 million), Asset management EUR 1.7 million (2014: EUR 1.3 million), Baltic leasing EUR 0.1 million (2014: EUR -0.2 million) and other group entities added EUR 2.2 million (2014: EUR 1.2 million).

Net interest income decreased by 3% to EUR 60.5 million (Bank: -8% to EUR 48.1 million) as a result of the negative interest rate environment and payments to the Single Resolution Fund. These negative effects were partially offset by the growth in the loan portfolio, where we continue to deliver a healthy interest yield. The growth in the loan portfolio also helped to offset the reduced interest income from the fixed income securities book, where several high-yielding sovereign bonds matured at the end of the year.

Net commission income grew by 6% to EUR 35.5 million (Bank: +3% to EUR 25.3 million), mainly driven by payment cards and merchant business, as well as payment transfers. Total operating income increased by EUR 0.8 million (Bank: EUR -3.6 million).

Operating expense increased by EUR 9.8 million (Bank: EUR 10.9 million).This was mainly the result of a EUR 5.0million expense related to the IPO process, as well as payments related to the Advisory Services Agreement of EUR 2.5 million including VAT effect. The number of active employees increased to 1,625 at the end of 2015 (Bank: 1,263), compared to 1,535 at the end of 2014 (Bank: 1,167). This increase in staff was predominantly in the sales force and IT development areas, in-line with our strategy to grow and support the business.

Asset quality improved –the Group's NPL ratio improved and reached 10.8% (Bank: 11.0%) and impairment charges were EUR 3.0 million less than in 2014 (Bank: EUR 4.4 million less). Impairment coverage ratio for 90 and more days past due loans strengthened significantly– 148% (Bank: 163%), compared to 111% at the end of 2014 (Bank: 110%).

Compared to 2014, total assets grew by EUR 106 million (Bank: EUR 78 million) or 3.7% over the prior year, thanks to an 8.4% increase in the loan portfolio across all business segments. The growth was especially notable in Estonia and the Baltic leasing segments, with growth rates of 52% and 33%, accordingly. Growth in the overall lending portfolio was achieved together with strong yield loan portfolio yield of 5.7% (Bank: 5.5%) in 2015, compared to 6.1% in 2014 (Bank: 6.0%).

Customer deposits remained the key source of funding for the Group. The large deposit base and prudent liquidity management ensured the strong liquidity position of the Group, with loans-to-deposits ratio at 46% (Bank: 48%), compared to 43% (Bank: 48%) at the end of 2014. We strongly believe that a robust customer deposit base represents one of the key pillars of a successful regional bank and a key funding source. Therefore, retail deposits and cash management solutions for companies will continue to play a significant role in Citadele's client offerings and ongoing strategy.

We further improved the Group's capital base, represented by the common tier 1 ratio and the capital adequacy ratio, which amounted to 11.7% and 13.4% accordingly, as at 31 December 2015 (Bank: 13.1% and 15.1%, accordingly). This is an increase of 2.40pp and 2.40pp (Bank: 2.70pp and 2.80pp) compared to 31 December 2014, accordingly. The improvement was a result of the share capital increase of EUR 10 million, the positive impact of the restructuring and partial repayment of the subordinated loans, the profit from operations, as well as the one-time positive revaluation impact of EUR 8.5 million from VISA Europe shares held by Citadele that will be acquired by VISA Inc. as part of its acquisition announced on November 2, 2015.

Lithuanian Banking

Lithuanian bank achieved a net profit of EUR 3.4 million in 2015, which was EUR 3.2 million more than in 2014, mostly as a result of successful investment policy. The core business continued to grow during 2015, with customer loans increasing by 32% to EUR 237 million and deposits increasing by 10% to EUR 326 million. We see great potential in the Lithuanian market and will continue to expand our offering to Lithuanian SME and retail customers.

Swiss Private Bank

AP Anlage & Privatbank generated EUR 0.5 million of profits in 2015. While this was EUR 0.2 million less than in 2014, prior year results included one-off items. The bank was successful in managing the client deposit base in the negative rate environment, and successfully increased operating income by EUR 0.5 million when compared to previous year.

Baltic Leasing

The leasing segment was one of the fastest growing segments in the Group. During 2015, the leasing portfolio grew by 33% to EUR 132 million. The net results of EUR 0.1 million was negatively impacted by a EUR 1.5 million one-off impairment in the Estonian business after strengthened methodology. We see further growth potential for this business in all Baltic countries as the overall economic situation improves.

Asset Management

CBL Asset management, one of the leading asset managers in Latvia, generated EUR 1.7 million of net profit, compared to EUR 1.0 million a year ago. The result was achieved on the back of better performance in fund management. Assets under management increased by 7%.

New Initiatives

In early 2015 Management recognized that the change in Group ownership structure would lead to a lifting of the restrictions imposed by the European Commission and would offer the Group an opportunity to grow at a faster pace. With this in mind, the Group began preparations for its new growth strategy. By mid-2015, a number of innovative products and services were launched, many of them technology-oriented and investments in internal systems were made driven by a desire to introduce greater client-centricity in sales, service and back-office procedures.

The notable example is the introduction of Citadele's MobileSCAN authorising tool for on-line banking. The smartphone module serves as a substitute to code-cards and stand-alone password generator devices. MobileSCAN improves and facilitates the customer authentication process to access mobile and online banking services and provides a higher-level security than traditional alternatives. By introducing MobileSCAN, the Bank now complies with requirements that will come into effect in the European Union in 2017 – to replace traditional code cards with new authentication tools or devices to ensure a higher level of security for data protection.

Another achievement during 2015 was introduction of a payment card with e-ticket and contactless payment functionality. The e-ticket function enables Citadele's payment cards to serve as electronic tickets for use on the public transport system in Riga. Clients no longer need to replenish their e-tickets, or purchase new ones, because they can pay for rides on public transport directly from the associated bank account. Since the launch of the new card, more than 290,000 rides have been paid using the new payment card.

A number of initiatives related to e-commerce were launched in 2015 such as the development of a new mobile application and the creation of a new and harmonized web page for the Group. In the third quarter, a more convenient and quicker consumer loan approvals process was introduced, reducing the approval time from 2 days to 30 minutes. Compared to the first half of 2015, the number of consumer loans issued by the Bank in Latvia increased by 120%. The number of newly issued cards in Latvia in the second half increased by 57%.

Finally, in mid-2015 Citadele launched a pilot program for micro-lending to SMEs in Latvia, and formally announced the program in December. Under this program, Citadele has been offering micro-loans to small retailers, who use payment card processing (POS) terminals. Clients can receive up to a EUR 20,000 credit facility based on their POS turnover volume. Shortly after the program's full implementation, micro-loans were issued to 49 companies by the end of the year. A similar micro-lending product was developed in Lithuania in 2015 and was launched in January 2016.

Social Responsibility

In 2015, the Bank continued to support projects to help disabled people to expand their abilities and to become better integrated into society. This social responsibility strategy is based on the "You Are. You Can" movement, which the Bank launched in 2012 to support Latvia's Paralympic team at the London Paralympic Games. In 2015, the Bank continued to support the Latvian Paralympic Committee financially as well as by launching awareness and fund raising campaigns to help athletes qualify and participate in the Paralympic games in Rio 2016. The Group's bank in Lithuania also elected to become a sponsor of Lithuanian Paralympic Committee at the end of 2015. During 2015, the Bank supported a number of other projects benefiting people with disabilities, including the launch of scholarships enabling people with disabilities to pursue higher education. As an employer, Citadele regularly carries out activities that foster employee commitment, supporting employee sports teams, joint out of office activities for employees, and participation in a range of citizenship projects, such as participation in blood donation and job-shadowing for adolescents.

In 2015, the Bank took part in developing The Social Charter of Banks in Latvia, a document that stipulates the best practice guidelines of the banking sector, and signed the charter. The Social Charter of Banks include the best practice guidelines for the banking sector with the goal of supporting the establishment of a reliable, trusted and sustainable banking system in Latvia that will contribute to economic growth and welfare.

Distribution of Profit

Pursuant to the Latvian Law on Credit Institutions, the Management team has to propose to the shareholders how the net profit should be distributed. In order to strengthen the capital base for future growth, the Management team proposes to transfer the Group's and Bank's net profit for 2015 to retained earnings.

Guntis Beļavskis
Chairman of the Management Board

Klāvs Vasks
Member of the Supervisory Board

Riga,
26 February 2016

CORPORATE GOVERNANCE

AS Citadele Banka ("the Bank or Citadele bank or Citadele") is the parent company of Citadele Group ("the Group"). As a joint stock company, Citadele bank is prefixed with the abbreviation "AS".

On 20 April 2015, the Latvian Privatization Agency (VAS "Privatizācijas aģentūra") completed the sale of its 75% plus one stake in Citadele bank to a consortium of 12 international investors led by RA Citadele Holdings, LLC (Ripplewood Advisors LLC). The European Bank for Reconstruction and Development (EBRD) has retained a 25% minus one stake.

On 20 April 2015, following the closing of the transaction, shareholders voted to increase the number of seats on the Supervisory Board and appointed seven new members to the board (see the changes below).

Name	Current Position	Date of first appointment	End of current appointment
Timothy Clark Collins	Chairman of the Supervisory Board	20 April 2015	19 April 2020
Elizabeth Critchley	Deputy chairperson of the Supervisory Board	20 April 2015	19 April 2020
James Laurence Balsillie	Member of the Supervisory Board	20 April 2015	19 April 2020
Dhananjaya Dvivedi	Member of the Supervisory Board	20 April 2015	19 April 2020
Lawrence Neal Lavine	Member of the Supervisory Board	20 April 2015	19 April 2020
David Shuman	Member of the Supervisory Board	20 April 2015	19 April 2020
Geoffrey Richard Dunn	Member of the Supervisory Board	30 June 2010	19 April 2020
Sylvia Yumi Gansser-Potts	Member of the Supervisory Board	20 April 2015	19 April 2020
Klāvs Vasks	Member of the Supervisory Board	30 June 2010	19 April 2020
Aldis Greitāns	-	12 October 2012	20 April 2015
Baiba Anda Rubesa	-	12 October 2012	20 April 2015

The following persons constitute Citadele's Supervisory Board:

Timothy C. Collins is the Chief Executive Officer of Ripplewood Advisors LLC, an investment firm based in the US Over the last 20 years, Ripplewood has successfully invested in and stimulated growth at international companies based in Europe, the Middle East and Asia. Before founding Ripplewood, Mr Collins held executive positions with Onex Corporation, Lazard Freres & Company, Booz Allen & Hamilton and Cummins Engine Company. He currently serves on the Board of Directors of Palm Hills Developments SAE. Mr Collins holds a BA in Philosophy from DePauw University and an MBA in Public & Private Management from Yale University.

Elizabeth Critchley is a Partner of Ripplewood Advisors Limited. Prior to Ripplewood, Mrs Critchley was a Founding Partner of Resolution Operations, which raised £660 million via a listed vehicle at the end of 2008, and went on to make three acquisitions from the financial services sector. Until forming Resolution Operations, Mrs Critchley was a Managing Director at Goldman Sachs International where she ran the European FIG Financing business. She has structured, advised, or invested in transactions with more than fifty global financials and corporates. Mrs Critchley holds a First Class Honours Degree in Mathematics from University College London.

James L. Balsillie chairs the Board of Directors at the Sustainable Development Technology Canada (SDTC), an initiative that funds clean tech projects. Mr Balsillie was appointed to this role by the Canadian government in 2013. Mr Balsillie is a former Chairman and co-CEO of Research In Motion (BlackBerry) and founder of the Centre for International Governance Innovation (CIGI). He is also the founder of the Balsillie School of International Affairs (BSIA), Arctic Research Foundation, and co-founder of Communitech. Mr Balsillie was the private sector representative on the UN Secretary General's High Panel for Sustainability. His awards include: Mobile World Congress Lifetime Achievement Award, India's Priyadarshni Academy Global Award, Time Magazine World's 100 Most Influential People, and three times Barron's list of "World's Top CEOs". Mr Balsillie holds a Bachelor of Commerce from the University of Toronto, an MBA from Harvard Business School, and is a Fellow of the Institute of Chartered Accountants Ontario.

Dhananjaya Dvivedi headed the Banking Infrastructure Group and was the Corporate Executive Officer of Shinsei Bank from 2000 to 2010. Mr Dvivedi was instrumental in transforming Shinsei's IT platform as part of its strategy to improve customer service with conveniences such as online banking, 24-hr ATMs, and real-time data, while maintaining cost control. He has also served as the External Director of SIGMAXYZ Inc. from 2008 until 2011 and has since been involved in various research and advisory capacities for the development of new technologies to benefit society. Mr Dvivedi holds an engineering degree from the Madhav College of Engineering in India and an MBA from the Indian Institute of Management.

Lawrence N. Lavine is a Senior Managing Director of Ripplewood Advisors LLC following a 28-year career in investment banking. At Ripplewood, he focuses primarily on companies in the financial services and telecommunications industries. Mr Lavine was previously a Managing Director of Credit Suisse First Boston (CSFB) in its Mergers and Acquisitions Group. He joined CSFB in 2000 as part of the acquisition of Donaldson, Lufkin & Jenrette where he had been a managing director in M&A since 1987. Mr Lavine started his career on Wall Street at Kidder Peabody & Co. in 1976. He holds a BS from Northeastern University and an MBA from Harvard Business School.

David Shuman is a private investor focusing on media and technology companies. Mr Shuman founded Northwoods Capital Management, LLC, a New York–based investment fund that invests in global equity markets, as well as select private equity and venture capital opportunities. He is a life member at the Council on Foreign Relations, where he serves on the Advisory Board of the Center for Preventative Action, and is a Trustee of the Solomon R. Guggenheim Foundation, where he serves on the Collections Council. Mr Shuman holds a BA from Williams College and an MBA from Harvard Business School.

Geoffrey R. Dunn has been a Supervisory Board member nominated by the European Bank for Reconstruction and Development since Citadele Banka was established in 2010. Previously, Mr Dunn worked as Chief Financial Officer of the UK's Northern Rock bank during its restructuring. He was also Business Finance Director for Co-operative Financial Services, Finance Director of the Bank of England and Chief Financial Officer of SWIFT. He held leading positions in several financial companies in the UK. Mr Dunn holds a Master in Computing from University of Manchester and a diploma in Business Administration from Manchester Business School.

Sylvia Y. Gansser-Potts is a Director in the Financial Institutions Team of the European Bank for Reconstruction and Development (EBRD). During her 23 years with the EBRD, she has successfully managed various financial divisions, supervising the operation of banks in Europe, North Africa and Middle East. She started her career at the investment company Swiss Bank Corporation (SBC) where she worked in Switzerland and Japan. Mrs Gansser-Potts holds a degree in business and economics from Dauphine Paris IX Université and an MBA from Insead.

Klāvs Vasks was Chairman of the Supervisory Board from the restructuring the bank in 2010 until April 2015. He now serves as an independent member of Citadele's Supervisory Board. Mr Vasks has 20 years of experience in the banking sector. He was vice president of the SEB Bank Latvia as well as director of the Restructuring Department and Large Company Services Department. From 2010 to 2015, he chaired the Latvian Guarantee Agency. Mr Vasks holds a bachelor's degree from the Banking University College and an MBA degree from the Rīga School of Business of the Rīga Technical University.

The following persons constitute Citadele's current Management Board:

Name	Current position
Guntis Beļavskis	Chairman of the Management Board, per procura
Valters Ābele	Member of the Management Board, per procura
Kaspars Cikmačs	Member of the Management Board
Aldis Paegle	Member of the Management Board
Santa Purgaile	Member of the Management Board

In the reporting period there were no changes in the Management Board of the Bank.

Guntis Beļavskis, Chief Executive Officer (CEO) and Chairman of the Management Board

Member of the Management Board since 30 June 2010 and Chairman since 1 May 2012. Mr Beļavskis' managerial responsibilities include Marketing, Human Resources, Corporate Communication, and the Private Capital Management business. As Chairman of the Board he is responsible for the general management of the bank, and the implementation of the decisions and resolutions of the Management Board, the Supervisory Board and the Annual General Meeting.

Guntis Beļavskis, born 1973, has 13 years of experience in the banking sector and over 23 years of experience in business operations. In 2002, he was appointed head of the sales department of Parex banka. Following his promotion as head of sales and marketing he became head of the retail and SME services network. In December 2008, when the Latvian State took over Parex banka, Guntis Beļavskis was appointed to the new Management Board, and after the successful split-up, he assumed the same post at Citadele. He has a bachelor's degree in business management from the Riga Transport and Telecommunications Institute. Mr Beļavskis does not own any shares in AS Citadele banka. He also does not hold a position in another capital company.

Aldis Paegle, Chief Financial Officer (CFO)

Mr Paegle has been a Board member since 1 January 2014. His managerial responsibilities include Controlling and Accounting, and he is responsible for the financial management of the Group.

Mr Paegle, born 1979, has worked in the banking sector since 2006. He headed Citadele's Finance Division and since November 2013 he has led the Finance and Treasury Sector. He is a member of the Supervisory Board of the subsidiary of Citadele bank IPAS CBL Asset Management (until 22 December 2014 named IPAS Citadele Asset Management), until 26 June 2014 he was a member of Supervisory Board of the subsidiary of Citadele Banka AAS CBL Life (until 22 December 2014 named AAS Citadele Life), member of Supervisory Board of the subsidiary of Citadele Banka, AS CBL Atklātais Pensiju Fonds (until 22 December 2014 named AS Citadele Atklātais Pensiju Fonds), and member of Management Board of subsidiary of Citadele bank SIA Citadele Express Kredīts. Prior to Citadele, Mr Paegle worked in the auditing industry, spending five years as a financial auditor for Ernst & Young Baltic with a focus on companies from the financial industry. He holds a bachelor's degree in business administration from the Vidzeme University College, and currently attends an Executive MBA programme at the Stockholm School of Economics. Mr Paegle does not own any shares in AS Citadele banka. He also does not hold a position in another capital company.

Valters Ābele, Risk Director

Mr Ābele has been a Board member since 30 June 2010.

He is responsible for risk management functions at Citadele and leads the Risk and Compliance, as well as Legal Sectors. He is a Risk director and a member of the Supervisory Board of the subsidiary of Citadele banka in Lithuania AB Citadele bankas.

Mr Ābele, born 1975, previously managed the Credit Risk Department at Parex Banka. In December 2008, when the Latvian State took over Parex banka, he was asked to join the new Board of the bank, and after the successful separation, he assumed the same post in the Management Board of Citadele. Mr Ābele has acquired extensive experience in auditing and financial consulting at companies such as Ernst & Young and Arthur Andersen. He is a member of Latvian Association of Sworn Auditors and Association of Chartered Certified Accountants. Valters Ābele holds a master's degree in business management and international economic relations from the University of Latvia. Mr Ābele does not own any shares in AS Citadele banka.

Santa Purgaile

Santa Purgaile has been a Board member since 19 September 2012.

Ms Purgaile is responsible for the development and management of the banking group's business in Latvia and the Baltic States in relation to various aspects of client services. She is a member of the Supervisory Board of the Lithuanian subsidiary of Citadele banka, AB Citadele bankas.

Santa Purgaile, born 1976, has 18 years of experience in the banking sector, including nine years at the management level in various areas of business. Prior to joining the Board, she ran the SEB Bank private banking business in Latvia and the Baltic States. Ms Purgaile has also served as director of SEB Bank's SME Business Support and as director of the Vidzeme region for the bank. She holds a bachelor's degree in business administration from the Turība School of Business and a master's degree in international economics and business from the University of Latvia. Ms Purgaile does not own any shares in AS Citadele banka.

Kaspars Cikmačs

Mr Cikmačs has been a Board member since 21 September 2010.

He is responsible for IT and the bank's operational services, including back office, security, real estate, archive and the Cash-In-Transit business line. He is a member of the Management Board of the Citadele banka subsidiaries SIA Hortus Land, SIA Hortus Commercial, SIA Hortus Residential, SIA Hortus TC, SIA Hortus LH, SIA Hortus NI, SIA Hortus RE, SIA Hortus BR, SIA Hortus MD, SIA Hortus JU.

Kaspars Cikmačs, born 1977, has been working in banking since 1996. Previously, he headed the Hansabanka Help Desk and ran the Baltic IT Monitoring Department and IT maintenance processes. Kaspars Cikmačs became the Head of IT Operations at Swedbank Baltic Banking. He has a bachelor's degree in Computer Science from the University of Latvia, graduated from the Business Leadership Programme for top-performing managers at INSEAD University in France, and he has an Executive MBA degree from the Stockholm School of Economics. Mr Cikmačs does not own any shares in AS Citadele banka.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management of AS Citadele Banka (hereinafter – the Bank) are responsible for the preparation of the financial statements of the Bank as well as for the preparation of the consolidated financial statements of the Bank and its subsidiaries (hereinafter – the Group).

The financial statements set out on pages 13 to 71 are prepared in accordance with the source documents and present fairly the financial position of the Bank and the Group as at 31 December 2015 and 2014 and the results of their operations, changes in shareholders' equity and cash flows for the years then ended. The management report set out on pages 4 to 8 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

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

Guntis Beļavskis	Klāvs Vasks
Chairman of the Management Board	Member of the Supervisory Board

Riga,
26 February 2016

INCOME STATEMENT

		EUR 000's			
	Notes	2015 Group	2014 Group as restated (Note 4)	2015 Bank	2014 Bank
Interest income	6	79,148	80,707	63,695	67,462
Interest expense	6	(18,682)	(18,241)	(15,595)	(15,359)
Net interest income		**60,466**	**62,466**	**48,100**	**52,103**
Commission and fee income	7	51,208	47,796	38,576	36,423
Commission and fee expense	7	(15,671)	(14,413)	(13,313)	(11,984)
Net commission and fee income		**35,537**	**33,383**	**25,263**	**24,439**
Gain on transactions with financial instruments, net	8	13,625	13,471	11,082	10,404
Other income		3,048	2,588	2,081	3,185
Other expense	9	(5,299)	(1,457)	(4,556)	(523)
Administrative expense	9,10	(67,892)	(61,420)	(51,780)	(45,233)
Amortisation and depreciation charge		(4,000)	(4,523)	(1,689)	(1,361)
Impairment charges and reversals, net	11	(6,241)	(9,249)	(6,232)	(10,618)
Profit before taxation		**29,244**	**35,259**	**22,269**	**32,396**
Corporate income tax	12	(3,173)	(2,854)	(2,723)	(3,152)
Net profit for the period		**26,071**	**32,405**	**19,546**	**29,244**

The notes on pages 18 to 71 are an integral part of these financial statements.

The financial statements on pages 13 to 71 have been approved and authorised for issue by the Management Board and Supervisory Board and signed on their behalf by:

Guntis Beļavskis
Chairman of the Management Board

Klāvs Vasks
Member of the Supervisory Board

STATEMENT OF COMPREHENSIVE INCOME

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Net profit for the period	**26,071**	**32,405**	**19,546**	**29,244**
Other comprehensive income:				
Fair value revaluation reserve: held to maturity securities				
Amortisation	211	(288)	200	368
Deferred income tax charged directly to equity	(6)	(10)	-	-
Fair value revaluation reserve: available for sale securities				
Fair value revaluation reserve charged to statement of income	(4,746)	(3,106)	(2,811)	(1,288)
Change in fair value of available for sale securities	9,314	3,472	8,848	1,283
Deferred income tax charged / (credited) directly to equity	281	61	62	94
Other reserves				
Foreign currency retranslation and other reserves	1,935	729	-	-
Other comprehensive income / (loss) for the period	**6,989**	**858**	**6,299**	**457**
Total comprehensive income for the period	**33,060**	**33,263**	**25,845**	**29,701**

The notes on pages 18 to 71 are an integral part of these financial statements.

Group's policy is to reclassify any change in restructuring reserve directly to retained earnings. All other amounts presented in other comprehensive income will be subsequently reclassified to statement of income when specific conditions are met.

BALANCE SHEET

		EUR 000's			
	Notes	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Assets					
Cash and deposits with central banks	13	555,078	225,399	348,960	142,650
Balances due from credit institutions	14	181,145	509,404	301,280	464,273
Securities held for trading:					
- fixed income	15	11,081	20,295	-	-
- shares and other non-fixed income	15	4,991	3,655	-	-
Derivative financial instruments	28	4,907	5,929	4,960	5,963
Financial assets designated at fair value through profit or loss:					
- fixed income	15	91,764	84,851	-	-
- shares and other non-fixed income	15	19,323	12,598	-	-
Available for sale securities:					
- fixed income	15	590,166	541,591	469,559	433,337
- shares and other non-fixed income	15	19,864	16,605	19,847	11,081
Loans and receivables from customers	16,17	1,172,345	1,075,701	983,425	941,329
Held to maturity securities	15	203,718	229,252	165,293	192,977
Property and equipment	18	43,111	42,525	4,393	3,651
Intangible assets	19	2,538	1,708	2,213	1,456
Investment property		189	409	-	-
Investments in subsidiaries	20	-	-	61,580	61,605
Current income tax assets		259	437	-	-
Deferred income tax assets	12	27,769	30,073	26,157	28,735
Other assets	21	32,215	54,163	21,333	43,604
Total assets		**2,960,463**	**2,854,595**	**2,409,000**	**2,330,661**
Liabilities					
Derivative financial instruments	28	1,901	1,647	1,897	3,567
Financial liabilities designated at fair value through profit or loss	22	33,915	24,594	-	-
Financial liabilities measured at amortised cost:					
- balances due to credit institutions and central banks	23	41,635	25,036	87,778	116,997
- deposits from customers	24	2,569,625	2,517,107	2,037,349	1,948,751
- other financial liabilities		13,405	12,235	-	-
Current income tax liabilities		233	187	-	-
Other liabilities	25	25,263	23,482	18,119	14,453
Subordinated liabilities	26	54,715	73,596	54,715	73,596
Total liabilities		**2,740,692**	**2,677,884**	**2,199,858**	**2,157,364**
Equity					
Share capital	27	156,556	146,556	156,556	146,556
Reserves		7,565	545	8,293	1,994
Retained earnings		55,650	29,610	44,293	24,747
Total equity		**219,771**	**176,711**	**209,142**	**173,297**
Total liabilities and equity		**2,960,463**	**2,854,595**	**2,409,000**	**2,330,661**
Off-balance sheet items					
Contingent liabilities	28	38,517	58,217	34,242	54,544
Financial commitments	28	178,121	168,646	176,181	192,406

The notes on pages 18 to 71 are an integral part of these financial statements.

The financial statements on pages 13 to 71 have been approved and authorised for issue by the Management Board and Supervisory Board and signed on their behalf by:

Guntis Beļavskis
Chairman of the Management Board

Klāvs Vasks
Member of the Supervisory Board

STATEMENT OF CHANGES IN EQUITY

Changes in the Group's equity:

	EUR 000's						
	Attributable to equity holders of the Bank						
	Issued Share capital	Securities fair value revaluation reserve	Foreign currency retranslation	Other reser -ves	Restruc-turing reserve	Retained earnings/ (accumula-ted loss)	Total equity
Balance as at 31/12/2013	**146,556**	**2,933**	**1,781**	**170**	**(4,710)**	**(3,282)**	**143,448**
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	32,405	32,405
Other comprehensive income / (loss) for the period	-	129	153	-	-	576	858
Transactions with shareholders							
Transfer to other reserve	-	-	-	89	-	(89)	-
Balance as at 31/12/2014	**146,556**	**3,062**	**1,934**	**259**	**(4,710)**	**29,610**	**176,711**
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	26,071	26,071
Other comprehensive income / (loss) for the period	-	5,054	1,895	-	-	40	6,989
Transactions with shareholders							
Transfer to other reserve	-	-	-	12	59	(71)	-
Shares issued (see *0*)	10,000	-	-	-	-	-	10,000
Balance as at 31/12/2015	**156,556**	**8,116**	**3,829**	**271**	**(4,651)**	**55,650**	**219,771**

Changes in the Bank's equity:

	EUR 000's			
	Attributable to equity holders of the Bank			
	Issued share capital	Securities fair value revaluation reserve	Retained earnings/ (accumulated loss)	Total equity
Balance as at 31/12/2013	**146,556**	**1,537**	**(4,497)**	**143,596**
Total comprehensive income for the period				
Net profit for the period	-	-	29,244	29,244
Other comprehensive income / (loss) for the period	-	457	-	457
Balance as at 31/12/2014	**146,556**	**1,994**	**24,747**	**173,297**
Total comprehensive income for the period				
Net profit for the period	-	-	19,546	19,546
Other comprehensive income / (loss) for the period	-	6,299	-	6,299
Transactions with shareholders				
Shares issued (see *0*)	10,000	-	-	10,000
Balance as at 31/12/2015	**156,556**	**8,293**	**44,293**	**209,142**

The notes on pages 18 to 71 are an integral part of these financial statements.

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Chairman of the Management Board

Klāvs Vasks
Member of the Supervisory Board

STATEMENT OF CASH FLOWS

		EUR 000's			
	Notes	2015 Group	2014 Group	2015 Bank	2014 Bank
Cash flows from operating activities					
Profit before tax		29,244	35,259	22,269	32,396
Dividends received		-	-	(238)	(1,690)
Amortisation of intangible assets, depreciation of property, equipment and investment property		4,000	4,523	1,689	1,361
Change in impairment allowances and other provisions	11	6,241	9,249	6,232	10,618
Interest income	6	(79,148)	(80,707)	(63,695)	(67,462)
Interest expense	6	18,682	18,241	15,595	15,359
Other non-cash items*		(31,903)	(25,194)	(21,066)	(20,735)
Cash flows before changes in assets and liabilities		**(52,884)**	**(38,629)**	**(39,214)**	**(30,153)**
Change in derivative financial instruments		1,276	(4,665)	(667)	(3,307)
(Increase) / decrease in other assets		21,840	(19,883)	22,131	(18,228)
Increase / (decrease)in other liabilities		2,957	4,434	3,666	1,498
(Increase) / decrease in trading investments and items designated at fair value through profit or loss		3,561	(23,281)	-	-
(Increase) / decrease in balances due from credit institutions		338,148	(332,604)	108,730	(108,882)
(Increase) / decrease in loans and receivables from customers		(104,988)	(28,954)	(48,761)	(23,367)
Increase / (decrease)in balances due to credit institutions and central banks		17,670	(7,175)	16,814	11,828
Increase / (decrease) in deposits from customers		51,702	269,832	87,694	97,271
Cash generated from operating activities before corporate income tax		**279,282**	**(180,925)**	**150,393**	**(73,340)**
Interest received during the period		79,380	78,919	63,988	65,781
Interest paid during the period		(18,378)	(17,580)	(15,196)	(14,953)
Corporate income tax paid during the period		(336)	(162)	-	-
Net cash flows from operating activities		**339,948**	**(119,748)**	**199,185**	**(22,512)**
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(3,944)	(2,436)	(3,265)	(1,496)
Proceeds from disposal of property and equipment		153	21	33	14
Purchase of held to maturity securities		(81,528)	(72,498)	(80,173)	(49,541)
Proceeds from held to maturity securities		109,268	87,669	106,789	81,026
Purchase of available for sale securities		(351,556)	(433,831)	(261,907)	(301,764)
Cash inflows from available for sale securities		336,689	303,888	245,592	209,981
Dividends received		-	-	238	1,690
Acquisitions and investments in subsidiaries		-	-	(1)	(1,033)
Net cash flows from investing activities		**9,082**	**(117,187)**	**7,306**	**(61,123)**
Cash flows from financing activities					
Issued share capital		10,000	-	10,000	-
Repayment of subordinated liabilities		(18,400)	-	(18,400)	-
Net cash flows from financing activities		**(8,400)**	**-**	**(8,400)**	**-**
Net cash flows for the period		**340,630**	**(236,935)**	**198,091**	**(83,635)**
Cash and cash equivalents at the beginning of the period		**369,011**	**605,946**	**419,225**	**502,860**
Cash and cash equivalents at the end of the period	31	**709,641**	**369,011**	**617,316**	**419,225**

* Other non-cash items from operating activities in the year ended 31 December 2015 mostly relate to foreign exchange revaluation of securities.

The notes on pages 18 to 71 are an integral part of these financial statements.

The financial statements on pages 13 to 71 on have been approved and authorised for issue by the Management Board and Supervisory Board and signed on their behalf by:

Guntis Beļavskis
Chairman of the Management Board

Klāvs Vasks
Member of the Supervisory Board

NOTES TO THE FINANCIAL STATEMENT

If not mentioned otherwise, referral to Group's policies and procedures should be also considered as referral to the respective Bank's policies and procedures. Figures in parenthesis represent amounts as at 31 December 2014 or for the year ended 31 December 2014, unless stated otherwise.

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

These financial statements have been authorised for issuance by the Management Board on 16 February 2016 and Supervisory Board on 26 February 2016 and comprise the financial information of AS Citadele banka (hereinafter – the Bank) and its subsidiaries (together – the Group). In accordance with the Commercial Law of the Republic of Latvia, the shareholders' meeting has the right to make the decision on the approval of the financial statements.

NOTE 2. GENERAL INFORMATION

The Bank was registered as a joint stock company on 30 June 2010. The Bank commenced its operations on 1 August 2010. The Bank was established as a result of implementation of an EC restructuring plan, which was approved by the Cabinet of Ministers of the government of Latvia in the spring of 2010 and pursuant to which AS Citadele Banka was to take over from AS Parex Banka certain assets and liabilities and other items, i.e. an undertaking. The transfer of undertaking took place on 1 August 2010.

The Bank's head office is located in Riga, Latvia. The legal address of the Bank is Republikas laukums 2a, Riga, LV-1010. As at 31 December 2015, the Bank was operating a total of 35 (2014: 36) branches and client service centres in Riga and throughout Latvia. The Bank has 2 (2014: 2) foreign branches and client service centres in Tallinn (Estonia). The Bank owns directly and indirectly 25 (2014: 26) subsidiaries, which operate in various financial markets sectors. The Bank is the parent company of the Group. In the reporting period the Latvian Privatisation Agency completed the sale of shares in the Citadele Bank. For more details on the change in shareholders please refer to
1/

Share Capital.

The Group's main areas of operation include accepting deposits from customers, granting short-term and long-term loans to a wide range of customers and servicing payment cards, dealing with finance lease and foreign exchange transactions. The Group offers its clients also trust management and private banking services, performs local and international payments, as well as provides a wide range of other financial services.

As at 31 December 2015, the Group had 1,625 (2014: 1,535) and the Bank had 1,263 (2014: 1,167) full time equivalent employees.

NOTE 3. RESTRUCTURING

On 30 June 2010 AS Citadele Banka was registered in the commercial registry of the Republic of Latvia and on the same date it received its banking licence from the Financial and Capital Market Commission (FCMC). AS Citadele Banka was established as a result of the implementation of its EC restructuring plan, which was approved by the Cabinet of Ministers in the spring of 2010 and pursuant to which AS Citadele Banka was to take over from AS Parex Banka certain assets and liabilities and other items, i.e. an undertaking.

The transfer of undertaking from AS Parex Banka to AS Citadele Banka took place on 1 August 2010. The transfer of undertaking was performed under Article 59.2 of the Latvian Law on Credit Institutions (further also – CIL). Legal definition of undertaking is given in the same Article 59.2 of CIL. Transfer of undertaking is a civil law transaction between two parties: the transferor, AS Parex Banka, and the transferee, AS Citadele Banka, whereby the transferee acquires title to the transferred undertaking. The transferred undertaking, i.e. the components thereof, is agreed by both banks and defined in the agreement on transfer of undertaking, which was entered into on 28 July 2010.

NOTE 4. RESTATEMENT

In 2015 the Group has changed the approach to presentation of depreciation charges on impaired property and equipment items. Previously in income statements' line amortisation and depreciation charges the depreciation was calculated as allocation of each item's initial acquisition cost, less its residual value, over assets remaining useful life. Impaired property and equipment items were regularly tested for impairment and if necessary impairment was released in income statements' line impairment charges and reversals.

Since 2015 for impaired property and equipment items, the depreciation charge at the moment of impairment is adjusted to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its remaining useful life. Consequently the depreciation charges reported in income statements' line amortisation and depreciation charge are lower and corresponding impairment reversals previously reported in income statements' line impairment charges and reversals are smaller. Net result of the Group is not affected by this change. Comparatives have been restated accordingly. This change has no impact on the Bank's income statement as it has no impaired property and equipment items.

Effect of changes on the Group's income statement:

	EUR 000's		
	2014 As reported	Restatement	2014 As restated
Amortisation and depreciation charge	(5,204)	680	(4,523)
Impairment charges and reversals, net	(8,569)	(680)	(9,249)
Net profit	32,405		32,405

NOTE 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Certain new IFRSs became effective for the Group from 1 January 2015. Listed below are those new or amended standards or interpretations which the Group has adopted in preparation of these financial statements.

The following guidance with effective date of 1 January 2015 did not have any impact on these consolidated financial statements:

- *IFRIC 21* guidance on a levy imposed by government
- Annual Improvements to IFRSs

Certain new standards, amendments to standards and interpretations have been published that become endorsed for the annual accounting periods beginning after 1 January 2016 or are not yet effective in the EU and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)*. These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be re-measured.
- *IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)*. The Amendments include the five, narrow-focus improvements to the disclosure requirements contained in the standard.
- *IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets (effective for annual periods beginning on or after 1 January 2016)*. The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- *IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)*. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.
- *IAS 27 – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)*. The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.
- *Annual Improvements to IFRSs*. The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

As of issuance of these financial statements, the Management doesn't intend to use the newly permitted equity method accounting for investments in subsidiaries. Therefore, amendments to IAS 27 (*Separate Financial Statements*) are expected to have no impact on the Bank's separate financial statements. The Group is in the process of evaluating the potential effect if any of other changes from these new standards and interpretations.

a) *Basis of preparation*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union on a going concern basis. The financial statements are prepared under the historical cost convention, except for available for sale financial assets, financial assets and financial liabilities designated at fair value through profit or loss, trading securities and all derivative contracts, which have been measured at fair value.

The preparation of financial statements in conformity with IFRS as adopted by the 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.

b) Functional and presentation currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its Latvian subsidiaries, and the Group's presentation currency, is the official currency of the Republic of Latvia, Euro ("EUR"). The accompanying financial statements are presented in thousands of Euros (EUR 000's).

c) Accounting for restructuring / transfer of undertaking

When determining the assets and liabilities that were eligible for the transfer of undertaking that took place at the beginning of 1 August 2010, the composition of assets and the liabilities were determined on the parent bank, i.e. AS Parex Banka stand-alone accounts basis. Any differences in the carrying value of investments in subsidiaries that were transferred to AS Citadele Banka and their net equity as at the date of transfer are treated as restructuring reserve in the consolidated financial statements of AS Citadele Banka. Group's financial statements incorporate the transferred subsidiaries' results only from the date on which the restructuring between entities under common control occurred, i.e. 1 August 2010.

The transfer transaction was accounted using predecessor accounting i.e. the transferred assets and liabilities were initially recognised at their carrying amount as in the predecessor bank and assessed for impairment as at transfer date.

d) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The investments in the subsidiaries are presented in the Bank's financial statements at acquisition cost. More detailed information on the Group's subsidiaries is presented in Note 20.

The financial statements of AS Citadele Banka and its subsidiaries are consolidated in the Group's financial statements on a line by line basis by adding together like items of assets and liabilities as well as income and expenses. For the purposes of consolidation, intra-group balances and intra-group transactions, including interest income and expense as well as unrealised profits and loss resulting from intra-group transactions, are eliminated in the Group's financial statements. However, intra-group losses may indicate an impairment that requires recognition in the Group's financial statements.

e) Income and expense recognition

Interest income and expense items are recognised on an accrual basis using the effective interest rate.

Commissions in respect of the acquisition of financial assets or the issue of financial liabilities that are not at fair value through profit or loss are deferred and recognised as an adjustment to the effective yield on the respective asset or liability. Other commissions and fees are credited and/ or charged to the statement of income as services are provided or on the execution of a significant act, as applicable, under the line "commission and fee income" or "commission and fee expense", as appropriate.

Penalty income is recognised on cash-received basis.

f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in Euros at actual rates of exchange effective 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 and the impact from changes in foreign exchange rates are treated as foreign exchange gain/loss in the statement of income, with exception of available for sale non-monetary financial assets for which any foreign exchange gain or loss is recognised in other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the official rate of exchange prevailing at the end of the year. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the statement of income as profit or loss from revaluation of foreign currency positions.

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as other comprehensive income.

The principal rates of exchange (foreign currency quoted per unit of EUR) set forth by the European Central Bank and used in the preparation of the Group's and the Bank's financial reports 2015 were as follows:

Reporting date	USD	CHF	RUB	LTL
As at 31 December 2015	1.0887	1.0835	80.6736	-
As at 31 December 2014	1.2141	1.2024	72.3370	3.4528

g) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current corporate income tax assets and liabilities are measured at the amount expected to be obtained from or paid to tax authorities. Several Group companies pay income tax on profit distribution (e.g. dividends). Correspondingly, with regards to Group companies registered in these jurisdictions, income tax on profit distribution is recognised as expense at the moment dividends are declared.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group and only if certain criteria are met. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The carrying amount of deferred corporate income tax asset, if any, is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term financial forecast prepared by management and extrapolated results thereafter. The financial forecast is based on management expectations that are believed to be reasonable under the circumstances.

h) Financial instruments

The Group recognises financial asset on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. At initial recognition, the financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable incremental transaction costs. The classification of investments between the categories is determined at acquisition based on the guidelines established by the Management. For financial asset classification in particular category, the Group at inception has to determine that the asset meets the relevant description and criteria. All "regular way" purchases and sales of investments are recognised using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Group. Settlement date accounting refers to the recognition of an asset on the day it is transferred to the Group and to the derecognition of an asset, on the day that it is transferred by the Group.

Financial assets and liabilities held for trading

Financial assets and liabilities classified as held for trading are included in the category "financial assets/ liabilities at fair value through profit or loss". Financial assets and/ or liabilities are classified as held for trading if they are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are included in a portfolio in which a pattern of short-term profit taking exists. Held for trading financial assets and liabilities are subsequently re-measured at fair value based on available market prices or quotes of brokers. The result of re-measuring trading financial assets and liabilities at fair value is charged directly to the statement of income.

Financial assets/ liabilities designated at fair value through profit or loss

Included in this category are (a) unit-linked investment contract liabilities and respective investments and (b) certain assets and liabilities, which are managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. According to unit-linked investment contract term, the credit risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering the insurance agreement and not the underwriter. As such, by designating both assets acquired and liabilities undertaken at fair value through profit or loss, potential accounting mismatch is avoided.

Excluding interest on interest rate swaps, interest on financial assets at fair value through profit or loss held on own account is included in net interest income. Revaluation and trading gains and losses arising from changes in fair value of the respective assets, as well as interest on interest rate swaps are included directly in the statement of income's line "Gain on transactions with financial instruments, net".

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity if the Group has both the positive intent and ability to hold these investments to maturity. Held to maturity financial assets are carried at amortised cost using the effective interest rate method, less any allowance for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

When available for sale assets are reclassified to held to maturity category, the fair value of the reclassified available for sale asset as at the date of reclassification further becomes the amortised cost. The fair value as of the date of reclassification is the deemed cost of the reclassified assets. The fair value revaluation reserve attributable to reclassified assets are amortised until the asset's maturity using effective interest rate method. If there is objective evidence that the value of reclassified assets has been impaired, the unamortised negative fair value revaluation reserve that has been recognised directly in equity is charged to the statement of income.

Available for sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories or as loans and receivables. The Group's available for sale financial assets are intended to be held for an undefined period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available for sale financial assets are subsequently re-measured at fair value based on available market prices or quotes of brokers. The result of fair value revaluation of available for sale securities is recognised in statement of other comprehensive income. For debt securities the difference between the initial carrying amount and amortised cost determined by the effective interest rate method is treated as interest income. Dividends on available for sale equity instruments are recognised in the statement of income. When the securities are disposed of, the related accumulated fair value revaluation is included in the statement of income as profit/ (loss) from sale of securities available for sale.

If an available for sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the statement of income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the consolidated statement of income.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income.

Derivative Financial Instruments

In the ordinary course of business, the Group engages as a party to contracts for forward foreign exchange rate, currency and interest rate swap instruments and other derivative financial instruments. All derivatives are classified as held for trading.

Subsequent to initial recognition, outstanding forward foreign exchange rate contracts, currency swaps and other derivative financial instruments are carried in the balance sheet at their fair value. The fair value of these instruments is recognised on the balance sheet under designated assets and liabilities caption "Derivative financial instruments".

Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Gains or losses from changes in the fair value of outstanding forward foreign exchange rate contracts, currency and interest rate swaps and other derivative financial instruments are recognised in the statement of income as they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are recognised on drawdown. From the date of signing a contractual agreement till drawdown they are accounted for as loan commitments off balance sheet.

When the loans or receivables cannot be recovered, they are written-off and charged against impairment for credit losses. The management of the Group makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the statement of income.

Included in the category of “loans and receivables” are such financial instruments: a) cash and deposits with central banks, b) balances due from credit institutions and c) loans and receivables from customers.

i) Sale and repurchase agreements

These agreements are accounted for as financing transactions. Under sale and repurchase agreements, where the Group is the transferor, assets transferred remain on the Group’s balance sheet and are subject to the Group’s usual accounting policies, with the purchase price received included as a liability owed to the transferee. Assets in the balance sheet are shown separately from other assets when the transferee has the right by contract or custom to sell or repledge the collateral.

Where the Group is the transferee, the assets are not included in the Group’s balance sheet, but the purchase price paid by it to the transferor is included as an asset. Interest income or expense arising from outstanding sale and repurchase agreements is recognised in the statement of income over the term of the agreement.

j) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Issued debt, subordinated liabilities and other borrowed funds

The Group recognises financial liabilities on its balance on drawdown.

After initial measurement, being fair value minus directly attributable transaction costs, debt issued, subordinated liabilities and borrowings are measured at amortised cost and any difference between net proceeds and value at redemption is recognised in the statement of income over the period of borrowings using the effective interest rate.

k) Leases

Finance leases – Group as lessor

Finance leases, which transfer substantially all the risks and rewards incidental to ownership of the assets, are recognised as assets at amounts equal at the inception of the lease to the net investment in the lease. The finance income is allocated to periods during the lease term to produce a constant periodic return on the net investments outstanding in respect of the finance leases.

For the purposes of these financial statements, finance lease receivables are included in loans and receivables from customers.

Operating leases – Group as lessor

The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognised in statement of income on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation is calculated in accordance with accounting policies, used for the Group's property, plant and equipment.

Operating leases – Group as lessee

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into administrative expenses.

l) Renegotiated loans and debt forbearances

For economic or legal reasons the Group might enter into a forbearance agreement with borrowers in financial difficulties in order to ease the contractual obligation for a limited period of time. By taking into account exposure specifics, a case by case approach is practised. Generally debt forbearance will take a form of payment deferral to a later time with the amount payable and interest due re-compensated at a later date. Renegotiated loans are considered non-overdue as long as contractual payments are made on contractually due dates. Impairment assessment for renegotiated and forborne exposures also applies and such exposures are impaired depending on their recoverability assessment.

m) Impairment of loans and receivables from customers

The Group has granted commercial and consumer loans to customers throughout its market area. The economic conditions of the market the Group operates in may have an impact on the borrowers' ability to repay their debts. The Management of the Group have considered both specific and portfolio-level risks in determining the balance of impairment allowance for incurred credit losses.

The Management of the Group assess at each balance sheet date whether there is objective evidence that a loan or portfolio of loans and receivables from customers is impaired. A loan or portfolio of loans and receivables from customers is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and that loss event (or events) has had an impact such that the estimated present value of future cash flows is less than the current carrying value of the loan or portfolio of loans and receivables from customers, and can be reliably estimated.

Objective evidence that a loan or portfolio of loans and receivables from customers is potentially impaired includes the following observable data that comes to the attention of the Group:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the granting to the borrower of a concession, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;
- it becoming probable that the insolvency process may be initiated against the borrower, or the borrower will enter other financial reorganisation;
- the worsening of economic conditions in the market segment, where the borrower operates; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables from customers since the initial recognition of those loans and receivables, although the decrease cannot yet be identified with the individual loans in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; or
  - national or local economic conditions that correlate with defaults on the loans and receivables in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes that loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Collectively assessed impairment losses represent an interim step pending the identification of impairment losses on individual loans in a group of loans and receivables. As soon as information is available that specifically identifies losses on individually impaired loans in a group, those loans are removed from the group. Assets 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.

For loans and receivables, the amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was initially recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of the impairment loss is recognised in the statement of income, to the extent that the carrying value of the loan does not exceed what its amortised cost would have been absent the impairment at the reversal date.

When a borrower fails to make a contractually due payment of interest or principal, but the Group believes that impairment is not appropriate on the basis of the level of security/ collateral available and/ or the stage of collections of amounts owed to the Group, the carrying amount of the loan is classified as past due but not impaired.

When loans and receivables cannot be recovered, they are written off and charged against impairment allowance. They are not written off until the necessary legal procedures have been completed and the amount of the loss is finally determined. Subsequent recoveries of amounts previously written off are reported in the statement of income as other operating income.

In addition, the Group estimates collective impairment losses to cover losses inherent in the loan portfolio where there is objective evidence to suggest that it contains impaired loans, although the individual impaired loans cannot yet be identified. The collective impairment losses take account of observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables with similar credit risk characteristics, although the decrease cannot yet be identified with the individual loans in the portfolio.

Future cash flows in a portfolio of loans and receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans and receivables with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted for current observable market data using the Group's experienced judgement to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

n) Impairment of available for sale and held to maturity securities

Evidence of impairment is assessed by reference to the most up to date market valuations, market depth of the respective security, past trading performance and all other available information. The determination of whether or not objective evidence of impairment is present requires the exercise of management judgement. If the Group does not have market valuations, the evidence of impairment is assessed based on credit risk triggers (event of insolvency, any delay of payments, restructuring of debt) and individual credit risk analysis of the issuer.

o) Intangible assets

Intangible assets comprise software, both purchased and internally generated. Separately acquired intangible assets are measured at cost. The cost of separately acquired intangible assets also comprises directly attributable costs of preparing the asset for its intended use. These include payroll and professional fees arising directly from bringing the asset to its working condition and costs of testing whether the asset is functioning properly.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Subsequent to the initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss. Leasehold rights are amortised over the remaining lease contract on a straight-line basis. Annual amortisation rates applied on a straight-line basis to software and other intangible assets range from 10% to 50%. All intangible assets, except for goodwill, are with definite lives.

p) Property and equipment

Property and equipment is recorded at historical cost less accumulated depreciation less any impairment losses. Property and equipment is periodically reviewed for impairment as discussed in the note on Impairment of non-financial assets. If the recoverable value of an asset is lower than its carrying amount, the respective asset is written down to its recoverable amount.

Depreciation is calculated using straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

Category	Annual depreciation rate
Buildings	1% - 10%
Transport vehicles	20%
Other	20% - 33%

Leasehold improvements are capitalised and depreciated over the remaining lease contract period on a straight-line basis. Land and assets under construction are not depreciated.

Certain reconstruction and renovation costs of buildings, which improve their quality and performance, are capitalised and amortised over the estimated useful life on a straight-line basis.

Maintenance and repair costs are charged to the statement of income as incurred.

q) Inventories

From time to time the Group repossesses from its customers certain assets serving as collateral, when the customer cannot otherwise meet his payment obligations and other loan work-out measures have been unsuccessful. Such repossessed assets which are expected to be sold in the ordinary course of business and are not held for capital appreciation or rental income are classified as inventories. Inventories mainly encompass real estate purchased and held for sale in near future by the Group's real estate workout companies. Group's inventories are accounted at individual cost. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventories are held at the lower of purchase cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of write-down of inventories to net realisable value is recognised as expense in the period the write-down occurs. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

r) Assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than continuing use and the management has committed to an active plan that is expected to result in a complete sale within one year from the date of classification. Non-currents assets classified as held for sale also include assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resell in the near term, but are not expected to be sold in the ordinary course of business. Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell of the non-current asset. At least at each reporting date, the Group assesses, whether the value of the non-current assets classified as held for sale is impaired. The impairment loss reduces carrying amount of the asset and is included in the statement of income's line "Impairment charges and reversals, net". In the same line of the statement of income a gain from any subsequent increase in fair value less cost to sell of an asset is recognised, but not in excess of the cumulative impairment loss that has been recognised either for non-current asset held for sale or previously for the non-current asset.

s) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group are classified as investment properties. The Group initially measures investment properties at cost, including transaction costs. For subsequent measurements the Group has opted for a cost model which requires an investment property to be measured at depreciated cost. Depreciation is calculated using the straight-line method based on the estimated useful life of the respective asset. Depreciation method and rates as for Group's property and equipment are applicable. Investment properties are periodically reviewed for impairment. If the recoverable value of an asset is lower than its carrying amount, the respective asset is written down to its recoverable amount. Any subsequent reversal of the impairment loss is recognised in the statement of income, to the extent that the carrying amount of an asset does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

t) Insurance business

Group's exposure to insurance relates to life insurance contracts. Life insurance contracts may contain both financial and insurance risk. The part of contracts that do not contain significant insurance risk is accounted as investment contracts. The corresponding liability to clients is accounted at fair value and is shown in the financial statements as liabilities designated at fair value through profit or loss. Insurance reserves are shown as other liabilities. The Group monitors the underlying assumptions in the calculations of insurance related risks regularly and seeks risk mitigation measures such as reinsurance, if the Group deems this appropriate. Insurance risk in view of the management is not material to accounts of the Group.

u) Provisions

Provisions are recognised when the Group has 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.

v) Off-balance sheet financial commitments and contingent liabilities

In the ordinary course of business, the Group is involved with off-balance sheet financial commitments and contingent liabilities comprising commitments to extend loans and receivables from customers, commitments for unutilised credit lines or credit card limits, financial guarantees and commercial letters of credit.

Such financial instruments are recorded in the financial statements as follows:

- commitment to extend loans and advances, credit card and overdraft facilities are recognised on drawdown; and
- financial guarantees and letters of credit are recognised when the related fee received as consideration is recognised.

Commitments to extend loans and receivables and commitments for unutilised credit lines or credit card limits represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

On initial recognition financial guarantee contracts are measured at fair value. Subsequently, they are carried at the higher of the amount initially recognised less cumulative amortisation over the life of the guarantee and the amount determined in accordance with the accounting policy for provisions when enforcement of the guarantee has become probable.

The methodology for provisioning against possible losses arising from off-balance sheet financial commitments and contingent liabilities is consistent with that described in paragraph *u)*.

w) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows. Discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

x) Trust activities

Funds managed by the Group on behalf of individuals, corporate customers, trusts and other institutions are not regarded as assets of the Group and, therefore, are not separately included in the balance sheet. Funds under trust management are presented in these financial statements only for disclosure purposes. Commission for holding assets is recognised on accrual basis and generally is dependent on the volume of assets managed.

y) Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Where available and reasonably reliable, fair values are determined by reference to observable market prices. Where representative market prices are not available or are unreliable, fair values are determined by using valuation techniques which refer to observable market data. These include prices obtained from independent market surveys, comparisons with similar financial instruments, discounted cash flow analyses and other valuation techniques commonly accepted and used by market participants.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable. Further, changes and movement in market conditions may affect accuracy of the fair value calculations so that the actual outcome of the transactions is different from the one reported in the financial statements. Also, when changed, management estimates used in preparing these financial statements could impact the reported result of the Group.

z) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as the amounts comprising cash and balances with central banks and other credit institutions with an insignificant risk of changes in value and a remaining maturity of not more 3 months from the date of acquisition, less demand deposits due to credit institutions and central banks.

aa) Offsetting

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

bb) Staff costs and related contributions

The Group's personnel expenses relate only to short term benefits and related tax expense. The Group and the Bank pays social security contributions to state pension insurance and to the state funded pension scheme in accordance with Latvian and relevant foreign regulations. In accordance with the Rules of the Cabinet of Ministers of Latvia a part of the social insurance contributions are used to fund the state defined contribution pension system. State funded pension scheme is a defined contribution plan under which the Group and the Bank pay fixed contributions determined by law and will have no legal or constructive obligation to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are accrued in the year in which the associated services are rendered by the employees of the group.

cc) Events after the balance sheet date

Post-year-end events that provide additional information about the Bank's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes if material.

dd) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The management has applied reasonable and prudent estimates and judgments in preparing these financial statements. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment for financial asset losses, determining fair values of the financial assets and liabilities as explained in note y) above, impairment of non-financial assets, estimating future periods' taxable profits in order to assess amount of deferred tax assets that can be utilised and, as such, recognised and determination of the control of investees for consolidation purposes.

ee) Customer loyalty programmes

To reward and promote customers to actively use Group's products, the Group has implemented several customer loyalty programs. All benefits awarded to customers are expensed to income statement at the moment the benefits are awarded to customers. Any unredeemed award credits are accrued at full until settlement or expiry.

Impairment of loans

The Group regularly reviews its loans and receivables for assess impairment. The estimation of potential impairment losses is inherently uncertain and dependent upon many factors. On an on-going basis potential issues are identified promptly as a result of individual loans being regularly monitored. Impairment losses are calculated on an individual basis with reference to expected future cash flows including those arising from the realisation of collateral. The Group uses its experienced judgement to estimate the amount of any impairment loss considering matters such as future economic conditions and the resulting trading performance of the borrower and the value of collateral, for which there may not be a readily accessible market. As a result, the impairment losses can be subject to significant variation as time progresses and the circumstances become clearer. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Changes in net present value of estimated future cash flows of loans and receivables from customers by +/-5% would result in EUR 0.2 million lower or EUR 0.3 million higher specific impairment allowance for the Bank (2014: EUR 0.4 million lower or EUR 0.7 million higher). If estimated value of collaterals of loans and receivables from customers would differ by +/-5% the estimated specific impairment allowance for loans and receivables would differ by EUR1.9 million lower or EUR 2.8 million higher respectively (2014: -6.7 million or EUR +5.5 million).

In addition, the Group estimates collective impairment losses to cover losses inherent in the loan portfolio where there is objective evidence to suggest that it contains impaired loans, although the individual impaired loans cannot yet be identified. The collective impairment losses take account of observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables with similar credit risk characteristics, although the decrease cannot yet be identified with the individual loans in the portfolio.

Future cash flows in a portfolio of loans and receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans and receivables with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted for current observable market data using the Group's experienced judgement to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The future credit quality of the loan portfolio for which the collective impairment losses are estimated is subject to uncertainties that could cause actual credit losses to differ materially from reported impairment losses. These uncertainties include factors such as international and local economic conditions, borrower specific factors, industry and market trends, interest rates, unemployment rates and other external factors. Changes in LGD ratio by 500 basis points would result in increase/ decrease in collectively assessed impairment by ca. EUR +/-2.3 million for the Bank and EUR +/-3.5 million for the Group (2014: EUR +/-2.3 million for the Bank and EUR +/-3.3 million for the Group). The bank entities within the Group apply a judgmental element to probability of default rates that incorporates the Group's management's judgment on the level of incurred losses within the current loan portfolio. Changes in the PD ratio relating to not overdue category by 100 basis points would result in increase/ decrease in collectively assessed impairment by ca. EUR +/-2.2 for the Bank million and EUR +/-2.4 million for the Group (2014: EUR +/-1.9 million for the Bank and EUR +/-2.1 million for the Group).

Impairment of securities classified as available for sale or held to maturity

The Group makes various estimates to determine the value of securities assessed for impairment. When the value of securities, for which loss event have occurred, is assessed for impairment, an estimate is made involving factors such as liquidity (quoted prices and volumes from several reliable providers as well as judgemental evaluation), spreads (estimation of securities' spreads and spreads on securities rated Caa1 and below), ratings (subordination) and loss-given-default (LGD) rates.

The future credit quality of the securities for which the impairment losses are estimated is subject to uncertainties that could cause actual credit losses to differ materially from reported impairment losses. These uncertainties include factors such as international, regional and local economic conditions, issuer specific factors, market activity and depth, interest rates and other external factors. As at 31 December 2015, increase or decrease in credit spread delta by 200 basis points would not change Bank's impairment (2014: nil). For additional information on fixed and non-fixed income securities fair value assessment refer to Note 34.

Impairment of other financial and non-financial assets

The Bank and the Group at the end of each reporting period assesses whether there is any indication that a non-financial asset may be impaired other than inventory and deferred tax. If any such indication exists, the recoverable amount of the particular asset or cash generating unit is estimate. Recoverable amount estimates depend on uncertainties in future free cash flow estimates and discount rates applied. For more details on the approach and key assumptions in recoverable amount estimates of the Bank's investments in subsidiaries and Group's property and plant refer to Note 20 and Note 18 respectively.

Deferred tax asset

The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term financial forecast prepared by management and extrapolated results thereafter. The aforementioned forecasts indicate that the Bank will have sufficient taxable profits in the future periods to realise the recognised deferred tax asset.

Consolidation group

The Group consolidates all entities where it controls the investee. The Group controls an investee when it 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. For list of investees included in the consolidation group refer to Note 20. For investments in securities which are not consolidated refer to Note 15. In the ordinary course of business IPS CBL Asset Management (CBL AM) provides management services to several funds where its interest held is only fees from servicing. The Bank has made an investment solely with a view to diversify its securities portfolio also in funds managed by CBL AM. According to the prospectus of the funds, the investment decisions are made collectively by CBL AM Investment Committee. The Bank has no intention to participate in decision making regarding the asset allocation of any of the funds. Moreover, interfering with Investment Committee's decision making process would be against the corporate governance principles maintained by that Bank since its inception. As such, the Bank believes it does not have the control over the funds, as per IFRS 10, and the fund should not be consolidated.

NOTE 6. INTEREST INCOME AND EXPENSE

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Interest income:				
- interest on financial assets measured at amortised cost:	70,626	72,736	58,547	63,174
- interest on loans and receivables from customers	*63,864*	*64,906*	*52,757*	*55,969*
- interest on balances due from credit institutions and central banks	*815*	*736*	*728*	*762*
- interest on held to maturity securities	*5,947*	*7,094*	*5,062*	*6,443*
- interest on available for sale securities	7,138	6,020	5,148	4,288
- interest on held for trading securities	366	695	-	-
- interest income on financial assets designated at fair value through profit or loss	1,018	1,256	-	-
Total interest income	**79,148**	**80,707**	**63,695**	**67,462**
Interest expense:				
- interest on financial liabilities measured at amortised cost:	(18,382)	(18,001)	(15,595)	(15,359)
- interest on deposits from customers	*(12,495)*	*(12,325)*	*(9,534)*	*(9,548)*
- interest on subordinated liabilities	*(4,432)*	*(5,361)*	*(4,432)*	*(5,361)*
- interest on balances due to credit institutions and central banks	*(1,144)*	*(81)*	*(1,319)*	*(218)*
- other interest expense	*(311)*	*(234)*	*(310)*	*(232)*
- interest expense on financial liabilities designated at fair value through profit or loss	(300)	(240)	-	-
Total interest expense	**(18,682)**	**(18,241)**	**(15,595)**	**(15,359)**
Net interest income	**60,466**	**62,466**	**48,100**	**52,103**

In the current economic environment the overall effective interest rate on some high quality liquid assets has turned negative. The Group is mainly affected by negative interest rates applied on certain balances due from central banks and some credit institutions. As the interest resulting from a negative effective interest rate on financial assets reflects an outflow of economic benefits, this is presented as interest expense.

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Interest income recognised on impaired assets	2,152	2,634	1,575	2,287

NOTE 7. COMMISSION AND FEE INCOME AND EXPENSE

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Commission and fee income:				
- transactions with settlement cards	21,496	20,808	19,636	18,844
- payment transfers	10,602	9,594	8,344	7,311
- custody, trust and asset management fees	7,882	7,973	1,336	1,171
- account maintenance	3,396	2,480	2,244	1,707
- cash collection	2,259	2,128	2,259	2,128
- cash operations	1,253	1,379	1,037	1,134
- securities, financial instrument brokerage fees	746	819	646	670
- review of loan applications and collateral evaluation	675	670	672	667
- letters of credit and guarantees	495	545	327	371
- other fees	2,404	1,400	2,075	2,420
Total commission and fee income	**51,208**	**47,796**	**38,576**	**36,423**

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Commission and fee expense:				
- fees related to settlement cards	(12,426)	(11,491)	(11,317)	(10,200)
- fees related to correspondent accounts	(1,467)	(1,319)	(1,195)	(1,048)
- brokerage and custodian fees:	(815)	(735)	(599)	(587)
- other fees	(963)	(868)	(202)	(149)
Total commission and fee expense	**(15,671)**	**(14,413)**	**(13,313)**	**(11,984)**
Net commission and fee income	**35,537**	**33,383**	**25,263**	**24,439**

NOTE 8. GAIN ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS, NET

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Gain from foreign exchange trading and revaluation of open positions, net	8,959	10,757	7,420	9,109
Gain / (loss) from disposal of available for sale securities, net	4,746	3,106	2,811	1,288
Gain / (loss) from trading and revaluation of securities and derivatives held for trading purposes, net	720	88	851	-
Gain from trading and revaluation of other derivatives, net	-	7	-	7
Gain / (loss) on financial assets measured at amortised cost, net	-	(91)	-	-
Gain / (loss) on financial assets or financial liabilities designated at fair value through profit or loss	(800)	(396)	-	-
Gain on trading with financial instruments, net	**13,625**	**13,471**	**11,082**	**10,404**

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Net gain / (loss) on financial instruments not at fair value through profit or loss	4,746	3,015	2,811	1,288
Net gain on financial instruments at fair value through profit or loss	8,879	10,456	8,271	9,116
Total gain on financial instruments, net	**13,625**	**13,471**	**11,082**	**10,404**

NOTE 9. ADMINISTRATIVE AND OTHER EXPENSE

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Personnel	41,998	40,237	31,098	29,012
Rent, utilities, maintenance	3,645	3,905	4,835	4,843
IT expense	3,695	3,209	2,560	2,213
Non-refundable value added tax*	3,731	2,924	3,003	2,248
Consulting and professional services	5,465	2,343	4,211	1,424
Advertising, marketing and sponsorship	2,755	2,321	2,153	1,798
Office administration	780	723	558	527
Communications	631	662	404	405
Other	5,192	5,096	2,958	2,763
Total administrative expense	**67,892**	**61,420**	**51,780**	**45,233**
Other expense*	5,299	1,457	4,556	523
Total administrative and other expenses	**73,191**	**62,887**	**56,336**	**45,756**

* One-time costs that had to be recognised in the statement of income of 2015 due to the postponed IPO process in the amount of EUR 5.0 million.

NOTE 10. PERSONNEL EXPENSE

Personnel expense has been presented in these financial statements within administrative expenses. Personnel expense includes remuneration for work to the personnel and related social security contributions and bonuses and other short-term benefits costs.

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Remuneration:				
- management	2,715	2,788	1,236	1,306
- other personnel	30,818	29,548	23,415	21,916
Total remuneration for work	**33,533**	**32,336**	**24,651**	**23,222**
Social security contributions:				
- management	342	427	106	181
- other personnel	6,923	6,607	5,239	4,894
Total social security contributions	**7,265**	**7,034**	**5,345**	**5,075**
Other personnel expense*	**1,200**	**867**	**1,102**	**715**
Total personnel expense	**41,998**	**40,237**	**31,098**	**29,012**
Number of full time equivalent employees at the end of the period	1,625	1,535	1,263	1,167

* Other personnel expense includes health insurance, training and education expenditure and similar.

NOTE 11. IMPAIRMENT CHARGES AND REVERSALS

Total net impairment allowance charged to statement of income:

	EUR 000's			
	2015 Group	2014 Group as restated	2015 Bank	2014 Bank
Loans – specifically assessed impairment	(7,243)	(6,879)	(6,450)	(6,045)
Loans – collectively assessed impairment	(1,391)	(6,460)	(144)	(4,824)
Available for sale securities	(510)	(520)	(510)	(520)
Other financial and non-financial assets, net	1,603	1,450	(165)	(2,212)
Recovered written-off assets	1,300	3,160	1,037	2,983
Total allowance and reversals charged to the statement of income, net	**(6,241)**	**(9,249)**	**(6,232)**	**(10,618)**

Fully impaired assets, recovery of which may become economically unviable, may be written-off. When a loan is written-off, the claim against the borrower normally is not forgiven. From time to time previously written-off assets are recovered due to repayment, sale of pool of overdue assets to companies specialising in recoveries of balances in arrears or as a result of other resolution. Such recoveries are reported as recovered written-off assets.

Change in allowances for impairment of loans and receivables:

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Total allowance for impairment at the beginning of the period, including:	**88,707**	**93,049**	**69,767**	**72,495**
- loans – specifically assessed impairment	67,676	78,477	51,383	58,935
- loans – collectively assessed impairment	21,031	14,572	18,384	13,560
Charge:	**16,418**	**24,848**	**12,127**	**21,256**
- loans – specifically assessed impairment	10,743	17,514	8,561	15,640
- loans – collectively assessed impairment	5,675	7,334	3,566	5,616
Release:	**(7,784)**	**(11,509)**	**(5,533)**	**(10,387)**
- loans – specifically assessed impairment	(3,500)	(10,635)	(2,111)	(9,595)
- loans – collectively assessed impairment	(4,284)	(874)	(3,422)	(792)
Allowance charged to the statement of income, net, including:	**8,634**	**13,339**	**6,594**	**10,869**
- loans – specifically assessed impairment	7,243	6,879	6,450	6,045
- loans – collectively assessed impairment	1,391	6,460	144	4,824
Change of allowance due to write-offs, net	**(7,433)**	**(17,882)**	**(2,964)**	**(13,826)**
Effect of changes in currency exchange rates:	**267**	**201**	**265**	**229**
- loans – specifically assessed impairment	265	202	266	229
- loans – collectively assessed impairment	2	(1)	(1)	-
Total allowance for impairment at the end of the period, including:	**90,175**	**88,707**	**73,662**	**69,767**
- loans – specifically assessed impairment	67,751	67,676	55,135	51,383
- loans – collectively assessed impairment	22,424	21,031	18,527	18,384

During the ordinary course of business recoverability of some loans deteriorate while for others improve. This directly affects specifically assessed impairment allowance for loans. Changes in Group's and Bank's collectively assessed impairment allowance for loans in the reporting period mainly related to application of more prudent criteria in collective impairment assessment process, as well as due to changes in past due days of unimpaired loan balances.

Change in impairment of other assets:

	EUR 000's			
	2015 Group	2014 Group as restated	2015 Bank	2014 Bank
Total allowance for impairment at the beginning of the period, including:	**28,775**	**33,585**	**61,641**	**61,206**
- available for sale securities	7,062	8,256	7,062	8,256
- due from credit institutions	852	758	852	758
- other non-financial assets	20,861	24,571	53,727	52,192
Charge:	**1,225**	**1,548**	**798**	**2,810**
- available for sale securities	510	520	510	520
- other non-financial assets	715	1,028	288	2,290
Release:	**(2,318)**	**(2,478)**	**(123)**	**(78)**
- available for sale securities	-	-	-	-
- other non-financial assets	(2,318)	(2,478)	(123)	(78)
Allowance charged to the statement of income, net, including:	**(1,093)**	**(930)**	**675**	**2,732**
- available for sale securities	510	520	510	520
- other financial and non-financial assets	(1,603)	(1,450)	165	2,212
Change of allowance due to write-offs, net:	**(1,169)**	**(2,186)**	**(325)**	**(676)**
- available for sale securities	-	-	-	-
- due from credit institutions	-	-	-	-
- other non-financial assets	(1,169)	(2,186)	(325)	(676)
Effect of changes in currency exchange rates:	**(592)**	**(1,694)**	**(550)**	**(1,621)**
- available for sale securities	(648)	(1,714)	(648)	(1,714)
- due from credit institutions	98	94	98	94
- other non-financial assets	(42)	(74)	-	(1)
Total allowance for impairment at the end of the period, including:	**25,921**	**28,775**	**61,441**	**61,641**
- available for sale securities	6,924	7,062	6,924	7,062
- due from credit institutions	950	852	950	852
- other non-financial assets	18,047	20,861	53,567	53,727

Changes in impairment allowance of non-financial assets consist mostly of changes in impairment for property and equipment mainly relating to the reduction in impairment allowance for the Citadele headquarters building. Based on the re-estimate of the fair value, the carrying amount of the building is approximately the same as at year end 2014, and accordingly, a reversal of impairment took place.

NOTE 12. TAXATION

Corporate income tax expense comprises the following items:

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Current corporate income tax	511	251	-	-
Deferred income tax	2,579	2,512	2,640	3,059
Tax withheld abroad	83	128	83	93
Prior year adjustments	-	(37)	-	-
Total corporate income tax expense	**3,173**	**2,854**	**2,723**	**3,152**

The reconciliation of the Bank's and the Group's pre-tax profit for the period to the corporate income tax expense for the period may be specified as follows:

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Profit before corporate income tax	29,244	35,259	22,269	32,396
Corporate income tax (at 15%)	**4,387**	**5,289**	**3,340**	**4,859**
Effect of tax rates in foreign jurisdictions	179	82	-	-
Non deductible expense	1,700	653	851	286
Non taxable income	(3,053)	(3,129)	(1,773)	(1,979)
Other tax differences, net (incl. changes in unrecognised deferred tax assets)	(40)	(41)	305	(14)
Total effective corporate income tax	**3,173**	**2,854**	**2,723**	**3,152**

The movements in deferred corporate income tax asset / (liability)can be specified as follows:

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
As at the beginning of the year	30,073	32,534	28,735	31,700
Charge to statement of income	(2,579)	(2,512)	(2,640)	(3,059)
Charge to statement of comprehensive income	275	51	62	94
Total deferred income tax asset at the end of the year, net	**27,769**	**30,073**	**26,157**	**28,735**

Recognised deferred corporate income tax assets and liabilities can be specified as follows:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Deferred tax assets/(liabilities):				
Accumulated excess of tax depreciation over accounting depreciation	(700)	(434)	(698)	(434)
Other deferred tax liabilities	-	(551)	-	(359)
Vacation pay and similar accrual	1,139	1,048	837	822
Revaluation of securities and derivatives	(97)	380	(97)	380
Temporary impairment allowance differences	2,779	2,758	2,779	2,758
Recognised unutilised tax losses	24,590	26,839	23,304	25,568
Other deferred tax assets	58	33	32	-
Net deferred corporate income tax asset	**27,769**	**30,073**	**26,157**	**28,735**

Part of the Group's unutilised tax losses are not recognised for deferred tax asset purposes as there is uncertainty about availability of sufficient future taxable profits with which to offset accumulated tax losses at particular subsidiary level. Also there are legal limitations on transferability of unutilised tax loses both between entities operating in the same jurisdiction as well as operating in different jurisdictions. .

Group's and Banks unutilised tax losses by expiry date can be specified as follows:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Total unutilised tax losses with undated expiry date as per current tax legislation	**223,246**	**224,048**	**155,363**	**170,517**
Including part unrecognised as deferred tax asset	*59,313*	*45,121*	**-**	**-**

NOTE 13. CASH AND DEPOSITS WITH CENTRAL BANKS

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Cash	51,270	60,303	46,737	57,728
Deposits with the Bank of Latvia	299,091	84,593	299,091	84,593
Deposits with other central banks	204,717	80,503	3,132	329
Total cash and deposits with central banks	**555,078**	**225,399**	**348,960**	**142,650**

Credit institutions should comply with the compulsory reserve requirement calculated on the basis of attracted funding. The Bank's compulsory reserve must be exceeded by a credit institution's average monthly EUR balance on its correspondent account with the Bank of Latvia. Similar requirements also apply to the funding attracted by the Bank's branch in Estonia and subsidiaries in Lithuania and Switzerland. During the reporting year, the Group's banks were in compliance with these requirements.

Demand deposits with other central banks include balances with central banks of Lithuania, Switzerland and Estonia. As at 31 December 2015 and 31 December 2014 no amounts due from central banks were overdue.

NOTE 14. BALANCES DUE FROM CREDIT INSTITUTIONS

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Due from credit institutions registered in OECD countries	168,160	442,349	291,936	362,104
Due from credit institutions registered in Latvia	3,945	54,040	1,024	51,693
Due from credit institutions registered in other non-OECD countries	9,990	13,867	9,270	51,328
Total gross balances due from credit institutions	**182,095**	**510,256**	**302,230**	**465,125**
Incl. impaired balances	*950*	*852*	*950*	*852*
Impairment allowance	(950)	(852)	(950)	(852)
Total net balances due from credit institutions	**181,145**	**509,404**	**301,280**	**464,273**

The above balances represent the maximum credit risk exposure to the Group and the Bank respectively.

As at 31 December 2015 and 2014, none of the non-impaired amounts due from credit institutions were past due. For more details on credit quality of the Group's neither past due nor-impaired balances due from credit institutions refer to Credit risk section of the Note 34 (*Risk Management*).

NOTE 15. FIXED AND NON-FIXED INCOME SECURITIES

The Group's fixed income securities by issuers profile and classification:

	EUR 000's				
	31/12/2015				
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Held for trading	4,502	-	-	6,579	11,081
Financial assets designated at fair value through profit or loss	14,766	912	33,980	42,106	91,764
Available for sale	199,951	1,381	150,521	238,313	590,166
Held to maturity	136,886	-	38,817	28,015	203,718
Total fixed income securities	**356,105**	**2,293**	**223,318**	**315,013**	**896,729**

In 2015, the Group and the Bank re-assessed the profile of a certain credit linked note with carrying amount of EUR 34.4 million classified as held to maturity. The re-assessment resulted in presentation of this security as a German credit institution bond as opposed to its previous presentation as a Latvian municipality bond. The profile has changed as a result of the separate presentation of the embedded derivative within the derivatives caption. Latvian municipality exposure still remains, but has not been presented as part of the securities credit risk profile.

	EUR 000's				
	31/12/2014				
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Held for trading	9,545	-	1,908	8,842	20,295
Financial assets designated at fair value through profit or loss	11,749	1,634	29,236	42,232	84,851
Available for sale	228,426	-	146,294	166,871	541,591
Held to maturity	161,988	34,455	7,573	25,236	229,252
Total fixed income securities	**411,708**	**36,089**	**185,011**	**243,181**	**875,989**

The Bank's fixed income securities by issuers profile and classification:

	EUR 000's				
	31/12/2015				
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Available for sale	140,789	-	136,000	192,770	469,559
Held to maturity	128,104	-	37,189	-	165,293
Total fixed income securities	**268,893**	**-**	**173,189**	**192,770**	**634,852**

	EUR 000's				
	31/12/2014				
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Available for sale	152,476	-	141,160	139,701	433,337
Held to maturity	153,550	34,455	4,972	-	192,977
Total fixed income securities	**306,026**	**34,455**	**146,132**	**139,701**	**626,314**

As at 31 December 2015, there are no Group's and Bank's securities on which payments are past due or which were restructured during the reporting period (2014: EUR nil). No fixed income securities were impaired (2014: nil). The above tables represent the maximum credit risk exposure to the Group and the Bank from fixed income securities.

Group's fixed income, shares and other non-fixed income securities by issuer's country, net:

	EUR 000's					
	31/12/2015			31/12/2014		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	232,246	4,378	236,624	253,751	37,978	291,729
United States	7,773	90,510	98,283	12,358	77,321	89,679
Germany	-	67,140	67,140	-	24,479	24,479
Netherlands	-	56,681	56,681	10,080	53,734	63,814
Lithuania	56,454	-	56,454	86,375	-	86,375
Sweden	15,573	19,787	35,360	5,376	21,342	26,718
Canada	3,681	24,521	28,202	3,308	24,023	27,331
Australia	-	23,635	23,635	693	32,946	33,639
Norway	-	25,648	25,648	-	26,638	26,638
Finland	13,066	19,188	32,254	13,246	16,312	29,558
Great Britain	-	38,578	38,578	-	6,808	6,808
Singapore	-	24,481	24,481	-	24,368	24,368
Multilateral development banks	-	27,407	27,407	-	12,902	12,902
Other countries*	27,312	127,355	154,667	26,521	105,646	132,167
Total fixed income securities and shares, net	**356,105**	**549,309**	**905,414**	**411,708**	**464,497**	**876,205**
Investments in managed funds**	-	35,493	35,493	-	32,642	32,642
Total securities, net	**356,105**	**584,802**	**940,907**	**411,708**	**497,139**	**908,847**

Bank's fixed income, shares and other non-fixed income securities by issuer's country, net:

	EUR 000's					
	31/12/2015			31/12/2014		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	218,930	3,189	222,119	241,007	36,955	277,962
Germany	-	54,588	54,588	-	16,373	16,373
United States	7,773	48,813	56,586	12,358	38,612	50,970
Netherlands	-	35,223	35,223	10,080	34,351	44,431
Sweden	6,431	19,787	26,218	4,143	21,342	25,485
Canada	3,681	20,767	24,448	3,308	19,356	22,664
Finland	9,276	17,807	27,083	10,549	16,312	26,861
Norway	-	19,682	19,682	-	19,788	19,788
Singapore	-	22,790	22,790	-	22,820	22,820
Australia	-	15,839	15,839	693	24,792	25,485
Great Britain	-	25,899	25,899	-	5,462	5,462
Multilateral development banks	-	21,615	21,615	-	12,902	12,902
Other countries*	22,802	68,628	91,430	23,888	51,422	75,310
Total fixed income securities and shares, net	**268,893**	**374,627**	**643,520**	**306,026**	**320,487**	**626,513**
Investments in managed funds**	-	11,179	11,179	-	10,882	10,882
Total securities, net	**268,893**	**385,806**	**654,699**	**306,026**	**331,369**	**637,395**

* Largest Group's and Bank's exposure to a single country within this group as at period end is EUR 13,667 thousand and EUR 10,804 thousand respectively (2014: EUR 15,285 thousand and EUR 10,767 thousand).

** Investments in managed funds here are not distributed by their issuer's country but shown separately.

In November 2015, Visa Inc. announced that it's planned acquisition of Visa Europe, where Citadele is a member. Citadele has received indicative value of its share of Visa Europe sale proceeds. The up-front consideration amounts to EUR 11.4 million and consists of EUR 8.5million cash and EUR 2.9 million in Visa Inc. preferred stock. In addition, the second tranche is a potential earn-out, subject to certain achievements. The earn-out would, if fulfilled, be paid in cash around year 2020. The transaction is subject to regulatory approval and is expected to close only in the 2nd quarter of 2016. Based on the indicative value of the shares, Citadele has recognised EUR 8.5 million revaluation gain in other comprehensive income. Citadele has not recognised neither any value of preferred stock, nor of the earn-out due to the uncertainties surrounding the transaction, exact timing and final allocation of distribution proceeds.

All fixed income securities as at 31 December 2015 and 31 December 2014 are listed.

The Group's shares and other non-fixed income securities by issuers profile and classification:

	EUR 000's							
	31/12/2015				31/12/2014			
	Foreign equities	Latvian equities	Mutual investment funds	Total	Foreign equities	Latvian equities	Mutual investment funds	Total
Held for trading	-	-	4,991	4,991	-	-	3,655	3,655
Financial assets designated at fair value through profit or loss	-	-	19,323	19,323	-	-	12,598	12,598
Available for sale	8,585	100	11,179	19,864	116	100	16,389	16,605
Total non-fixed income securities, net	**8,585**	**100**	**35,493**	**44,178**	**116**	**100**	**32,642**	**32,858**

All exposures in mutual investment funds and equities which are classified as financial assets designated at fair value through profit or loss are unit-linked insurance plan assets. According to unit-linked investment contract terms, the risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering the insurance agreement and not the underwriter. As at 31 December 2015 EUR 19,323 thousand (2014: EUR 12,598 thousand) of financial assets designated at fair value through profit or loss relate to this.

The Bank's shares and other non-fixed income securities by issuers profile and classification:

	EUR 000's							
	31/12/2015				31/12/2014			
	Foreign equities	Latvian equities	Mutual investment funds	Total	Foreign equities	Latvian equities	Mutual investment funds	Total
Available for sale	8,568	100	11,179	19,847	99	100	10,882	11,081
Total non-fixed income securities, net	**8,568**	**100**	**11,179**	**19,847**	**99**	**100**	**10,882**	**11,081**

Investments in mutual funds are not analyzed by their ultimate issuer and are classified as non-fixed income securities.

There are no off-balance sheet commitments bearing credit risk that are related to the issuers of the above securities. Further, no payments on the above instruments are past due. As at 31 December 2015, the carrying amount of the Group's and Bank's securities, which were impaired but not past due amounted to EUR 910 thousand (2014: EUR 1,421 thousand).

As at 31 December 2015 the Bank and Group has investments in mutual investment funds with carrying amount of EUR 6.5 million (2014: EUR 6.0 million) and EUR 19.5 million (EUR 13.2 million) which are managed by CBL Asset Management IPS or its subsidiaries. These exposures have been acquired only with investment intentions.

NOTE 16. LOANS AND RECEIVABLES FROM CUSTOMERS

The following table represents the current classes of the Group's loans:

	EUR 000's					
	31/12/2015			31/12/2014		
	Balance sheet amount	Off-balance sheet credit exposure	Total gross credit exposure	Balance sheet amount	Off-balance sheet credit exposure	Total gross credit exposure
Regular loans	924,016	35,706	959,722	851,694	30,566	882,260
Utilised credit lines	120,935	27,359	148,294	132,114	32,233	164,347
Finance leases	134,455	-	134,455	103,138	36	103,174
Debit balances on settlement cards	54,329	86,853	141,182	57,312	85,388	142,700
Overdraft facilities	19,943	19,907	39,850	13,795	17,454	31,249
Factoring	5,197	7,790	12,987	1,635	2,969	4,604
Due from investment counterparties	3,645	-	3,645	4,720	-	4,720
Total loans and receivables from customers	**1,262,520**	**177,615**	**1,440,135**	**1,164,408**	**168,646**	**1,333,054**
Impairment allowance	(90,175)	-	(90,175)	(88,707)	-	(88,707)
Total net loans and receivables from customers	**1,172,345**	**177,615**	**1,349,960**	**1,075,701**	**168,646**	**1,244,347**

Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers.

The following table represents the current classes of the Bank's loans:

	EUR 000's					
	31/12/2015			31/12/2014		
	Balance sheet amount	Off-balance sheet credit exposure	Total gross credit exposure	Balance sheet amount	Off-balance sheet credit exposure	Total gross credit exposure
Regular loans	784,808	32,820	817,628	720,434	26,717	747,151
Utilised credit lines	161,667	40,288	201,955	222,972	71,917	294,889
Debit balances on settlement cards	49,384	74,251	123,635	50,674	72,529	123,203
Overdraft facilities	58,169	28,822	86,991	12,788	11,243	24,031
Due from investment counterparties	3,035	-	3,035	4,186	-	4,186
Finance leases	24	-	24	42	-	42
Total loans and receivables from customers	**1,057,087**	**176,181**	**1,233,268**	**1,011,096**	**182,406**	**1,193,502**
Impairment allowance	(73,662)	-	(73,662)	(69,767)	-	(69,767)
Total net loans and receivables from customers	**983,425**	**176,181**	**1,159,606**	**941,329**	**182,406**	**1,123,735**

Loans and advances by customer profile:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Privately held companies	748,585	678,373	696,658	657,099
Private individuals	489,309	457,271	342,108	331,408
State owned enterprises	8,127	11,645	7,551	10,646
Public and religious institutions	2,962	7,025	2,888	3,189
Local municipalities	5,661	2,635	1,465	2,158
Municipality owned enterprises	7,876	7,373	6,417	6,535
Government	-	86	-	61
Total gross loans and receivables from customers	**1,262,520**	**1,164,408**	**1,057,087**	**1,011,096**
Impairment allowance	(90,175)	(88,707)	(73,662)	(69,767)
Total net loans and receivables from customers	**1,172,345**	**1,075,701**	**983,425**	**941,329**

The borrowers' industry profile of the gross portfolio of loans and receivables to other than private individuals before impairment allowance:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Real estate purchase and management	171,161	150,455	199,835	184,277
Manufacturing	139,205	129,546	106,682	101,411
Trade	122,001	108,582	82,216	69,028
Transport and communications	101,682	83,477	70,973	60,916
Agriculture and forestry	77,711	76,306	59,098	56,618
Electricity, gas and water supply	37,186	41,961	33,673	38,553
Construction	39,867	39,118	27,698	27,368
Financial intermediation	14,070	16,861	105,264	112,015
Hotels, restaurants	15,101	12,620	11,316	8,920
Other industries	55,227	48,211	18,224	20,582
Total gross loans and receivables from corporate customers	**773,211**	**707,137**	**714,979**	**679,688**

Geographical profile of the portfolio of loans and receivables from customers by the place of customers' reported residence:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Latvian residents	802,794	750,180	852,330	802,498
OECD region residents	152,282	114,623	141,428	104,186
Non-OECD region residents	307,444	299,605	63,329	104,412
Total gross loans and receivables from customers	**1,262,520**	**1,164,408**	**1,057,087**	**1,011,096**
Impairment allowance	(90,175)	(88,707)	(73,662)	(69,767)
Total net loans and receivables from customers	**1,172,345**	**1,075,701**	**983,425**	**941,329**

As at 31 December 2015 and 31 December 2014 the Group's and the Bank's exposures with non-consolidated single group of connected parties did not exceeded 5% of total gross loans and receivables from customers. As at 31 December 2015 and 31 December 2014 the Group and the Bank were in compliance with FCMC requirements on credit exposures with single group of connected parties.

Group's loan portfolio by overdue days:

	EUR 000's					
	31/12/2015			31/12/2014		
	Gross Loans	**Impairment allowance**	**Net carrying amount**	**Gross loans**	**Impairment allowance**	**Net carrying amount**
Not past due – not impaired	1,078,334	-	1,078,334	976,670	-	976,670
Not past due – impaired	59,263	(24,747)	34,516	43,390	(20,054)	23,336
Total not past due loans	**1,137,597**	**(24,747)**	**1,112,850**	**1,020,060**	**(20,054)**	**1,000,006**
Past due loans - not impaired						
Delayed days:						
=< 29	31,999	-	31,999	30,524	-	30,524
30-59	12,812	-	12,812	12,318	-	12,318
60-89	3,247	-	3,247	4,071	-	4,071
90 and more	9,618	-	9,618	15,687	-	15,687
Total past due loans - not impaired	**57,676**	**-**	**57,676**	**62,600**	**-**	**62,600**
Past due loans – impaired						
Delayed days:						
=< 89	16,076	(5,896)	10,180	17,776	(5,846)	11,930
90 and more	51,171	(37,108)	14,063	63,972	(41,776)	22,196
Total past due loans - impaired	**67,247**	**(43,004)**	**24,243**	**81,748**	**(47,622)**	**34,126**
Total loans and receivables from customers	**1,262,520**	**(67,751)**	**1,194,769**	**1,164,408**	**(67,676)**	**1,096,732**
Collective impairment allowance		(22,424)	(22,424)		(21,031)	(21,031)
Total net loans and receivables from customers			**1,172,345**			**1,075,701**

Bank's loan portfolio by overdue days:

	EUR 000's					
	31/12/2015			31/12/2014		
	Gross loans	**Impairment allowance**	**Net carrying amount**	**Gross loans**	**Impairment allowance**	**Net carrying amount**
Not past due – not impaired	918,927	-	918,927	866,395	-	866,395
Not past due – impaired	57,264	(22,281)	34,983	38,947	(16,574)	22,373
Total not past due loans	**976,191**	**(22,281)**	**953,910**	**905,342**	**(16,574)**	**888,768**
Past due loans - not impaired						
Delayed days:						
=< 29	15,036	-	15,036	18,377	-	18,377
30-59	6,391	-	6,391	6,873	-	6,873
60-89	979	-	979	2,213	-	2,213
90 and more	5,993	-	5,993	14,407	-	14,407
Total past due loans - not impaired	**28,399**	**-**	**28,399**	**41,870**	**-**	**41,870**
Past due loans – impaired						
Delayed days:						
=< 89	13,397	(4,954)	8,443	14,981	(4,915)	10,066
90 and more	39,100	(27,900)	11,200	48,903	(29,894)	19,009
Total past due loans – impaired	**52,497**	**(32,854)**	**19,643**	**63,884**	**(34,809)**	**29,075**
Total loans and receivables from customers	**1,057,087**	**(55,135)**	**1,001,952**	**1,011,096**	**(51,383)**	**959,713**
Collective impairment allowance		(18,527)	(18,527)		(18,384)	(18,384)
Total net loans and receivables from customers			**983,425**			**941,329**

Certain loan portfolio's financial ratios

	EUR 000's			
	31/12/2015 Group	**31/12/2014 Group**	**31/12/2015 Bank**	**31/12/2014 Bank**
Non-performing loans ratio[1)]	10.8%	12.1%	11.0%	11.6%
Non-performing loans coverage ratio[2)]	66.2%	63.0%	63.6%	59.5%
90 days past due ratio[3)]	4.8%	6.8%	4.3%	6.3%
90 days past due coverage ratio[4)]	148%	111%	163%	110%

1) Non-performing loans ratio is calculated as non-performing loans divided by total gross loans and receivables from customers as at the end of the relevant period. Non-performing loans are defined as total gross loans and receivables from customers that are 90 days or more overdue or that are specifically impaired as at the end of the relevant period.

2) Non-performing loans coverage ratio is calculated as total allowance for impairment for loans and receivables from customers at

the end of the relevant period, divided by gross non-performing loans, as at the end of the relevant period.

3) 90 days past due ratio is calculated as the percentage of total gross loans and receivables from customers that are 90 or more days overdue as at the end of the relevant period.

4) 90 days past due coverage ratio is calculated as total allowance for loan impairment, divided by total gross loans and receivables from customers that are 90 or more days overdue, each as at the end of the relevant period.

NOTE 17. LEASES

The following table represents finance leases by type of assets:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Transport vehicles	89,727	68,691	24	42
Manufacturing equipment	20,833	15,002	-	-
Real estate	4,459	5,899	-	-
Other	19,436	13,546	-	-
Total present value of finance lease payments, excluding impairment	**134,455**	**103,138**	**24**	**42**
Impairment allowance	(9,453)	(8,016)	-	(1)
Net present value of finance lease payments	**125,002**	**95,122**	**24**	**41**

The following table represents reconciliation between the gross investment in the finance leases and the present value of minimum lease payments receivable:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Gross investment in finance leases receivable:				
within 1 year	57,471	21,654	-	-
later than 1 year and no later than in 5 years	86,814	89,450	24	46
later than in 5 years	1,819	1,087	-	-
Total gross investment in finance leases	**146,104**	**112,191**	**24**	**46**
Unearned finance income receivable:				
within 1 year	5,541	2,642	-	-
later than 1 year and no later than in 5 years	6,101	6,374	-	4
later than in 5 years	7	37	-	-
Total	**11,649**	**9,053**	**-**	**4**
Present value of minimum lease payments receivable:				
within 1 year	51,930	19,012	-	-
later than 1 year and no later than in 5 years	80,713	83,075	24	42
later than in 5 years	1,812	1,050	-	-
Total	**134,455**	**103,138**	**24**	**42**

NOTE 18. PROPERTY AND EQUIPMENT

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Leasehold improvements	179	283	179	283
Land and buildings	38,978	39,121	926	924
Transport vehicles	623	659	288	261
Other	3,284	2,447	2,962	2,182
Total excluding prepayments	**43,064**	**42,510**	**4,355**	**3,650**
Prepayments for property and equipment	47	15	38	1
Total net book value of property and equipment	**43,111**	**42,525**	**4,393**	**3,651**

Changes in the Group's property and equipment excluding prepayments:

	Leasehold improvements	Land and buildings	Transport vehicles	Other	Total excluding prepayments
	EUR 000's				
Historical cost					
As at 31 December 2013	**5,282**	**71,186**	**1,767**	**31,690**	**109,925**
Additions	70	58	440	1,303	1,871
Disposals	(565)	-	(161)	(2,865)	(3,591)
As at 31 December 2014	**4,787**	**71,244**	**2,046**	**30,128**	**108,205**
Additions	79	26	184	2,040	2,329
Disposals	(206)	(128)	(257)	(1,788)	(2,379)
As at 31 December 2015	**4,660**	**71,142**	**1,973**	**30,380**	**108,155**
Accumulated depreciation					
As at 31 December 2013	**4,902**	**14,380**	**1,287**	**28,449**	**49,018**
Charge for the year	167	1,882	166	1,703	3,918
Impairment release/(charge) (as restated)	-	680	-	-	680
Reversal due to disposals	(565)	-	(125)	(2,787)	(3,477)
As at 31 December 2014	**4,504**	**16,942**	**1,328**	**27,365**	**50,139**
Charge for the year	109	1,982	198	1,038	3,327
Impairment release/(charge)	-	566	-	-	566
Reversal due to disposals	(132)	(97)	(222)	(1,680)	(2,131)
As at 31 December 2015	**4,481**	**19,393**	**1,304**	**26,723**	**51,901**
Impairment allowance					
As at 31 December 2013	**-**	**(18,091)**	**-**	**-**	**(18,091)**
Net reversal and write-offs	-	2,910	(59)	(316)	2,535
As at 31 December 2014	**-**	**(15,181)**	**(59)**	**(316)**	**(15,556)**
Net reversal and write-offs	-	2,410	13	(57)	2,366
As at 31 December 2015	**-**	**(12,771)**	**(46)**	**(373)**	**(13,190)**
Net book value (incl. impairment allowance)					
As at 31 December 2013	**380**	**38,715**	**480**	**3,241**	**42,816**
As at 31 December 2014	**283**	**39,121**	**659**	**2,447**	**42,510**
As at 31 December 2015	**179**	**38,978**	**623**	**3,284**	**43,064**

Impairment allowance for Group's land and buildings is calculated internally as the value which is determined as discounted expected future cash flow generated by the property adjusted for capital expenditure. Key assumptions are discount rate (2015:9.5% and 2014: 9.5%) and expected net cash flows generated by the property. If discount rate would change by +/-100 basis points the carrying value of the property would change by EUR -4.1 million and EUR +5.4 million respectively (2014: EUR -4.1 million and EUR +5.4 million). If net cash flows adjusted for capital expenses would change by +/-10% the carrying value of the property would change by EUR +/-3.8 million (2014: EUR +/-3.6 million).

Changes in the Bank's property and equipment excluding prepayments:

	Leasehold Improvements	Land and buildings	Transport vehicles	Other	Total excluding prepayments
	EUR 000's				
Historical cost					
As at 31 December 2013	**5,282**	**1,213**	**1,185**	**22,700**	**30,380**
Additions	70	-	110	1,096	1,276
Disposals	(565)	-	(4)	(2,183)	(2,752)
As at 31 December 2014	**4,787**	**1,213**	**1,291**	**21,613**	**28,904**
Additions	79	26	143	1,701	1,949
Disposals	(206)	-	(86)	(1,557)	(1,849)
As at 31 December 2015	**4,660**	**1,239**	**1,348**	**21,757**	**29,004**
Accumulated depreciation					
As at 31 December 2013	**4,902**	**265**	**947**	**20,874**	**26,988**
Charge for the year	167	24	85	715	991
Reversal due to disposals	(565)	-	(2)	(2,158)	(2,725)
As at 31 December 2014	**4,504**	**289**	**1,030**	**19,431**	**25,254**
Charge for the year	110	24	112	920	1,166
Reversal due to disposals	(133)	-	(82)	(1,556)	(1,771)
As at 31 December 2015	**4,481**	**313**	**1,060**	**18,795**	**24,649**
Net book value					
As at 31 December 2013	**380**	**948**	**238**	**1,826**	**3,392**
As at 31 December 2014	**283**	**924**	**261**	**2,182**	**3,650**
As at 31 December 2015	**179**	**926**	**288**	**2,962**	**4,355**

NOTE 19. INTANGIBLE ASSETS

	EUR 000's			
	31/12/2015 Group	**31/12/2014 Group**	**31/12/2015 Bank**	**31/12/2014 Bank**
Software	2,113	1,005	1,969	830
Other intangible assets	109	134	64	77
Total excluding prepayments	**2,222**	**1,139**	**2,033**	**907**
Prepayments for intangible assets	316	569	180	549
Total net book value of intangible assets	**2,538**	**1,708**	**2,213**	**1,456**

Movements in the Group's intangible assets excluding prepayments:

	EUR 000's		
	Software	**Other intangible assets**	**Total excluding prepayments**
Historical cost			
As at 31 December 2013	**15,070**	**3,346**	**18,416**
Additions	299	207	506
Disposals	(232)	(2,361)	(2,593)
As at 31 December 2014	**15,137**	**1,192**	**16,329**
Additions	1,803	19	1,822
Disposals	(172)	(53)	(225)
As at 31 December 2015	**16,768**	**1,158**	**17,926**
Accumulated amortisation			
As at 31 December 2013	**13,153**	**3,065**	**16,218**
Charge for the year	487	103	590
Reversal due to disposals	(232)	(2,238)	(2,470)
As at 31 December 2014	**13,408**	**930**	**14,338**
Charge for the year	621	42	663
Impairment release/(charge)	248	-	248
Reversal due to disposals	(130)	(31)	(161)
As at 31 December 2015	**14,147**	**941**	**15,088**
Impairment allowance			
As at 31 December 2013	**(868)**	**-**	**(868)**
Write-offs	248	-	248
Net impairment	(104)	(128)	(232)
As at 31 December 2014	**(724)**	**(128)**	**(852)**
Write-offs	276	22	298
Net impairment	(60)	(2)	(62)
As at 31 December 2015	**(508)**	**(108)**	**(616)**
Net book value (incl. impairment allowance)			
As at 31 December 2013	**1,049**	**281**	**1,330**
As at 31 December 2014	**1,005**	**134**	**1,139**
As at 31 December 2015	**2,113**	**109**	**2,222**

Lithuanian banking business at the consolidated level is considered a separate cash generating unit. For fair value calculation of the cash generating unit estimate, the same model is used as for the investment in AB Citadele bankas impairment calculation. For details of the calculation please refer to Note 20 (*Investments in Subsidiaries and Business Combinations*). The calculation shows that the cash generating unit is impaired, thus Lithuanian banking business' non-financial assets for which observable market value is not available have been impaired; these are all intangible assets and certain property and equipment.

Movements in the Bank's intangible assets excluding prepayments:

	EUR 000's		
	Software	Other intangible assets	Total excluding prepayments
Historical cost			
As at 31 December 2013	**13,655**	**74**	**13,729**
Additions	148	34	182
Disposals	(106)	-	(106)
As at 31 December 2014	**13,697**	**108**	**13,805**
Additions	1,631	17	1,648
Disposals	(4)	-	(4)
As at 31 December 2015	**15,324**	**125**	**15,449**
Accumulated amortisation			
As at 31 December 2013	**11,993**	**20**	**12,013**
Charge for the year	359	11	370
Reversal due to disposals	(105)	-	(105)
As at 31 December 2014	**12,247**	**31**	**12,278**
Charge for the year	493	31	524
Impairment release/(charge)	248	-	248
Reversal due to disposals	(4)	(2)	(6)
As at 31 December 2015	**12,984**	**60**	**13,044**
Impairment allowance			
As at 31 December 2013	**(868)**	**-**	**(868)**
Write-offs	248	-	248
As at 31 December 2014	**(620)**	**-**	**(620)**
Write-offs	248	-	248
As at 31 December 2015	**(372)**	**-**	**(372)**
Net book value (incl. impairment allowance)			
As at 31 December 2013	**794**	**54**	**848**
As at 31 December 2014	**830**	**77**	**907**
As at 31 December 2015	**1,969**	**64**	**2,033**

NOTE 20. INVESTMENTS IN SUBSIDIARIES AND BUSINESS COMBINATIONS

Changes in the Bank's investments in subsidiaries may be specified as follows:

	EUR 000's	
	31/12/2015	31/12/2014
Balance at the beginning of the period	**61,605**	**62,841**
Establishment of new subsidiaries	-	8
Equity investments in existing subsidiaries	1	1,025
Impairment, net	(26)	(2,269)
Balance at the end of the period	**61,580**	**61,605**

Based on the forecasted performance of the repossessed asset management companies, share capital in some of the respective subsidiaries was impaired (net) by EUR 26 thousand in 2015 and by EUR 1,023 thousand in 2014. In 2014, the Bank established SIA Hortus NI, SIA Hortus R", and SIA Hortus BR and increased share capital in several previously established subsidiaries, to continue effective management of repossessed assets. Also in 2014 the management of the Bank concluded that there is evidence of impairment of investment in AB Citadele bankas and a further impairment allowance of EUR 1,246 thousand was recognised.

On 6 August 2015 UAB Citadele investiciju valdymas was formally liquidated as the company had no ongoing operations. On 25 March 2015 OOO Citadele Asset Management Ukraina legal name was changed to OOO Mizush Asset Management Ukraine. On 22 December 2014 legal names of IPAS CBL Asset Management (former legal name IPAS Citadele Asset Management), AS CBL atklātais pensiju fonds (former legal name AS Citadele atklātais pensiju fonds), and AAS CBL Life (former legal name AAS Citadele Life) were changed. The purpose of the new name is to strengthen the companies' international reputation while maintaining links to the Citadele Bank and its name. "CBL" is an abbreviation of "Citadele Bank Latvia".

As at 31 December 2015 and 2014 the Bank held the following direct and indirect investments which are consolidated:

Company	Country of registration	Business profile	31/12/2015 Share capital EUR 000's	31/12/2015 The Group's share (%)	31/12/2015 % of total voting rights	31/12/2014 Share capital EUR 000's	31/12/2014 The Group's share (%)	31/12/2014 % of total voting rights	Carrying value EUR 000's 31/12/2015	Carrying value EUR 000's 31/12/2014
AB Citadele bankas	Lithuania	Banking	43,112	100	100	43,115	100	100	40,025	40,027
AP Anlage & Privatbank AG	Switzerland	Banking	8,317	100	100	8,317	100	100	13,805	13,805
SIA Citadele Līzings un Faktorings	Latvia	Leasing	19,351	100	100	19,351	100	100	709	709
OU Citadele Leasing & Factoring	Estonia	Finance	500	100	100	500	100	100	445	445
UAB Citadele faktoringas ir lizingas	Lithuania	Finance	434	100	100	434	100	100	-	-
IPAS CBL Asset Management	Latvia	Finance	5,905	100	100	5,905	100	100	5,906	5,906
AS CBL Atklātais Pensiju Fonds	Latvia	Pension fund	640	100	100	640	100	100	646	646
AAS CBL Life	Latvia	Life insurance	4,269	100	100	4,269	100	100	-	-
SIA E&P Baltic Properties	Latvia	Finance	28	50	50	28	50	50	-	-
SIA PR Speciālie Projekti	Latvia	Misc.*	3	100	100	3	100	100	-	-
Calenia Investments Limited	Cyprus	Misc.*	2	100	100	2	100	100	-	-
OOO Mizush Asset Management Ukraina	Ukraine	Finance	618	100	100	758	100	100	-	-
UAB Citadele Investiciju Valdymas	Lithuania	Finance	-	-	-	1,037	100	100	-	-
SIA Citadele Express Kredīts	Latvia	Leasing	45	100	100	45	100	100	38	38
SIA Rīgas Pirmā Garāža	Latvia	Real estate rent and management	19,372	100	100	19,372	100	100	-	-
SIA RPG Interjers	Latvia	Misc.*	1,355	100	100	1,355	100	100	-	-
SIA Hortus Commercial	Latvia	Misc.*	3	100	100	3	100	100	-	-
SIA Hortus Land	Latvia	Misc.*	3	100	100	3	100	100	-	-
SIA Hortus TC	Latvia	Misc.*	428	100	100	428	100	100	3	23
SIA Hortus Residential	Latvia	Misc.*	203	100	100	203	100	100	-	-
SIA Hortus LH	Latvia	Misc.*	3	100	100	3	100	100	2	2
SIA Hortus MD	Latvia	Misc.*	3	100	100	3	100	100	-	-
SIA Hortus JU	Latvia	Misc.*	3	100	100	3	100	100	-	-
SIA Hortus RE	Latvia	Misc.*	3	100	100	3	100	100	1	2
SIA Hortus BR	Latvia	Misc.*	403	100	100	403	100	100	-	-
SIA Hortus NI	Latvia	Misc.*	3	100	100	3	100	100	-	2
Total investments in subsidiaries									**61,580**	**61,605**

* Misc. – the companies are providing various support services.

Carrying value of investment in subsidiary SIA Rīgas Pirmā Garāža depends directly on the value of the major assets of the company, being the office building and furniture therein, which in the Group's consolidated accounts are accounted for as property and equipment. For impairment assessment methodology of Group's property and equipment refer to Note 18.

Carrying value of investment in AB Citadele bankas is based on a model where expected free equity distributable to shareholders is estimated. The key assumptions of the model are discount rate (2015: 18% and 2014: 15.5%), minimum target capital adequacy ratio and future profitability of the operations of the entity. Changing applied discount rate by +/-100 basis points would result in EUR -2.1 million loss or EUR 2.4 million gain respectively (2014: EUR-2.3 million loss or EUR 2.7 million gain); adjusting minimum target capital adequacy ratio by +/-100 basis points would result in EUR -4.2 million loss or EUR 4.2 million gain (2014: EUR-3.8 million loss or EUR3.7 million gain); fluctuation in forecasted profitability by +/-10% would result in EUR -4.1 million gain or EUR 4.1 million loss (2014: EUR 3.5 million gain or EUR -3.5 million loss).

NOTE 21. OTHER ASSETS

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Deposits with card payment system companies	12,653	11,554	12,653	11,554
Money in transit	5,190	28,118	4,309	27,579
Prepayments	3,371	2,416	1,443	1,426
Other assets *	15,139	16,269	6,459	6,514
Total gross other assets	**36,353**	**58,357**	**24,864**	**47,073**
Impairment allowance	(4,138)	(4,194)	(3,531)	(3,469)
Total net other assets	**32,215**	**54,163**	**21,333**	**43,604**

* As at 31 December 2015, gross amount of the Group's other assets with delays was EUR nil thousand (2014: EUR 317 thousand) of which nil were fully impaired (2014: EUR 317thousand). The Bank did not have any other assets with delays (2014: EUR nil). As at 31 December 2015, the Group's and the Bank's gross amount of other assets which mostly related to overdue amount collection expenditure amounted to EUR 5,898 thousand (2014: EUR 4,686 thousand) and EUR 5,046 thousand (2014: EUR 3,590 thousand), respectively. These amounts carried impairment allowances of EUR 3,816 thousand for the Group (2014: EUR 4,149 thousand) and EUR 3,531 thousand for the Bank (2014: EUR 3,469 thousand), respectively.

NOTE 22. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement in Group's financial liabilities designed at fair value through profit or loss:

	EUR 000's			
	2015 Unit-linked	2015 Other	2014 Unit-linked	2014 Other
Balance as at the beginning of the period	**12,784**	**11,810**	**8,667**	**7,959**
Premiums received	8,253	3,503	5,129	4,482
Commissions and risk charges	(436)	(298)	(319)	(307)
Paid to policyholders	(1,602)	(815)	(859)	(568)
Dividends received	2	-	1	-
Securities fair value revaluation result	-	-	1	-
Other	-	360	-	229
Currency revaluation result	340	14	164	15
Balance as at the end of the period	**19,341**	**14,574**	**12,784**	**11,810**

In 2015 from financial liabilities designated at fair value through profit or loss which are not unit-linked the Group has recognised net revaluation result of EUR -86 thousand in the statement of income (2014: EUR nil thousand). Most of the insurance business the Group is involved in relates to investment contracts rather than insurance risk, therefore, premiums received are recognised as liabilities of the Group since settlement in due course is expected. The amount of insurance risk generated by the Group currently is immaterial and, therefore, not further disclosed in detail in these financial statements.

NOTE 23. BALANCES DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Due to credit institutions registered in OECD countries	35	-	22,943	27,321
Due to credit institutions registered in Latvia	39,463	24,434	39,463	24,434
Due to credit institutions registered in other non-OECD countries	2,137	602	25,372	65,242
Total balances due to credit institutions and central banks	**41,635**	**25,036**	**87,778**	**116,997**

NOTE 24. DEPOSITS FROM CUSTOMERS

Deposits from customers according to customer profile:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Privately held companies	1,180,403	1,198,017	850,492	825,905
Private individuals	1,072,706	1,005,630	860,243	801,983
Financial institutions	129,796	144,406	144,397	156,198
State and municipality owned enterprises	103,370	127,939	102,404	126,589
Municipalities	10,853	20,303	10,853	20,303
Public and religious institutions	66,458	12,620	64,432	10,605
Government	6,039	8,192	4,528	7,168
Total deposits from customers	**2,569,625**	**2,517,107**	**2,037,349**	**1,948,751**

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Demand deposits	1,872,294	1,897,101	1,510,265	1,460,857
Term deposits:				
due within 1 month	242,254	149,450	196,598	118,034
due within 1-3 months	71,325	85,732	49,133	61,120
due within 3-6 months	71,045	91,548	37,761	61,574
due within 6-12 months	164,814	176,260	118,433	139,941
due within 1-5 years	141,597	108,885	121,718	101,138
due in more than 5 years	6,296	8,131	3,441	6,087
Total term deposits	697,331	620,006	527,084	487,894
Total deposits from customers	**2,569,625**	**2,517,107**	**2,037,349**	**1,948,751**

As at 31 December 2015 and 31 December 2014 the largest Bank's exposure with single group of connected parties did not exceed 5% of the total deposit portfolio.

NOTE 25. OTHER LIABILITIES

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Accrued expense	14,702	12,001	11,772	9,129
Suspense liabilities and money in transit	2,882	5,643	2,573	2,587
Amounts due to suppliers	3,246	743	2,811	243
Deferred income	231	140	-	-
Other liabilities	4,202	4,955	963	2,494
Total other liabilities	**25,263**	**23,482**	**18,119**	**14,453**

Suspense liabilities comprise funds received by the Group and the Bank as at year end, but not yet transferred to ultimate beneficiaries due to unclear or incomplete details of the supporting documentation.

NOTE 26. SUBORDINATED LIABILITIES

On 20 April 2015 a portion of subordinated liabilities amounting to EUR 18.4 million was repaid to Latvian Privatisation Agency and EUR 11.2 million subordinated liabilities transferred from Latvian Privatisation agency to European Bank for Reconstruction and Development (EBRD). The maturity of the outstanding subordinated liabilities to EBRD was extended to 2020. The Group's and Bank's capitalisation was positively affected by changes in the subordinated liabilities and the increase in the Bank's share capital. For more details on capital refer to *Capital management* section of Note 34 (*Risk Management*).

Details of the Group's and the Bank's subordinated liabilities as at 31 December 2015:

Counterparty	Currency	Interest rate	Maturity date	Principal (EUR 000's)	Amortised cost (EUR 000's)
Privatisation Agency	EUR	7.05%	20/12/2017	34,728	35,701
EBRD	EUR	8.35%	08/08/2020	18,400	19,014
					54,715

Details of the Group's and the Bank's subordinated liabilities as at 31 December 2014:

Counterparty	Currency	Interest rate	Maturity date	Principal (EUR 000's)	Amortised cost (EUR 000's)
Privatisation Agency	EUR	7.13%	20/12/2017	53,128	54,702
Privatisation Agency	EUR	7.13%	08/08/2016	11,208	11,537
EBRD	EUR	7.13%	08/08/2016	7,195	7,357
					73,596

NOTE 27. SHARE CAPITAL

As at 31 December 2015, the Bank's registered and paid-in share capital was EUR 156,556 thousand (2014: EUR 146,556 thousand). All shares as at 31 December 2015 and 31 December 2014 were issued and fully paid. As at 31 December 2015 and 31 December 2014, the Bank did not possess any of its own shares. No dividends were proposed and paid during the year ended 31 December 2015 or 2014.

In October 2015 in anticipation of IPO which subsequently was postponed, Citadele re-designated its share capital into three separate categories of shares; the table sets out shareholdings of the shareholders, nominal per share, voting rights and dividend entitlement after re-designation and as at 31 December 2015.

Ordinary share category	Number of shares				Nominal value per share (EUR)	Total equity allocated (EUR)	Voting rights per share	Dividend rights per share
	EBRD	RA Citadele Holdings LLC	Other*	Total				
A	391,388	350,824	823,344	1,565,556	20.00	31,311,120	200	1
B	38,747,560	34,731,478	81,511,202	154,990,240	0.10	15,499,024	1	1
C	-	32,790,269	76,955,383	109,745,652	1.00	109,745,652	-	-
					Total	**156,555,796**		

* These shares are owned by an international group of twelve investors.

Ordinary A shares and ordinary B shares have equal rights to share in Citadele's assets on a liquidation (liquidation quota); but ordinary C share rights to liquidation quota are limited to receive EUR 0.10 for each C share and these rights can be exercised only in case if each A share and each B share holder has received liquidation quota in amount of EUR 10 million for each paid ordinary A share and/or ordinary B share on a winding up. Such structure is valid until 1 March 2016 unless the Shareholders Meeting resolves otherwise before 1 March 2016. In such case the structure would be reverted back to previous single class share capital structure with nominal of each single class share in the amount of 1 EUR, and each single class share would have one voting right equal to dividend rights and equal liquidation quota.

On 16 September 2014 following a tender process, the Latvian government decided to sell its 75% less 1 share stake in Citadele to RA Citadele Holdings LLC (United States), an entity wholly owned by Ripplewood Advisors LLC (Ripplewood), and an international group of twelve investors. VAS Privatizācijas aģentūra (Latvian Privatisation Agency) signed the agreement on 5 November 2014. The transaction was closed on 20 April 2015. Regulatory approvals have been received from the European Central Bank, as well as the banking regulators in Lithuania and Switzerland. The European Bank for Reconstruction and Development (EBRD) retained its stake in Citadele. Immediately upon acquisition, the new shareholders and the EBRD increased the Citadele Bank's share capital by EUR 10 million (10 million shares at par value of 1 EUR per share). After the increase, the Bank's share capital is EUR 156.6 million where EBRD's stake is 25% less 1 share. After the change in ownership there is no singe majority beneficial owner of the Group and Bank.

NOTE 28. OFF-BALANCE SHEET ITEMS

Off-balance sheet items comprise contingent liabilities, financial commitments, foreign exchange contracts and derivative financial instruments. The following table provides a specification of contingent liabilities (showing maximum amount payable) and financial commitments outstanding as at 31 December 2015 and 2014.

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Contingent liabilities:				
Outstanding guarantees	38,517	58,185	34,242	54,512
Outstanding letters of credit	-	32	-	32
Total contingent liabilities	**38,517**	**58,217**	**34,242**	**54,544**
Financial commitments:				
Loans granted, not fully drawn down	41,669	33,390	32,820	26,536
Unutilised credit lines and overdraft facilities	47,267	49,868	69,110	83,341
Credit card commitments	86,853	85,388	74,251	72,529
Bank placement commitments	2,332	-	-	10,000
Total financial commitments	**178,121**	**168,646**	**176,181**	**192,406**

The following table presents the notional amounts and fair values of foreign exchange contracts and derivative financial instruments.

Group:

	Notional amount EUR 000's		Fair value EUR 000's			
	31/12/2015	31/12/2014	31/12/2015		31/12/2014	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Forwards	68,049	47,142	595	(91)	534	(420)
Swaps	610,854	400,854	4,311	(1,810)	5,395	(1,227)
Total foreign exchange contracts	**678,904**	**447,996**	**4,907**	**(1,901)**	**5,929**	**(1,647)**
Derivative financial instruments	**678,904**	**447,996**	**4,907**	**(1,901)**	**5,929**	**(1,647)**

Bank:

	Notional amount EUR 000's		Fair value EUR 000's			
	31/12/2015	31/12/2014	31/12/2015		31/12/2014	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Forwards	66,880	46,351	592	(87)	522	(417)
Swaps	621,887	437,165	4,368	(1,810)	5,441	(3,150)
Total foreign exchange contracts	**688,767**	**483,516**	**4,960**	**(1,897)**	**5,963**	**(3,567)**
Derivative financial instruments	**688,767**	**483,516**	**4,960**	**(1,897)**	**5,963**	**(3,567)**

The Group's banks use derivative foreign exchange instruments to manage their currency positions, which arise also due to derivative foreign exchange contracts concluded with the banks' clients. Before entering into derivative foreign currency agreement with private individual or company, the Group's entities assess the counterparty's ability to meet the contractual provisions. As at 31 December 2015, more than 74% (2014: 52%) of the fair value of derivative assets on foreign exchange contracts is attributable to credit and finance institutions. As at 31 December 2015, none (2014: nil) of the payments receivable arising out of derivative transactions was past due.

NOTE 29. FUNDS UNDER TRUST MANAGEMENT

The table below provides analysis of the fair value of funds managed on behalf of customers by investment type:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Fixed income securities:				
Government bonds	158,013	155,495	-	-
Credit institution bonds	30,086	35,755	-	-
Corporate bonds	75,257	71,723	-	-
Foreign municipality bonds	1,750	1,694	-	-
Other financial institution bonds	5,347	1,590	-	-
Total investments in fixed income securities	**270,453**	**266,257**	**-**	**-**
Other investments:				
Investment funds	273,033	227,219	6,733	7,167
Deposits with credit institutions	25,999	32,808	1,956	1,523
Shares	21,131	15,515	-	-
Real estate	4,269	9,189	-	-
Loans	54,698	53,611	54,698	44,488
Other	32,901	43,684	-	-
Total other investments	**412,031**	**382,026**	**63,387**	**53,178**
Total assets under trust management agreements	**682,484**	**648,283**	**63,387**	**53,178**

The table below provides an analysis of the customer profile on whose behalf the funds are managed:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Pension Plans	332,274	295,497	-	-
Insurance companies, investment and pension funds	117,347	98,568	-	-
Other companies	178,926	200,854	63,387	53,178
Private individuals	53,937	53,364		-
Total liabilities under trust management agreements	**682,484**	**648,283**	**63,387**	**53,178**

NOTE 30. FINANCIAL ASSETS PLEDGED

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Due from credit institutions and central banks	7,158	6,637	5,028	3,752
Loans to customers	1,341	2,338	731	1,808
Fixed income securities	30,115	18,531	30,115	14,802
Other assets	12,822	11,774	12,750	11,713
Total financial assets pledged	**51,436**	**39,280**	**48,624**	**32,075**
Total liabilities secured by pledged financial assets	**-**	**-**	**-**	**-**

All pledged amounts consist of several placements to secure various Bank's and Group's transactions in the ordinary course of business.

NOTE 31. CASH AND CASH EQUIVALENTS

The table below provides a breakdown of cash and cash equivalents as at 31 December 2015 and 31 December 2014:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Cash and deposits with central banks	555,078	225,399	348,960	142,650
Deposits with other credit institutions*	168,457	158,583	292,973	347,232
Demand deposits due to credit institutions and central banks	(13,894)	(14,971)	(24,617)	(70,657)
Total cash and cash equivalents	**709,641**	**369,011**	**617,316**	**419,225**

* Deposits include term facilities with initial agreement term of 3 months or less.

NOTE 32. LITIGATIONS AND CLAIMS

In the ordinary course of business, the Bank and Group either as claimant, defendant or a third party are involved in a number of legal proceedings against customers and other counterparties, in Latvia and abroad, including among other matters proceedings to seek to recover collateral or outstanding balances, as well as related interest and expenses from defaulted credit customers and interbank counterparties .

The management of the Bank believes that any legal proceedings pending as at 31 December 2015 will not result in material losses for the Group in addition to amounts already provided for in these financial statements.

NOTE 33. RELATED PARTIES

Related parties are defined as shareholders who have significant influence over the Group, members of the Supervisory Board and Management Board, key Management personnel, their close relatives and companies in which they have a controlling interest as well as the Group's subsidiaries and associated companies. For the purpose of this disclosure, the key management of the Group's companies and the Bank and their related companies are stated in one line, accordingly. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions, except that in the case of the below described advisory services agreement with Ripplewood Advisors LLC, where such assessment was not performed.

On 20 April 2015 the composition of related parties of the Group changed significantly. As described in 0 (
1/

Share Capital) on that date RA Citadele Holdings LLC (United States) and an international group of twelve investors acquired shares previously owned by VAS Privatisation Agency of the Republic of Latvia. Since then transactions with parties affiliated with Privatisation Agency, including Latvian state and municipal institutions, are not considered related party transactions.

Outstanding balances and terms of the Group's and the Bank's transactions with related parties which are not affiliated with the former shareholder VAS Privatisation Agency, which were related parties at respective dates:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Credit exposures to other related parties, net				
Loans and receivables from customers and balances due from credit institutions, net				
- Management	418	337	155	104
- Consolidated subsidiaries	-	-	309,461	194,253
Derivatives	-	-	55	52
Investments in subsidiaries, net	-	-	61,580	61,605
Financial commitments and guarantees outstanding	70	125	29,756	52,152
Total credit exposures to other related parties, net	**488**	**462**	**401,007**	**308,166**
Liabilities to other related parties				
Deposits from customers and balances due to credit institutions				
- Management	875	555	468	212
- Consolidated subsidiaries	-	-	29,631	82,336
Subordinated liabilities (EBRD)	18,995	7,357	18,995	7,357
Derivatives	-	-	-	1,935
Total liabilities to other related parties	**19,870**	**7,912**	**49,094**	**91,840**

As at 31 December 2015 the impairment allowance recognised on loans and receivables from consolidated subsidiaries relates to subsidiaries which are engaged in managing properties that are bought in auctions as a result of foreclosure processes undertaken by Group's companies. The ultimate recoverability of loans issued to these subsidiaries depends on the holding period and sales price of the properties in the portfolio.

The Bank has entered into the Advisory Services Agreement with Ripplewood Advisors LLC, where Ripplewood would be paid EUR 2 million per annum for services rendered to Citadele Group. Examples of these advisory services include business plan development, risk management, capital allocation, strategic analysis, operating efficiency, human resource management and similar.

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Interest income	5	5	3,375	4,069
Interest expense	(1,284)	(569)	(2,096)	(832)
Loss on transactions with financial instruments, net	-	-	(1,642)	(179)
Dividends received from consolidated subsidiaries	-	-	238	1,690
Other income	13	13	2,775	2,850
Other expense	(2)	(2)	(10)	(34)

During 2015 Bank's administrative expense with related parties amounted to EUR 5.6 million (2014: EUR 3.4 million). This mostly relates to rent and utility fees paid to group's companies and Advisory Service Agreement fee. Banks fee and commission income from related parties in 2015 was EUR 1.4 million (2014: EUR 2.0 million) and commission and fee expense EUR 31 thousand (2014: EUR 10 thousand).

NOTE 34. RISK MANAGEMENT

Risk management polices

Risk management principles are set out in Group's Risk Management Policy. The Group adheres to the following key risk management principles:

- The Group aims to ensure low risk exposure, diversified asset portfolio, limited risks in financial markets and low level of operational risk;
- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to the expected return. Risk exposures that are not acceptable for the Group are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide. Risks should be diversified and those risks that are quantifiable should be limited or hedged;
- The Group pursues prudent risk management policy, that is aligned with the Group' business and ensures effective total risk mitigation;
- Risk management is based on awareness of each and every Group's employee about and responsibility for the nature of transactions he/she carries out and related risks;
- Risk limit system and strict controls are essential risk management elements. Control of risk level and compliance with limits is ensured by structured risk limit systems for all material risks.

Risk management is an essential element of the Group's management process. Risk management within the Group is controlled by independent unit – Risk and Compliance Sector.

The Group is exposed to the following main risks: credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. The Group has approved risk management policies for each of these risks, which are briefly summarised below.

Credit risk

Credit risk is the risk that the Group will incur a loss from debtor's non-performance or default. The Group is exposed to credit risk in its lending, investing and transaction activities, as well as in respect to the guarantees issued to third parties and other off-balance sheet commitments to third parties.

Credit risk management is based on adequate risk assessment and decision-making. For material risks, risk analysis is conducted by independent unit of Risk and Compliance Sector. The analysis of credit risk comprises evaluation of customer's creditworthiness and collateral and its liquidity. The analysis of creditworthiness of a legal entity includes the analysis of industry, the company, its credit history and its current and forecasted financial position. The analysis of creditworthiness of an individual includes the analysis of the customer's credit history, income and debt-to-income ratio analysis, as well as the analysis of social and demographic factors. In the event of material risks, lending decision is made by the Credit Committee, and further reviewed by the Bank's Management Board. For securities Group analyses factors such as business profile and financial performance of the issuer, credit ratings assigned by international rating agencies, market based indicators such as bond credit spreads and stock performance.

After a loan is issued or a security acquired, customers' financial position and issuers' risk indicators are monitored on a regular basis in order to timely identify potential credit losses.

To limit its credit risk, the Group has set the following concentration limits: individual counterparty and issuer limits, maximum exposure limit linked to a particular risk class of counterparty/issuer, limit for risk weighted exposures in a particular country/sector combination, limit for group of mutually related customers, limit for large risk exposures, limit for the Group's related parties, an industry limit, limit by customer type, loan product, and collateral type.

The Group reviews its loan portfolio and securities portfolio on a regular basis to assess its quality and concentrations, as well as to evaluate the portfolio trends.

Group's derivative exposures relate to short term derivatives that do not expose the Group to material credit risk and none of the derivative exposures are overdue.

Credit risk identification, monitoring and reporting is the responsibility of Risk and Compliance Sector.

Group's loan portfolio delinquencies:

	EUR 000's 31/12/2015							
	Regular loans	Utilised credit lines	Finance leases	Debit balances on settlement cards	Overdraft facilities	Factoring	Due from investment counterparties	Total
Not delayed - not impaired	789,476	107,055	109,762	46,838	19,298	3,727	2,178	1,078,334
Not delayed - impaired	50,549	2,877	4,370	-	-	-	1,467	59,263
Total not delayed loans	**840,025**	**109,932**	**114,132**	**46,838**	**19,298**	**3,727**	**3,645**	**1,137,597**
Past due loans - not impaired								
Delayed days:								
=< 29	20,361	939	8,161	1,428	78	1,032	-	31,999
30-59	7,629	628	4,090	438	2	25	-	12,812
60-89	2,012	54	997	175	9	-	-	3,247
90 and more	7,384	615	906	275	438	-	-	9,618
Total past due loans - not impaired	**37,386**	**2,236**	**14,154**	**2,316**	**527**	**1,057**	**-**	**57,676**
Total past due loans - impaired	**46,605**	**8,767**	**6,169**	**5,175**	**118**	**413**	**-**	**67,247**
Total gross loans and receivables from customers	**924,016**	**120,935**	**134,455**	**54,329**	**19,943**	**5,197**	**3,645**	**1,262,520**
Impairment allowance	(58,981)	(11,704)	(9,462)	(7,542)	(741)	(478)	(1,267)	(90,175)
Total net loans and receivables from customers	**865,035**	**109,231**	**124,993**	**46,787**	**19,202**	**4,719**	**2,378**	**1,172,345**

	EUR 000's 31/12/2014							
	Regular loans	Utilised credit lines	Finance leases	Debit balances on settlement cards	Overdraft facilities	Factoring	Due from investment counterparties	Total
Not delayed - not impaired	715,768	106,090	88,590	48,194	13,597	1,376	3,055	976,670
Not delayed - impaired	39,065	1,704	885	-	71	-	1,665	43,390
Total not delayed loans	**754,833**	**107,794**	**89,475**	**48,194**	**13,668**	**1,376**	**4,720**	**1,020,060**
Past due loans - not impaired								
Delayed days:								
=< 29	23,761	482	4,742	1,538	1	-	-	30,524
30-59	8,330	572	2,943	473	-	-	-	12,318
60-89	3,294	-	565	212	-	-	-	4,071
90 and more	14,982	-	290	415	-	-	-	15,687
Total past due loans - not impaired	**50,367**	**1,054**	**8,540**	**2,638**	**1**	**-**	**-**	**62,600**
Total past due loans - impaired	**46,494**	**23,266**	**5,123**	**6,480**	**126**	**259**	**-**	**81,748**
Total gross loans and receivables from customers	**851,694**	**132,114**	**103,138**	**57,312**	**13,795**	**1,635**	**4,720**	**1,164,408**
Impairment allowance	(55,392)	(14,357)	(8,016)	(8,875)	(471)	(261)	(1,335)	(88,707)
Total net loans and receivables from customers	**796,302**	**117,757**	**95,122**	**48,437**	**13,324**	**1,374**	**3,385**	**1,075,701**

Bank's loan portfolio delinquencies:

EUR 000's

31/12/2015

	Regular loans	Utilised credit lines	Finance leases	Debit balances on settlement cards	Overdraft facilities	Factoring	Due from investment counterparties	Total
Not delayed - not impaired	672,817	144,312	24	42,605	57,601		1,568	918,927
Not delayed - impaired	48,895	6,902	-	-	-		1,467	57,264
Total not delayed loans	**721,712**	**151,214**	**24**	**42,605**	**57,601**	**-**	**3,035**	**976,191**
Past due loans - not impaired								
Delayed days:								
=< 29	13,450	683	-	903	-		-	15,036
30-59	5,442	568	-	379	2		-	6,391
60-89	810	-	-	160	9		-	979
90 and more	4,845	435	-	275	438		-	5,993
Total past due loans - not impaired	**24,547**	**1,686**	**-**	**1,717**	**449**	**-**	**-**	**28,399**
Total past due loans - impaired	**38,549**	**8,767**	**-**	**5,062**	**119**			52,497
Total gross loans and receivables from customers	**784,808**	**161,667**	**24**	**49,384**	**58,169**	**-**	**3,035**	**1,057,087**
Impairment allowance for past due loans	(52,983)	(11,260)	-	(7,428)	(724)		(1,267)	(73,662)
Total net loans and receivables from customers	**731,825**	**150,407**	**24**	**41,956**	**57,445**	**-**	**1,768**	**983,425**

EUR 000's

31/12/2014

	Regular loans	Utilised credit lines	Finance leases	Debit balances on settlement cards	Overdraft facilities	Factoring	Due from investment counterparties	Total
Not delayed - not impaired	608,765	198,477	42	44,000	12,590	-	2,521	866,395
Not delayed - impaired	36,667	544	-	-	71	-	1,665	38,947
Total not delayed loans	**645,432**	**199,021**	**42**	**44,000**	**12,661**	**-**	**4,186**	**905,342**
Past due loans - not impaired								
Delayed days:								
=< 29	17,269	293	-	814	1	-	-	18,377
30-59	6,120	391	-	362	-	-	-	6,873
60-89	2,026	-	-	187	-	-	-	2,213
90 and more	13,866	-	-	415	126	-	-	14,407
Total past due loans - not impaired	**39,281**	**684**	**-**	**1,778**	**127**	**-**	-	**41,870**
Total past due loans - impaired	**35,721**	**23,267**	**-**	**4,896**	**-**	**-**	**-**	**63,884**
Total gross loans and receivables from customers	**720,434**	**222,972**	**42**	**50,674**	**12,788**	**-**	**4,186**	**1,011,096**
Impairment allowance	(46,911)	(13,774)	(1)	(7,279)	(467)	-	(1,335)	(69,767)
Total net loans and receivables from customers	**673,523**	**209,198**	**41**	**43,395**	**12,321**	**-**	**2,851**	**941,329**

Changes in the Group's specific loan portfolio impairment by classes:

	Regular loans	Utilised credit lines	Finance leases	Debit balances on settlement cards	Overdraft facilities	Factoring	Due from investment counterparties	Total
Outstanding specific impairment as at 31/12/2013	**43,012**	**11,879**	**9,833**	**11,948**	**129**	**255**	**1,421**	**78,477**
Impairment charge for the reported period - specific	12,691	2,997	1,193	401	52	-	180	17,514
Release of previously established impairment allowance - specific	(8,520)	(1,642)	(351)	(69)	(30)	-	(23)	(10,635)
Impairment charged to the statement of income, net	**4,171**	**1,355**	**842**	**332**	**22**	**-**	**157**	**6,879**
Change of impairment allowance due to write-offs, net	(7,722)	(248)	(3,605)	(5,823)	(108)	-	(376)	(17,882)
Change of impairment allowance due to currency fluctuations	74	(17)	(7)	11	9	-	132	202
Outstanding specific impairment as at 31/12/2014	**39,535**	**12,969**	**7,063**	**6,468**	**52**	**255**	**1,334**	**67,676**
Impairment charge for the reported period - specific	11,410	(2,960)	1,155	784	-	155	199	10,743
Release of previously established impairment allowance - specific	(2,837)	(114)	(245)	(304)	-	-	-	(3,500)
Impairment charged to the statement of income, net	**8,573**	**(3,074)**	**910**	**480**	**-**	**155**	**199**	**7,243**
Change of impairment allowance due to write-offs, net	(4,443)	-	(786)	(1,791)	(1)	-	(412)	(7,433)
Change of impairment allowance due to currency fluctuations	179	(61)	-	7	-	-	140	265
Outstanding specific impairment as at 31/12/2015	**43,844**	**9,834**	**7,187**	**5,164**	**51**	**410**	**1,261**	**67,751**

Changes in the Bank's specific loan portfolio impairment by classes:

	Regular loans	Utilised credit lines	Finance Leases	Debit balances on settlement cards	Overdraft facilities	Factoring	Due from investment counterparties	Total
Outstanding specific impairment as at 31/12/2013	**35,893**	**11,201**	**-**	**10,291**	**129**	**-**	**1,421**	**58,935**
Impairment charge for the reported period - specific	12,321	2,700	-	388	51	-	180	15,640
Release of previously established impairment allowance - specific	(7,914)	(1,627)	-	(1)	(30)	-	(23)	(9,595)
Impairment charged to the statement of income, net	**4,407**	**1,073**	**-**	**387**	**21**	**-**	**157**	**6,045**
Change of impairment allowance due to write-offs, net	(7,299)	(248)	-	(5,795)	(108)	-	(376)	(13,826)
Change of impairment allowance due to currency fluctuations	77		-	14	9	-	129	229
Outstanding specific impairment as at 31/12/2014	**33,078**	**12,026**	**-**	**4,897**	**51**	**-**	**1,331**	**51,383**
Impairment charge for the reported period - specific	9,989	(2,378)	-	751	-	-	199	8,561
Release of previously established impairment allowance - specific	(1,989)	(119)	-	(3)	-	-	-	(2,111)
Impairment charged to the statement of income, net	**8,000**	**(2,497)**	**-**	**748**	**-**	**-**	**199**	**6,450**
Change of impairment allowance due to write-offs, net	(1,962)	-	-	(589)	-	-	(413)	(2,964)
Change of impairment allowance due to currency fluctuations	177	(61)	-	7	-	-	143	266
Outstanding specific impairment as at 31/12/2015	**39,293**	**9,468**	**-**	**5,063**	**51**	**-**	**1,260**	**55,135**

In the table below estimated fair value of loan collateral is presented separately for those assets where collateral and other credit enhancements exceed carrying value of the asset (LTV < 100%) and those assets where collateral and other credit enhancements are equal to or less than the carrying value of the asset (LTV ≥ 100%).

Group:

	EUR 000's							
	31/12/2015				31/12/2014			
	LTV < 100%		LTV ≥ 100% and unsecured		LTV < 100%		LTV ≥ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Regular loans	735,677	1,566,223	129,360	78,082	597,070	1,139,362	199,232	132,224
Utilised credit lines	98,831	238,820	10,400	9,248	105,834	257,600	11,923	9,055
Finance leases	120,142	124,629	4,851	4,755	94,285	100,822	837	523
Debit balances on settlement cards	189	1,317	46,598	2	285	1,363	48,152	1
Overdraft facilities	17,850	56,443	1,352	100	4,035	11,257	9,289	1,799
Factoring	4,482	4,884	235	2	1,369	1,389	5	-
Due from investment counterparties	-	-	2,378	-	-	-	3,385	-
Total net loans	**977,171**	**1,992,316**	**195,174**	**92,189**	**802,878**	**1,511,793**	**272,823**	**143,602**

Bank:

	EUR 000's							
	31/12/2015				31/12/2014			
	LTV < 100%		LTV ≥ 100% and unsecured		LTV < 100%		LTV ≥ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Regular loans	596,114	1,221,321	87,215	46,262	470,307	1,008,774	152,988	107,688
Utilised credit lines	84,059	187,911	9,390	8,314	94,739	246,505	10,887	8,157
Finance leases	24	282	-	-	41	337	-	-
Debit balances on settlement cards	179	1,298	41,776	2	246	1,261	43,149	-
Overdraft facilities	15,090	42,601	1,226	101	3,134	10,353	9,187	1,799
Due from investment counterparties	-	-	1,768	-	-	-	2,847	-
Loans to subsidiaries	-	-	146,584	39,265	-	-	153,804	-
Total net loans	**695,466**	**1,453,413**	**287,959**	**93,944**	**568,467**	**1,267,230**	**372,862**	**117,644**

In 2015, the management revised the methodology for determining the value of collateral used for the purposes of the disclosure. As of 31 December 2015, for loans that are not development projects, collateral value is determined using both estimated fair value of the real estate and 50% of all assets, excluding fixed assets, under commercial pledge. For development projects future loan-to-value ratio is used to reflect the completion rate of the project at the date of the report. Previously, only real estate value was used in calculating the fair value of collateral. Comparative data for 31 December 2014 were restated using the updated methodology.

Mostly, loans falling into categories "regular loans" and "utilised credit lines" are secured by collateral or commercial pledges. In general, settlement card loans are granted to clients on a basis of their cash flows' assessment and no collateral is required in most cases. Finance leases are secured by the respective property leased out.

The tables below provide details of Group's fixed securities portfolio quality:

	EUR 000's				
	31/12/2015				
	Held for trading	Financial assets designated at fair value through profit or loss	Available for sale	Held to maturity	Total
Investment grade:					
AAA/Aaa	-	24,942	125,584	3,771	154,297
AA/Aa	-	31,816	117,802	5,896	155,514
A	5,920	20,951	246,252	145,652	418,775
BBB/Baa	5,161	13,054	90,707	12,490	121,412
Other lower ratings	-	1,001	4,824	1,459	7,284
Not rated	-	-	4,997	34,450	39,447
Total fixed income securities	**11,081**	**91,764**	**590,166**	**203,718**	**896,729**

	EUR 000's				
	31/12/2014				
	Held for trading	Financial assets designated at fair value through profit or loss	Available for sale	Held to maturity	Total
Investment grade:					
AAA/Aaa	361	14,063	119,168	2,919	136,511
AA/Aa	4,612	31,565	105,666	7,794	149,637
A	7,459	31,703	259,005	168,037	466,204
BBB/Baa	7,863	7,215	49,761	14,621	79,460
Other lower ratings	-	305	4,632	1,425	6,362
Not rated	-	-	3,359	34,456	37,815
Total fixed income securities	**20,295**	**84,851**	**541,591**	**229,252**	**875,989**

The tables below provide details of Bank's fixed securities portfolio quality:

	EUR 000's					
	31/12/2015			31/12/2014		
	Held to maturity	Available for sale	Total	Held to maturity	Available for sale	Total
Investment grade:						
AAA/Aaa	2,739	109,890	112,629	2,083	117,620	119,703
AA/Aa	-	105,779	105,779	4,972	91,606	96,578
A	128,104	186,074	314,178	151,467	174,117	325,584
BBB/Baa	-	59,271	59,271	-	42,003	42,003
Other lower ratings	-	3,548	3,548	-	4,632	4,632
Not rated	34,450	4,997	39,447	34,455	3,359	37,814
Total net fixed income securities	**165,293**	**469,559**	**634,852**	**192,977**	**433,337**	**626,314**

The tables below provide details of due from credit institutions balances credit quality:

	EUR 000's			
	2015 Group	2014 Group	2015 Bank	2014 Bank
Investment grade:				
AAA/Aaa	-	56,618	-	-
AA/Aa	29,494	10,210	5,845	5,407
A	62,588	333,834	59,288	312,344
BBB/Baa	72,431	64,479	63,131	64,235
Other lower ratings	8,219	89	8,198	62
Not rated Latvian registered credit institutions*	2,573	44,091	1,024	41,767
Citadele Group's banks	-	-	162,877	40,449
Other not rated credit institutions*	5,840	83	917	9
Total balances due from credit institutions, net	**181,145**	**509,404**	**301,280**	**464,273**

* Mostly balances due from credit institutions falling into category "Not rated" are with subsidiaries of investment grade rated international credit institutions.

GEOGRAPHICAL PROFILE

Group's assets and liabilities, as well as off-balance sheet items outstanding as at 31 December 2015 and 31 December 2014 by geographical profile. The grouping is done based on information about the residence of the respective counterparties.

	EUR 000's						
	31/12/2015						
	Latvia	**Lithuania**	**Estonia**	**Other EU countries**	**CIS countries**	**Other countries**	**Total**
Assets							
Cash and balances with central banks	339,537	28,890	5,332	-	-	181,319	555,078
Balances due from credit institutions	3,945	785	27	82,948	8,253	85,187	181,145
Securities held for trading	6,252	-	1,101	4,549	-	4,170	16,072
Financial assets designated at fair value through profit or loss	11,125	-	-	62,682	-	37,280	111,087
Available for sale securities	108,431	49,877	10,759	180,063	-	260,900	610,030
Loans and receivables from customers	738,765	262,329	115,306	17,334	23,604	15,007	1,172,345
Held to maturity securities	130,309	6,577	-	53,172	-	13,660	203,718
Derivative financial instruments	1,728	-	-	1,666	2	1,511	4,907
Other assets	82,817	6,004	1,549	14,971	96	644	106,081
Total assets	**1,422,909**	**354,462**	**134,074**	**417,385**	**31,955**	**599,678**	**2,960,463**
Liabilities							
Financial liabilities designated at fair value through profit or loss	29,898	-	-	103	2,521	1,393	33,915
Balances due to credit institutions and central banks	39,463	2,124	35	-	7	6	41,635
Deposits from customers	1,111,405	219,596	98,490	322,357	211,496	606,281	2,569,625
Subordinated liabilities	35,701	-	-	19,014	-	-	54,715
Other financial liabilities	-	13,405	-	-	-	-	13,405
Derivative financial instruments	263	-	-	1,111	107	420	1,901
Other liabilities	20,217	3,383	601	153	163	979	25,496
Total liabilities	**1,236,947**	**238,508**	**99,126**	**342,738**	**214,294**	**609,079**	**2,740,692**
Off-balance sheet items							
Contingent liabilities	29,482	2,164	405	2,977	834	2,655	38,517
Financial commitments	137,039	25,894	12,713	432	852	1,191	178,121

* For additional information on geographical distribution of securities exposures please refer to Note 15. All Group's cash and deposit with central banks balances presented as "Other countries" are with Swiss National Bank (EUR 177.2 million). Group's balances due from credit institutions presented as "Other countries" are with Swiss credit institutions (EUR 58.5 million) and United States registered credit institutions (EUR 24.8 million) among others.

	EUR 000's						
	31/12/2014						
	Latvia	**Lithuania**	**Estonia**	**Other EU countries**	**CIS countries**	**Other countries**	**Total**
Assets							
Cash and balances with central banks	136,099	11,659	774	5,777	-	71,090	225,399
Balances due from credit institutions	53,198	2,934	1	344,864	10,085	98,322	509,404
Securities held for trading	5,530	-	805	11,355	-	6,260	23,950
Financial assets designated at fair value through profit or loss	6,190	-	-	50,789	-	40,470	97,449
Available for sale securities	105,252	80,014	-	153,415	-	219,515	558,196
Loans and receivables from customers	676,574	228,733	84,249	22,947	42,380	20,818	1,075,701
Held to maturity securities	187,999	6,361	-	21,780	-	13,112	229,252
Derivative financial instruments	1,724	-	153	1,744	7	2,301	5,929
Other assets	106,974	6,225	1,653	13,798	92	573	129,315
Total assets	**1,279,540**	**335,926**	**87,635**	**626,469**	**52,564**	**472,461**	**2,854,595**
Liabilities							
Financial liabilities designated at fair value through profit or loss	22,807	-	-	30	1,717	40	24,594
Balances due to credit institutions and central banks	24,433	227	-	-	82	294	25,036
Deposits from customers	1,131,933	201,849	101,944	285,312	184,848	611,221	2,517,107
Subordinated liabilities	66,188	-	-	7,408	-	-	73,596
Other financial liabilities	-	12,235	-	-	-	-	12,235
Derivative financial instruments	434	-	298	217	162	536	1,647
Other liabilities	16,090	5,728	784	99	11	957	23,669
Total liabilities	**1,261,885**	**220,039**	**103,026**	**293,066**	**186,820**	**613,048**	**2,677,884**
Off-balance sheet items							
Contingent liabilities	51,189	1,418	187	884	2,330	2,209	58,217
Financial commitments	127,070	33,879	2,977	324	3,606	790	168,646

* For additional information on geographical distribution of securities exposures please refer to Note 15. All Group's cash and deposit with central banks balances presented as "Other countries" are with Swiss National Bank. Group's balances due from credit institutions presented as "Other countries" are with Swiss credit institutions (EUR 51.2 million), Japanese credit institutions (EUR 33.8 million) and United States registered credit institutions (EUR 12.0 million) among others.

Bank's assets and liabilities, as well as off-balance sheet items outstanding as at 31 December 2015 and 31 December 2014 by geographical profile. The grouping by is done based on information about the residence of the respective counterparties.

	31/12/2015, EUR 000's						
	Latvia	Lithuania	Estonia	Other EU countries	CIS countries	Other countries	Total
Assets							
Cash and balances with central banks	339,537	-	5,332	-	-	4,091	348,960
Balances due from credit institutions	1,024	123	-	72,378	8,196	219,559	301,280
Available for sale securities	100,496	10,804	10,759	152,288	-	215,059	489,406
Loans and receivables from customers	791,477	29,409	116,322	13,605	22,256	10,356	983,425
Held to maturity securities	128,104	-	-	37,189	-	-	165,293
Derivative financial instruments	1,730	55	-	1,662	2	1,511	4,960
Other assets	46,301	40,026	530	14,949	33	13,837	115,676
Total assets	**1,408,669**	**80,417**	**132,943**	**292,071**	**30,487**	**464,413**	**2,409,000**
Liabilities							
Balances due to credit institutions and central banks	39,463	25,360	35	-	7	22,913	87,778
Deposits from customers	1,119,718	1,811	102,038	217,320	167,095	429,367	2,037,349
Subordinated liabilities	35,701	-	-	19,014	-	-	54,715
Derivative financial instruments	263	-	-	1,107	107	420	1,897
Other liabilities	17,647	23	133	132	2	182	18,119
Total liabilities	**1,212,792**	**27,194**	**102,206**	**237,573**	**167,211**	**452,882**	**2,199,858**
Off-balance sheet items							
Contingent liabilities	29,432	-	405	2,138	377	1,890	34,242
Financial commitments	152,794	1,017	20,645	188	852	685	176,181

	31/12/2014, EUR 000's						
	Latvia	Lithuania	Estonia	Other EU countries	CIS countries	Other countries	Total
Assets							
Cash and balances with central banks	136,099	-	774	5,777	-	-	142,650
Balances due from credit institutions	50,870	40,478	-	300,135	9,984	62,806	464,273
Available for sale securities	98,077	10,767	-	143,880	-	191,694	444,418
Loans and receivables from customers	732,406	53,176	83,231	19,351	38,523	14,642	941,329
Held to maturity securities	185,922	-	-	7,055	-	-	192,977
Derivative financial instruments	1,712	8	153	1,746	7	2,337	5,963
Other assets	67,148	43,838	485	13,738	28	13,814	139,051
Total assets	**1,272,234**	**148,267**	**84,643**	**491,682**	**48,542**	**285,293**	**2,330,661**
Liabilities							
Balances due to credit institutions and central banks	24,434	64,870	-	-	78	27,615	116,997
Deposits from customers	1,137,845	780	104,493	182,779	127,728	395,126	1,948,751
Subordinated liabilities	66,188	-	-	7,408	-	-	73,596
Derivative financial instruments	432	8	298	217	162	2,450	3,567
Other liabilities	14,234	19	134	28	2	36	14,453
Total liabilities	**1,243,133**	**65,677**	**104,925**	**190,432**	**127,970**	**425,227**	**2,157,364**
Off-balance sheet items							
Contingent liabilities	51,133	521	187	185	1,899	619	54,544
Financial commitments	153,304	27,155	7,332	221	3,606	788	192,406

Market risk

Market risk is the risk that the Group will incur a loss as a result of the mark-to-market revaluation of balance sheet and off-balance sheet items caused by changes in market values of financial instruments due to changes in foreign exchange rates, interest rates and other factors.

Position risk of financial instruments is assessed and limits are set by the Group Investment Committee (GIC). The decisions of GIC are approved by the Bank's Management Board. Market risk is managed by the Group's business units and subsidiaries which can accept market risk in line with the set limits and investment restrictions of the respective portfolio. Market risk is measured, monitored and risk levels are reported by Risk and Compliance Sector.

The Group manages market risk by developing investment guidelines for every significant portfolio, as well as by setting individual limits to issuers and financial instruments, ensuring that maximum limit volumes are closely linked to the results of risk assessment. The Group puts a large emphasis on concentration risk applying a framework, where limits are set based on risk weighted exposures for every country and sector combination. To assess position risk the Group uses sensitivity analysis and scenario analysis, which identifies and quantifies negative impact of adverse events on portfolio of the Group taking into consideration regional, sector and credit rating profile.

Interest rate risk

Interest rate risk is related to the possible negative impact of interest rate changes on the Group's income and economic value.

Interest rate risk management in the Group is carried out in accordance with the Group's Interest rate Risk Management Policy. Interest rate risk is assessed and decisions are made by Assets and Liabilities Management Committee (ALCO). The decisions of ALCO are approved by the Bank's Management Board. ALCO sets the acceptable interest rate risk level and the Group's internal limit system, monitors the compliance with the approved limits and use of the instruments for the management of interest rate risk. Interest rate risk measurement, management and reporting are responsibilities of Treasury Sector, while Risk and Compliance Sector ensures proper oversight and prepares analytical reports to ALCO and the Bank's Management Board.

The Group manages interest rate risk by using the gap analysis of the risk sensitive assets and liabilities, duration analysis and sensitivity analysis of assets and liabilities as well as stress testing of interest rate risk. The Group sets limits for impact of interest rate shock on economic value, net interest income and revaluation reserve. Based on the market analysis and the Group's financing structure, ALCO sets customer deposit interest rates.

The following table represents the impact of a parallel change in all interest rates and security yields by 1.0% (also allowing for negative rates below 0%) on Group's and Bank's pre-tax profit (in 12-months time) and available for sale securities' fair value revaluation reserve in equity:

Scenario: +1%	EUR 000's			
	2015 Group	**2014 Group**	**2015 Bank**	**2014 Bank**
Pre-tax profit / (loss)	7,100	7,472	6,040	7,208
Securities fair value revaluation reserve	(9,953)	(8,955)	(5,958)	(5,667)
Total pre-tax effect on equity	**(2,853)**	**(1,483)**	**82**	**1,541**
Estimated net effect on equity	**(2,425)**	**(1,261)**	**70**	**1,310**
Scenario: -1%				
Pre-tax profit / (loss)	(7,129)	(7,495)	(6,068)	(7,234)
Securities fair value revaluation reserve	9,953	8,955	6,201	5,875
Total pre-tax effect on equity	**2,824**	**1,460**	**133**	**(1,359)**
Estimated net effect on equity	**2,400**	**1,241**	**113**	**(1,155)**

The following table represents the impact of a 2.0% parallel change in all interest rates and security yields (also allowing for negative rates below 0%) by currencies on Bank's pre-tax profit and available for sale securities' fair value revaluation reserve in equity:

Scenario: +2%	31/12/2015			31/12/2014		
	EUR	**USD**	**Other currencies**	**EUR**	**USD**	**Other currencies**
Pre-tax profit/ (loss)	8,810	5,837	(2,594)	9,711	5,969	(1,289)
Securities fair value revaluation reserve	(3,483)	(8,063)	(142)	(3,620)	(7,285)	(233)
Total pre-tax effect on equity	**5,327**	**(2,226)**	**(2,736)**	**6,091**	**(1,316)**	**(1,522)**
Estimated net effect on equity	**4,528**	**(1,892)**	**(2,326)**	**5,177**	**(1,119)**	**(1,294)**
Scenario: -2%						
Pre-tax profit/ (loss)	(8,897)	(5,861)	2,594	(9,796)	(5,984)	1,286
Securities fair value revaluation reserve	3,803	8,708	148	3,884	7,839	244
Total pre-tax effect on equity	**(5,094)**	**2,847**	**2,742**	**(5,912)**	**1,855**	**1,530**
Estimated net effect on equity	**(4,330)**	**2,420**	**2,331**	**(5,025)**	**1,577**	**1,301**

Currency risk

Currency risk is a risk of loss arising from fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with the Group's Currency Risk Management Policy. Currency risk is assessed and decisions on limits set are made by the Financial Market and Counterparty Committee (FMCC). The decisions of FMCC are approved by the Bank's Management Board. FMCC defines the acceptable currency risk level and the Group's internal limit system, as well as monitors compliance with these limits.

Day-to-day currency risk management is the responsibility of Treasury Sector, while risk monitoring and reporting is the responsibility of Risk and Compliance Sector. The Group has set a limit for open currency positions in each currency at 10% of its equity, and the limit for the total open currency position at 20% of its equity. The limits are in compliance with the requirements of Latvian legislation. In assessing its currency risk the Group also makes use of several widely applied methodologies: value at risk, expected shortfall and scenario analysis.

In the event of exchange rates for the following currencies in which the Group and the Bank has open positions adversely change as per scenario below, the potential total decrease in the Group's and Bank's total equity (ignoring any tax effect) would amount approximately to the following:

Group
EUR 000's

Scenario:	31/12/2015 USD	31/12/2015 CHF	31/12/2015 Other currencies*	31/12/2014 USD	31/12/2014 CHF	31/12/2014 Other currencies*
2%adverse change	34	114	22	58	54	7
5% adverse change	84	285	55	145	134	18

Bank
EUR 000's

Scenario:	31/12/2015 USD	31/12/2015 CHF	31/12/2015 Other currencies*	31/12/2014 USD	31/12/2014 CHF	31/12/2014 Other currencies*
2%adverse change	7	2	15	28	-	2
5% adverse change	18	4	39	71	1	6

* Excluding adverse changes as at 31/12/2014 for LTL currency as on 1 January 2015 Lithuania adopted EUR.

During 2015 and 2014 the Bank was in compliance with the currency position limits.

The following table provides Group's and Bank's assets and liabilities and shareholders' equity as well as off-balance sheet items outstanding as at 31 December 2015 and 2014 by currency profile:

	31/12/2015, EUR 000's					
	EUR	**USD**	**CHF**	**RUB**	**Other**	**Total**
Assets						
Cash and balances with central banks	370,607	2,623	177,587	161	4,100	555,078
Balances due from credit institutions	49,331	67,501	6,185	8,038	50,090	181,145
Securities held for trading	11,789	2,836	1,447	-	-	16,072
Financial assets designated at fair value through profit or loss	49,372	50,471	10,356	-	888	111,087
Available for sale securities	182,908	403,863	-	-	23,259	610,030
Loans and receivables from customers	1,123,754	44,836	3,460	178	117	1,172,345
Held to maturity securities	181,791	21,927	-	-	-	203,718
Derivative financial instruments	4,907	-	-	-	-	4,907
Other assets	93,645	11,428	609	28	371	106,081
Total assets	**2,068,104**	**605,485**	**199,644**	**8,405**	**78,825**	**2,960,463**
Liabilities						
Financial liabilities designated at fair value through profit or loss	28,901	5,014	-	-	-	33,915
Balances due to credit institutions and central banks	3,670	35,660	-	1,956	349	41,635
Deposits from customers	1,646,993	814,029	20,261	16,778	71,564	2,569,625
Subordinated liabilities	54,715	-	-	-	-	54,715
Other financial liabilities	13,405	-	-	-	-	13,405
Derivative financial instruments	1,900	-	1	-	-	1,901
Other liabilities	21,353	3,040	801	131	171	25,496
Total liabilities	**1,770,937**	**857,743**	**21,063**	**18,865**	**72,084**	**2,740,692**
Equity	221,136	(1,363)	-	-	(2)	219,771
Total liabilities and equity	**1,992,073**	**856,380**	**21,063**	**18,865**	**72,082**	**2,960,463**
Net long/ (short) position for balance sheet items	76,031	(250,895)	178,581	(10,460)	6,743	-
Off-balance sheet claims arising from foreign exchange						
Spot exchange contracts	18,488	(21,195)	(366)	(507)	3,466	(114)
Forward foreign exchange contracts	(66,471)	316	-	-	66,660	505
Swap exchange contracts	(34,012)	273,452	(172,507)	11,039	(76,138)	1,834
Net long/ (short) positions on foreign exchange	*(81,995)*	*252,573*	*(172,873)*	*10,532*	*(6,012)*	*2,225*
Net long/ (short) total position	**(5,964)**	**1,678**	**5,708**	**72**	**731**	**2,225**

	31/12/2014, EUR 000's						
	EUR	USD	CHF	LTL	RUB	Other	Total
Assets							
Cash and balances with central banks	137,031	3,328	71,201	10,825	104	2,910	225,399
Balances due from credit institutions	229,958	162,476	10,459	153	9,952	96,406	509,404
Securities held for trading	16,099	6,189	1,662	-	-	-	23,950
Financial assets designated at fair value through profit or loss	31,461	53,731	9,788	-	-	2,469	97,449
Available for sale securities	170,514	311,731	-	59,192	-	16,759	558,196
Loans and receivables from customers	955,260	56,182	3,468	60,539	99	153	1,075,701
Held to maturity securities	203,580	21,378	-	4,294	-	-	229,252
Derivative financial instruments	5,911	-	7	11	-	-	5,929
Other assets	91,014	30,162	543	5,905	52	1,639	129,315
Total assets	**1,840,828**	**645,177**	**97,128**	**140,919**	**10,207**	**120,336**	**2,854,595**
Liabilities							
Financial liabilities designated at fair value through profit or loss	21,985	2,609	-	-	-	-	24,594
Balances due to credit institutions and central banks	3,574	12,079	-	191	933	8,259	25,036
Deposits from customers	1,445,683	826,457	26,977	128,893	13,865	75,232	2,517,107
Subordinated liabilities	73,596	-	-	-	-	-	73,596
Other financial liabilities	6,457	-	-	5,778	-	-	12,235
Derivative financial instruments	1,632	-	13	2	-	-	1,647
Other liabilities	16,308	3,901	944	2,108	139	269	23,669
Total liabilities	**1,569,235**	**845,046**	**27,934**	**136,972**	**14,937**	**83,760**	**2,677,884**
Equity	176,711	-	-	-	-	-	176,711
Total liabilities and equity	**1,745,946**	**845,046**	**27,934**	**136,972**	**14,937**	**83,760**	**2,854,595**
Net long/ (short) position for balance sheet items	94,882	(199,869)	69,194	3,947	(4,730)	36,576	-
Off-balance sheet claims arising from foreign exchange							
Spot exchange contracts	(29,532)	32,733	(144)	-	(601)	(644)	1,812
Forward foreign exchange contracts	(2,299)	2,527	(370)	-	-	258	116
Swap exchange contracts	(68,525)	167,513	(65,993)	-	5,338	(35,952)	2,381
Net long/ (short) positions on foreign exchange	*(100,356)*	*202,773*	*(66,507)*	-	*4,737*	*(36,338)*	*4,309*
Net long/ (short) total position	**(5,474)**	**2,904**	**2,687**	**3,947**	**7**	**238**	**4,309**

As at 31 December 2014 LTL currency is pegged to the EUR at a fixed rate due to Republic of Lithuania adoption of Euro. At that date all Group's and Bank's balances denominated in Litas were converted to Euros at the fixed official exchange rate.

	Bank as at 31/12/2015, EUR 000's					
	EUR	USD	CHF	RUB	Other	Total
Assets						
Cash and balances with central banks	342,669	2,267	329	161	3,534	348,960
Balances due from credit institutions	34,809	47,599	162,900	8,001	47,971	301,280
Available for sale securities	151,499	314,648	-	-	23,259	489,406
Loans and receivables from customers	942,084	37,585	3,460	178	118	983,425
Held to maturity securities	165,293	-	-	-	-	165,293
Derivative financial instruments	4,960	-	-	-	-	4,960
Other assets	90,656	10,857	13,819	-	344	115,676
Total assets	**1,731,970**	**412,956**	**180,508**	**8,340**	**75,226**	**2,409,000**
Liabilities						
Balances due to credit institutions and central banks	8,673	68,111	143	2,091	8,760	87,778
Deposits from customers	1,342,682	609,377	10,164	15,940	59,186	2,037,349
Subordinated liabilities	54,715	-	-	-	-	54,715
Derivative financial instruments	1,897	-	-	-	-	1,897
Other liabilities	15,124	2,708	5	128	154	18,119
Total liabilities	**1,423,091**	**680,196**	**10,312**	**18,159**	**68,100**	**2,199,858**
Equity	209,964	(819)	-	-	(3)	209,142
Total liabilities and equity	**1,633,055**	**679,377**	**10,312**	**18,159**	**68,097**	**2,409,000**
Net long/ (short) position for balance sheet items	**98,916**	**(266,421)**	**170,196**	**(9,819)**	**7,129**	**-**
Off-balance sheet claims arising from foreign exchange						
Spot exchange contracts	17,980	(20,707)	(366)	(472)	3,453	(111)
Forward foreign exchange contracts	(66,169)	(2)	-	-	66,676	505
Swap exchange contracts	(49,324)	287,487	(169,909)	10,345	(76,710)	1,889
Net long/ (short) positions on foreign exchange	*(97,513)*	*266,778*	*(170,275)*	*9,873*	*(6,580)*	*2,283*
Net long/ (short) total position	**1,402**	**357**	**(79)**	**54**	**549**	**2,283**

	Bank as at 31/12/2014, EUR 000's						
	EUR	**USD**	**CHF**	**LTL**	**RUB**	**Other**	**Total**
Assets							
Cash and balances with central banks	136,428	3,045	72	360	104	2,641	142,650
Balances due from credit institutions	226,732	127,283	8,443	28	9,912	91,875	464,273
Available for sale securities	161,888	265,770	-	-	-	16,760	444,418
Loans and receivables from customers	890,252	47,356	3,468	-	99	154	941,329
Held to maturity securities	192,977	-	-	-	-	-	192,977
Derivative financial instruments	5,963	-	-	-	-	-	5,963
Other assets	53,599	30,004	13,807	40,032	3	1,606	139,051
Total assets	**1,667,839**	**473,458**	**25,790**	**40,420**	**10,118**	**113,036**	**2,330,661**
Liabilities							
Balances due to credit institutions and central banks	12,483	47,631	3	40,319	1,041	15,520	116,997
Deposits from customers	1,280,256	582,797	12,240	99	12,857	60,502	1,948,751
Subordinated liabilities	73,596	-	-	-	-	-	73,596
Derivative financial instruments	3,567	-	-	-	-	-	3,567
Other liabilities	12,358	1,800	5	3	103	184	14,453
Total liabilities	**1,382,260**	**632,228**	**12,248**	**40,421**	**14,001**	**76,206**	**2,157,364**
Equity	173,297	-	-	-	-	-	173,297
Total liabilities and equity	**1,555,557**	**632,228**	**12,248**	**40,421**	**14,001**	**76,206**	**2,330,661**
Net long/ (short) position for balance sheet items	112,282	(158,770)	13,542	(1)	(3,883)	36,830	-
Off-balance sheet claims arising from foreign exchange							
Spot exchange contracts	(30,149)	33,363	(168)	-	(601)	(632)	1,813
Forward foreign exchange contracts	(1,720)	1,939	(370)	-	-	258	107
Swap exchange contracts	(79,428)	124,895	(12,992)	-	4,483	(36,466)	492
Net long/ (short) positions on foreign exchange	*(111,297)*	*160,197*	*(13,530)*	-	*3,882*	*(36,840)*	*2,412*
Net long/ (short) total position	**985**	**1,427**	**12**	**(1)**	**(1)**	**(10)**	**2,412**

The investment in the Group's Swiss subsidiary AP Anlage &Privatbank AG, which is carried at cost, is shown as a CHF exposure, as the recoverability of this asset will ultimately depend on the Swiss currency's performance. During the reporting period as a result of CHF appreciation gains in Group's other comprehensive income were recognised.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets sufficient to meet potential obligations.

The Group manages its liquidity risk in accordance with the Group's Liquidity Risk Management Policy. Liquidity risk is assessed and decisions are made by ALCO. The decisions of ALCO are approved by the Bank's Management Board. ALCO sets the acceptable liquidity risk level, the Group's internal limit system and defines instruments for the management of liquidity risk, as well as monitors the compliance with the set limits. Daily liquidity management, as well as control is ensured by the Treasury Sector. Liquidity risk management and reporting in the Group is coordinated by the Risk and Compliance Sector.

The Bank evaluates liquidity risk by using scenario analysis. For this purpose several scenarios of Bank's operations under a variety of conditions are developed: moderate crisis (base case scenario), bank's crisis, general market crisis and a combined scenario. The Bank evaluates its liquidity position for each of the scenarios for a variety of periods (ranging from 1 week to 3 months). System of liquidity risk limits and early warning indicators has been implemented in the Bank. The Bank also estimates costs it could suffer under conditions of prolonged liquidity crisis. In addition to scenarios analysis, the Bank also prepares yearly cash flows, which incorporate assumptions about the most likely flows of funds. For general assessment of asset and liability gaps the Bank regularly prepares and analyses liquidity term structure.

Liquidity risk for the Citadele Group is assessed for each significant currency that the Group transacts. Liquidity risk limits are reviewed at least once a year depending on changes of Citadele's operations or high impact external factors. A liquidity contingency plan has been developed and is updated on a regular basis.

Citadele's balance sheet structure is planned for at least a one-year period and is aligned with actual business development plans. The major current and potential sources of liquidity are regularly analysed and controlled across the Group.

In 2015 and 2014 the Bank was in compliance with liquidity ratio requirements and met mandatory reserve requirements in the Bank of Latvia.

The following table contains Bank's liquidity ratios calculated in accordance with FCMC requirements:

Year	Highest	Lowest	Average	Year-end
2015	63%	55%	59%	57%
2014	59%	50%	55%	59%

Liquidity ratio is calculated as liquid assets divided by all liabilities with remaining contractual maturity of 30 days or less. Liquid assets for the purpose of the calculation are cash, balances due from Bank of Latvia and solvent credit institutions placed on demand and up to 30 days and balances redeemable before maturity with insignificant contractual penalties and investments in securities that can be sold in short time or pledged to obtain a loan.

Regulation EC 575/2013 introduces the concept of liquidity coverage ratio and net stable funding ratio as measurements of the Bank's and Group's liquidity position. However European Union's regulations implementing these ratios are not yet finalised.

Therefore, the Group in calculation these ratios has applied non-final legislation and in particular for net stable funding ratio the definitions and required stable funding factors as per Basel Committee's on Banking Supervision guidelines.

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Bank	31/12/2014 Bank
Liquidity coverage ratio	239%	543%	366%	406%
Net stable funding ratio	136%	130%	128%	119%

Group's assets, liabilities and off-balance sheet items by contractual maturity structure as at 31 December 2015

	Group as at 31/12/2015, EUR 000's						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and balances with central banks	555,078	-	-	-	-	-	555,078
Balances due from credit institutions	145,810	107	7,786	1,163	1,242	25,037	181,145
Securities held for trading	-	-	900	1,447	6,228	7,497	16,072
Financial assets designated at fair value through profit or loss	1,335	8,422	6,377	18,920	52,495	23,538	111,087
Available for sale securities	23,908	43,637	37,373	82,980	384,190	37,942	610,030
Loans and receivables from customers	37,069	52,256	75,418	134,437	631,264	241,901	1,172,345
Held to maturity securities	31,315	4,588	2,431	32,610	118,880	13,894	203,718
Derivative financial instruments	3,844	854	209	-	-	-	4,907
Other assets	7,132	465	815	675	645	96,349	106,081
Total assets	**805,491**	**110,329**	**131,309**	**272,232**	**1,194,944**	**446,158**	**2,960,463**
Liabilities							
Financial liabilities designated at fair value through profit or loss	67	283	493	2,690	27,306	3,076	33,915
Balances due to credit institutions and central banks	40,561	639	200	200	35	-	41,635
Deposits from customers	2,114,548	71,325	71,045	164,814	141,597	6,296	2,569,625
Subordinated liabilities	-	1,607	-	-	53,108	-	54,715
Other financial liabilities	2	-	105	-	13,298	-	13,405
Derivative financial instruments	1,523	306	72	-	-	-	1,901
Other liabilities	23,631	796	517	362	48	142	25,496
Total liabilities	**2,180,332**	**74,956**	**72,432**	**168,066**	**235,392**	**9,514**	**2,740,692**
Equity	-	-	-	-	-	219,771	219,771
Total liabilities and equity	**2,180,332**	**74,956**	**72,432**	**168,066**	**235,392**	**229,285**	**2,960,463**
Net balance sheet position – long/ (short)	(1,374,841)	35,373	58,877	104,166	959,552	216,873	-
Off-balance sheet items							
Contingent liabilities	38,517	-	-	-	-	-	38,517
Financial commitments	178,121	-	-	-	-	-	178,121

Group's contractual undiscounted cash flows of the financial liabilities as at 31 December 2015

	EUR 000's						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Financial liabilities designated at fair value through profit or loss	67	283	493	2,690	27,447	3,138	34,118
Financial liabilities measured at amortised cost*	2,161,414	114,975	73,930	172,065	216,224	9,852	2,748,460
Off-balance sheet items							
Contingent liabilities	38,517	-	-	-	-	-	38,517
Financial commitments	178,121	-	-	-	-	-	178,121

** Includes Balances due to credit institutions and central banks, Deposits from customers, Subordinated liabilities, and Other financial liabilities.*

Group's assets, liabilities and off-balance sheet items by contractual maturity structure as at 31 December 2014

	31/12/2014, EUR 000's						
	Within 1 month	**2-3 months**	**4-6 months**	**7-12 months**	**2-5 years**	**Over 5 years and undated**	**Total**
Assets							
Cash and balances with central banks	224,685	714	-	-	-	-	225,399
Balances due from credit institutions	499,249	5,748	108	-	-	4,299	509,404
Securities held for trading	6,474	426	1,513	2,664	-	12,873	23,950
Financial assets designated at fair value through profit or loss	14,059	4,215	3,786	9,899	-	65,490	97,449
Available for sale securities	27,035	13,641	28,033	68,266	295,477	125,744	558,196
Loans and receivables from customers	29,456	46,519	61,766	129,805	581,871	226,284	1,075,701
Held to maturity securities	-	2,945	16,986	74,972	99,699	34,650	229,252
Derivative financial instruments	3,598	2,239	77	15	-	-	5,929
Other assets	30,043	532	515	474	1,011	96,740	129,315
Total assets	**834,599**	**76,979**	**112,784**	**286,095**	**978,058**	**566,080**	**2,854,595**
Liabilities							
Financial liabilities designated at fair value through profit or loss	32	135	301	1,198	20,217	2,711	24,594
Balances due to credit institutions and central banks	24,526	510	-	-	-	-	25,036
Deposits from customers	2,046,552	85,732	91,548	176,260	108,884	8,131	2,517,107
Subordinated liabilities	-	2,119	-	-	71,477	-	73,596
Other financial liabilities	77	-	-	-	250	11,908	12,235
Derivative financial instruments	876	763	8	-	-	-	1,647
Other liabilities	20,319	57	1,466	328	13	1,486	23,669
Total liabilities	**2,092,382**	**89,316**	**93,323**	**177,786**	**200,841**	**24,236**	**2,677,884**
Equity	-	-	-	-	-	176,711	176,711
Total liabilities and equity	**2,092,382**	**89,316**	**93,323**	**177,786**	**200,841**	**200,947**	**2,854,595**
Net balance sheet position – long/ (short)	(1,257,783)	(12,337)	19,461	108,309	777,217	365,133	-
Off-balance sheet items							
Contingent liabilities	58,217	-	-	-	-	-	58,217
Financial commitments	168,646	-	-	-	-	-	168,646

Group's contractual undiscounted cash flows of the financial liabilities as at 31 December 2014

	EUR 000's						
	Within 1 month	**2-3 months**	**4-6 months**	**7-12 months**	**2-5 years**	**Over 5 years**	**Total**
Financial liabilities designated at fair value through profit or loss	32	135	301	1,287	20,564	2,748	25,067
Financial liabilities measured at amortised cost*	2,071,564	89,546	92,488	181,123	194,682	26,761	2,656,164
Off-balance sheet items							
Contingent liabilities	58,217	-	-	-	-	-	58,217
Financial commitments	168,646	-	-	-	-	-	168,646

** Includes Balances due to credit institutions and central banks, Deposits from customers, Subordinated liabilities, and Other financial liabilities.*

Bank's assets, liabilities and off-balance sheet items by contractual maturity structure as at 31 December 2015

	EUR 000's						
	Within 1 month	**2-3 months**	**4-6 months**	**7-12 months**	**2-5 years**	**Over 5 years and undated**	**Total**
Assets							
Cash and balances with central banks	348,960	-	-	-	-	-	348,960
Balances due from credit institutions	269,193	-	7,786	-	-	24,301	301,280
Available for sale securities	23,908	43,637	30,736	77,545	280,428	33,152	489,406
Loans and receivables from customers	67,146	86,915	51,463	97,496	471,891	208,514	983,425
Held to maturity securities	31,315	-	514	31,225	97,246	4,993	165,293
Derivative financial instruments	3,898	854	208	-	-	-	4,960
Other assets	4,713	1	-	6	17	110,939	115,676
Total assets	**749,133**	**131,407**	**90,707**	**206,272**	**849,582**	**381,899**	**2,409,000**
Liabilities							
Balances due to credit institutions and central banks	76,508	2,005	4,464	3,363	1,438	-	87,778
Deposits from customers	1,706,863	49,133	37,761	118,433	121,718	3,441	2,037,349
Subordinated liabilities	-	1,607	-	-	53,108	-	54,715
Derivative financial instruments	1,523	305	69	-	-	-	1,897
Other liabilities	18,116	-	3	-	-	-	18,119
Total liabilities	**1,803,010**	**53,050**	**42,297**	**121,796**	**176,264**	**3,441**	**2,199,858**
Equity	-	-	-	-	-	209,142	209,142
Total liabilities and equity	**1,803,010**	**53,050**	**42,297**	**121,796**	**176,264**	**212,583**	**2,409,000**
Net balance sheet position – long/ (short)	(1,053,877)	78,357	48,410	84,476	673,318	169,316	-
Off-balance sheet items							
Contingent liabilities	34,242	-	-	-	-	-	34,242
Financial commitments	176,181	-	-	-	-	-	176,181

Bank's contractual undiscounted cash flows of the financial liabilities as at 31 December 2015

	EUR 000's						
	Within 1 month	**2-3 months**	**4-6 months**	**7-12 months**	**2-5 years**	**Over 5 years**	**Total**
Financial liabilities measured at amortised cost*	1,788,099	56,076	42,853	125,112	190,329	1,649	2,204,118
Off-balance sheet items							
Contingent liabilities	34,242	-	-	-	-	-	34,242
Financial commitments	176,181	-	-	-	-	-	176,181

** Includes Balances due to credit institutions and central banks, Deposits from customers, Subordinated liabilities, and Other financial liabilities.*

Bank's assets, liabilities and off-balance sheet items by contractual maturity structure as at 31 December 2014

	EUR 000's						
	Within 1 month	**2-3 months**	**4-6 months**	**7-12 months**	**2-5 years**	**Over 5 years and undated**	**Total**
Assets							
Cash and balances with central banks	142,650	-	-	-	-	-	142,650
Balances due from credit institutions	460,521		-	-	-	3,752	464,273
Available for sale securities	21,512	13,641	28,033	66,979	295,477	18,776	444,418
Loans and receivables from customers	25,869	134,905	44,342	102,768	440,262	193,183	941,329
Held to maturity securities	-	2,945	16,986	73,347	99,699	-	192,977
Derivative financial instruments	3,648	2,232	68	15	-	-	5,963
Other assets	27,680	1	2	14	37	111,317	139,051
Total assets	**681,880**	**153,724**	**89,431**	**243,123**	**835,475**	**327,028**	**2,330,661**
Liabilities							
Balances due to credit institutions and central banks	105,056	3,166	4,144	4,082	549	-	116,997
Deposits from customers	1,578,891	61,120	61,574	139,941	101,138	6,087	1,948,751
Subordinated liabilities	-	2,119	-	-	71,477	-	73,596
Derivative financial instruments	1,723	1,832	12	-	-	-	3,567
Other liabilities	14,453	-	-	-	-	-	14,453
Total liabilities	**1,700,123**	**68,237**	**65,730**	**144,023**	**173,164**	**6,087**	**2,157,364**
Equity	-	-	-	-	-	173,297	173,297
Total liabilities and equity	**1,700,123**	**68,237**	**65,730**	**144,023**	**173,164**	**179,384**	**2,330,661**
Net balance sheet position – long/ (short)	(1,018,243)	85,487	23,701	99,100	662,311	147,644	-
Off-balance sheet items							
Contingent liabilities	54,544	-	-	-	-	-	54,544
Financial commitments	192,406	-	-	-	-	-	192,406

Bank's contractual undiscounted cash flows of the financial liabilities as at 31 December 2014

	EUR 000's						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total contractual cash flows
Financial liabilities measured at amortised cost*	1,683,947	67,294	66,274	148,317	187,402	7,210	2,160,444
Off-balance sheet items							
Contingent liabilities	54,544	-	-	-	-	-	54,544
Financial commitments	192,406	-	-	-	-	-	192,406

* *Includes Balances due to credit institutions and central banks, Deposits from customers, Subordinated liabilities, and Other financial liabilities.*

Derivative financial liabilities settled on a net basis and contractual undiscounted cash flows arising from derivatives settled on a gross basis.

	Group, 31/12/2015 EUR 000's						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	1,325	102	195	-	851	-	2,473
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
outflow	(145,568)	(37,708)	(12,955)	-	-	-	(196,231)
inflow	145,664	38,198	12,915	-	-	-	196,777

	Group, 31/12/2014 EUR 000's						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	1,303	(144)	1	15	-	-	1,175
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
outflow	(117,996)	(79,633)	(5,741)	-	-	-	(203,370)
inflow	119,418	81,257	5,676	-	-	-	206,351

	Bank, 31/12/2015 EUR 000's						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	1,381	102	195	-	851	-	2,529
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
outflow	(142,211)	(37,542)	(12,153)	-	-	-	(191,906)
inflow	142,304	38,032	12,115	-	-	-	192,451

	Bank, 31/12/2014 EUR 000's						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	1,339	71	(54)	8	-	-	1,364
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
outflow	(141,525)	(90,154)	(5,165)	-	-	-	(236,844)
inflow	142,147	90,691	5,223	-	-	-	238,061

Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

For illiquid financial assets and liabilities, including loans and advances to customers, there are, by definition, no active markets. Accordingly, fair value has been estimated using appropriate valuation techniques. The methods used to determine the fair value of balance sheet items are as follows:

Cash and demand deposits with central banks

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

Balances due from credit institutions/ Balances due to credit institutions and central banks

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

Loans and receivables from customers

The fair value of loans and advances to customers is calculated by discounting expected future cash flows. The discount rates consist of money market rates as at the end of year and credit margins, which are adjusted for current market conditions. If all the assumed discount rates would change by 10%, the fair value of the loan portfolio would change by EUR 10.0 million (2014: EUR 11.2 million).

Held to maturity securities

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

Available for sale securities

The fair value for certain closed-end fund investments is calculated using valuation techniques with non-market observable inputs. Fair value of these available for sale securities is estimated based on specific real estate prices. If market price for similar real estate properties would change by +/-10%, the fair value of these available for sale securities would change by EUR +/-91 thousand (2014: EUR +/-142 thousand).

Derivatives

Currency derivatives are valued using unadjusted current market prices. Fair value of other derivatives is determined using valuation models employing non-observable market inputs. One of the non-observable market input is CDS rate. If the CDS rate would change by +/-20 basis points the fair value would change by EUR +200 thousand or EUR -236 thousand respectively.

Customer deposits

The fair value of customer deposits repayable on demand is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates close to or at period-end. If all the assumed discount rates would change by 10%, the fair value of the deposit portfolio would change by EUR 0.12 million (2014: EUR 0.09 million).

Subordinated liabilities

The fair value of subordinated liabilities approximates the carrying amount as the borrowing rates are periodically reprised to reflect changes in market rates. If the discount rate would change by +/-50 basis points the fair value would change by EUR 0.6 million (2014: EUR 0.8 million).

Financial liabilities designated at fair value through profit or loss

The fair value of unit-linked investment contract liabilities is their notional amount which equals fair value of unit-linked insurance plan assets. The fair value of other financial liabilities designated at fair value through profit is calculated by discounting expected cash flows using current effective finance rates. If the assumed discount rates would change by 10%, the fair value of the portfolio would change by EUR +15 thousand and EUR -11 thousand respectively (2014: EUR +218 thousand and EUR -192 thousand respectively).

Fair value hierarchy

Quoted market prices (Level 1)
Financial instruments are valued using unadjusted quoted prices in active markets.

Valuation technique - observable market inputs (Level 2)
Financial instruments are valued using techniques based on observable market data. In some instances, valuations received from independent third party are used.

Valuation technique - non-market observable inputs (Level 3)
Financial instruments are valued using techniques for which significant inputs are not based on observable market data.

The following table presents fair values of Group's financial assets and liabilities as at 31 December 2015.

			Fair value hierarchy (where applicable)		
	Carrying value	Total fair value	Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Held for trading securities	16,072	16,072	16,072	-	-
Financial assets designated at fair value through profit or loss	111,087	111,087	111,087	-	-
Derivatives	4,907	4,907	-	4,056	851
Available for sale securities	610,030	610,030	600,435	-	9,595
Financial assets not measured at fair value:					
Cash and deposits with central banks	555,078	555,078	-	-	-
Balances due from credit institution	181,145	181,145	-	-	-
Loans and receivables from customers	1,172,345	1,166,678	-	-	1,166,678
Held to maturity securities	203,718	206,473	172,120	-	34,353
Total assets	**2,854,382**	**2,851,470**	**899,714**	**4,056**	**1,211,477**
Derivatives	1,901	1,901	-	1,901	-
Financial liabilities designated at fair value through profit or loss	33,915	33,915	19,341	-	14,574
Financial liabilities not measured at fair value:					
Balances due to credit institutions and central banks	41,635	41,635	-	-	-
Customer deposits	2,569,625	2,573,220	-	-	2,573,220
Other financial liabilities	13,405	13,298	-	-	13,298
Subordinated liabilities	54,715	54,715	-	-	54,715
Total liabilities	**2,715,196**	**2,718,684**	**19,341**	**1,901**	**2,655,807**

The following table presents fair values of Group's financial assets and liabilities as at 31 December 2014.

			Fair value hierarchy (where applicable)		
	Carrying value	Total fair value	Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Held for trading securities	23,950	23,950	23,950	-	-
Financial assets designated at fair value through profit or loss	97,449	97,449	97,449	-	-
Derivatives	5,929	5,929	-	5,929	-
Available for sale securities	558,196	558,196	556,560	-	1,636
Financial assets not measured at fair value:					
Cash and deposits with central banks	225,399	225,399	-	-	-
Balances due from credit institution	509,404	509,404	-	-	-
Loans and receivables from customers	1,075,701	1,070,066	-	-	1,070,066
Held to maturity securities	229,252	234,260	201,992	-	32,268
Total assets	**2,725,280**	**2,724,653**	**879,951**	**5,929**	**1,103,970**
Derivatives	1,647	1,647	-	1,647	-
Financial liabilities designated at fair value through profit or loss	24,594	24,594	12,784	-	11,810
Financial liabilities not measured at fair value:					
Balances due to credit institutions and central banks	25,036	25,036	-	-	-
Customer deposits	2,517,107	2,519,836	-	-	2,519,836
Other financial liabilities	12,235	12,034	-	-	12,034
Subordinated liabilities	73,596	73,596	-	-	73,596
Total liabilities	**2,654,215**	**2,656,743**	**12,784**	**1,647**	**2,617,276**

In November 2015, Visa Inc. announced that it's planned acquisition of Visa Europe, where Citadele is a member. Citadele has received indicative value of its share of Visa Europe sale proceeds. The up-front consideration amounts to EUR 11.4 million and consists of EUR 8.5million cash and EUR 2.9 million in Visa Inc. preferred stock. In addition, the second tranche is a potential earn-out, subject to certain achievements. The earn-out would, if fulfilled, be paid in cash around year 2020. The transaction is subject to regulatory approval and is expected to close only in the 2nd quarter of 2016. Based on the indicative value of the shares, Citadele has recognised EUR 8.5 million revaluation gain in other comprehensive income. Citadele has not recognised neither any value of preferred stock, nor of the earn-out due to the uncertainties surrounding the transaction, exact timing and final allocation of distribution proceeds.

The following table presents fair values of Bank's financial assets and liabilities as at 31 December 2015.

	Carrying value	Total fair value	Fair value hierarchy (where applicable) Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Derivatives	4,960	4,960	-	4,109	851
Available for sale securities	489,406	489,406	471,358	-	9,578
Financial assets not measured at fair value:					
Cash and deposits with central banks	348,960	348,960	-	-	-
Balances due from credit institution	301,280	301,280	-	-	-
Loans and receivables from customers	983,425	970,170	-	-	970,170
Held to maturity securities	165,293	167,837	133,484	-	34,353
Total assets	**2,293,324**	**2,282,613**	**604,842**	**4,109**	**1,014,952**
Derivatives	1,897	1,897	-	1,897	-
Financial liabilities not measured at fair value:					
Balances due to credit institutions and central banks	87,778	87,778	-	-	-
Customer deposits	2,037,349	2,041,075	-	-	2,041,075
Subordinated liabilities	54,715	54,715	-	-	54,715
Total liabilities	**2,181,739**	**2,185,465**	**-**	**1,897**	**2,095,790**

The following table presents fair values of Bank's financial assets and liabilities as at 31 December 2014.

	Carrying value	Total fair value	Fair value hierarchy (where applicable) Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Derivatives	5,963	5,963	-	5,963	-
Available for sale securities	444,418	444,418	442,798	-	1,620
Financial assets not measured at fair value:					
Cash and deposits with central banks	142,650	142,650	-	-	-
Balances due from credit institution	464,273	464,273	-	-	-
Loans and receivables from customers	941,329	929,739	-	-	929,739
Held to maturity securities	192,977	197,188	164,920	-	32,268
Total assets	**2,191,610**	**2,184,231**	**607,718**	**5,963**	**963,627**
Derivatives	3,567	3,567	-	3,567	-
Financial liabilities not measured at fair value:					
Balances due to credit institutions and central banks	116,997	116,997	-	-	-
Customer deposits	1,948,751	1,951,049	-	-	1,951,049
Subordinated liabilities	73,596	73,596	-	-	73,596
Total liabilities	**2,142,911**	**2,145,209**	**-**	**3,567**	**2,024,645**

Changes in available for sale securities categorised as Level 3

	EUR 000's 2015 Group	2014 Group	2015 Bank	2014 Bank
As at the beginning of the period, net	**1,636**	**1,969**	**1,620**	**1,969**
Gain on derivatives	1,596	-	1,595	-
Settlement	(745)	-	(745)	-
Transfer between fair value Levels	-	115	-	99
Increase in existing exposure	8,469	72	8,469	72
Impairment charges	(510)	(520)	(510)	(520)
As at the end of the period, net	**10,446**	**1,636**	**10,429**	**1,620**

Fair value of available for sale securities for which fair value is calculated based on non-market observable inputs is categorised as Level 3 as these shares and investments in mutual investment funds are not listed on an exchange and there are no sufficient recent observable transitions on the market. All increase in existing level 3 exposures of available for sale securities in 2015 relates to increase in value of Citadele's share of Visa Europe. In November 2015, Visa Inc. announced its planned acquisition of Visa Europe, where Citadele is a member. Citadele has received indicative value of its share of Visa Europe sale proceeds. The up-front consideration amounts to EUR 11.4 million and consists of EUR 8.5million cash and EUR 2.9 million in Visa Inc. preferred stock. In addition, the second tranche is a potential earn-out, subject to certain achievements. The earn-out would, if fulfilled, be paid in cash around year 2020. The transaction is subject to regulatory approval and is expected to close only in the 2nd quarter of 2016. Based on the indicative value of the shares, Citadele has recognised EUR 8.5 million revaluation gain in other comprehensive income. Citadele has not recognised neither any value of preferred stock, nor of the earn-out due to the uncertainties surrounding the transaction, exact timing and final allocation of distribution proceeds.

Operational risk

Citadele has adopted the Basel definition of operational risk: the probability to incur losses due to failure or partial failure of internal processes to comply with the requirements of the laws and binding external regulations, as well as the requirements of internal regulations, due to the acts of the Group's employees and operation of systems, irregularities in internal processes, as well as due to the acts of third parties or other external conditions.

Further operational risk is divided in the following categories: personnel risk, process risk, IT and system risk, external risk.

Operational risk is managed by integrated and comprehensive framework of policies, methodologies, procedures, and regulations for identification, analysis, mitigation, control and reporting of operational risk have been implemented. Operational risk management is an indispensable part of the day-to-day management process and is binding to all Group participants, process, product and service owners, structural units, their heads and employees in their daily operations in line with their specific features. Citadele's target is to ensure that each employee knows not just how to perform a specific transaction, but also understands the justification of the use of the specific mode of performance.

The purpose of operational risk management system is to maintain possibly low level of economically justified risk facilitating the sustainability of the Group's performance and business profit in the long-term.

The Group does not accept operational risks with potential impact exceeding 10% of the Group's net annual revenues and with probability of occurrence at least once per ten years or risks with unquantifiable impact which are unmanageable, irrespective of the financial gains this could bring (i.e., the Group does not perform business activities incurring such operational risks).

The Group applies following approaches for operational risk management:

- Operational risk assessment in development projects – new and updated services and products are introduced only after a thorough risk assessment has been carried out;
- Regular operational risk-control self-assessment – identification and assessment of potential operational risk events, assessment of the control systems in place and analysis of the necessary risk reduction measures;
- Determining operational risk indicators – usage of statistical, financial, and other indicators, which represent the level of operational risk in variable activities of the Group;
- Operational risk measurement, analysis, monitoring, reporting and escalation – registering and analysing operational risk events, severity of these events, causes, and other important information in operational risk loss and incident database;
- Scenario analysis and stress testing;
- Business Continuity planning – regular Business Impact Analysis is carried out and Disaster Recovery plan is implemented.

Capital management

Capital adequacy ratios in these financial statements are calculated in accordance with the CRD IV package which transposes – via a regulation (575/2013) and a directive (2013/36/EU) – the new global standards on bank capital (the Basel III agreement) into EU law. It is applicable from 1 January 2014.

Capital adequacy refers to the sufficiency of the Group's capital resources to cover the credit risks and market risks arising from the portfolio of assets and the off-balance sheet exposures and other operational risks. The Financial and Capital Markets Commission's (FCMC), the banking regulator, regulations require Latvian banks to maintain a total capital adequacy ratio based on financial statements prepared under IFRS as adopted by EU of 8.0% of the total risk weighted exposure amounts. The CRD IV rules also introduce 4.5% minimum common equity Tier 1 capital ratio and 6.0% minimum Tier 1 capital ratio. Additionally a 2.5% capital conservation buffer is established, limiting dividend pay-out and certain other Tier 1 equity instrument buy-back, effectively implying well capitalised bank Tier 1 capital ratio target of 8.5% and total capital ratio target of 10.5%. FCMC has also calculated the Bank's individual capital adequacy ratio based on FCMC policies and guidelines. The 2015 results of the calculation indicated that the minimum capital adequacy ratio that corresponds to the Bank's business model should be at least 10.9%. The increase in ratio is related to the business with non-Baltic customers of the Bank. The ratio should be complied with also on the consolidated level. During the first quarter of 2015, until including the audited profits of 2015 in Tier 1 equity, the Group's capital adequacy ratio was somewhat below 10.9%. Capital adequacy ratios (which includes audited profits for 2014) as at 31 December 2014 and capital adequacy ratios as of 31 December 2015 complied with this requirement. In April 2015, the Group's regulatory capital increased by almost EUR 19 million as a result of 10 million share capital increase and amendments in subordinated loan agreements. As at 31 December 2015, the Group's regulatory capital complies with these FCMC's requirement.

The Bank has subsidiaries, which are financial institutions, thus it should comply with the regulatory requirements based on both the Group's level and the Bank's level as a stand-alone entity. The Bank and the Group complied with the capital adequacy requirements at the end of the reporting period.

The eligible capital for the capital adequacy purposes constitutes the capital that the Bank manages. The eligible capital comprises of Tier 1 and Tier 2 items, reduced by specific capital charges in accordance with the regulatory requirements.

The capital adequacy calculation of Bank and Group in accordance with FCMC regulations (Basel III framework, Pillar I):

	EUR 000's			
	31/12/2015 Group*	**31/12/2014 Group***	**31/12/2015 Bank**	**31/12/2014 Bank**
Common equity Tier 1 capital				
Paid up capital instruments	156,556	146,556	156,556	146,556
Retained earnings and eligible profits	55,431	28,750	44,293	24,747
Deductible other intangible assets	(2,506)	(1,690)	(2,213)	(1,456)
Other capital components, deductions and transitional adjustments, net	(3,915)	(4,689)	(432)	(820)
Tier 2 capital				
Eligible part of subordinated liabilities	30,633	31,568	30,633	31,568
Own funds	**236,199**	**200,495**	**228,837**	**200,595**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk				
Central governments or central banks	16,500	16,596	12,250	11,252
Regional governments or local authorities	806	35,611	453	35,082
Public sector entities	23	43	23	43
Multilateral Development Banks	2,578	1,052	1,833	407
Institutions	134,322	179,590	142,061	167,617
Corporates	730,788	631,548	684,767	649,329
Retail	111,333	98,655	43,908	60,870
Secured by mortgages on immovable property	255,935	236,922	200,881	155,962
Exposures in default	72,986	38,807	72,835	34,216
Items associated with particularly high risk	37,213	158,356	36,691	163,832
Claims on institutions and corporates with a short-term credit assessment	1,178	4,334	-	-
Collective investments undertakings	11,179	16,389	11,179	10,882
Equity	19,407	10,938	70,300	62,875
Other items	131,813	177,823	55,617	110,900
Total exposure amounts for position, foreign currency open position and commodities risk				
Traded debt instruments	13,881	7,126	11,099	2,427
Equity	249	867	-	-
Foreign Exchange	7,878	9,741	1,176	1,647
Commodities	6,975	-	6,975	-
Total exposure amounts for settlement	-	-	-	-
Total exposure amounts for operational risk	206,687	196,501	165,649	157,347
Total exposure amounts for credit valuation adjustment	1,067	1,142	1,060	1,135
Total risk exposure amount	**1,762,798**	**1,822,041**	**1,518,757**	**1,625,823**
Total capital adequacy ratio	**13.4%**	**11.0%**	**15.1%**	**12.3%**
Common equity Tier 1 capital ratio	**11.7%**	**9.3%**	**13.1%**	**10.4%**

* The consolidation group for regulatory purposes is different from the consolidation group for accounting purposes. As per regulatory requirements AAS CBL Life is not included in the consolidation group for capital adequacy purposes. Consequently, it is excluded from own funds calculation and individual assets of AAS CBL Life are not included as risk exposures in the Group's capital adequacy calculation. Instead, the carrying value of the Group's investment in AAS CBL Life constitutes a risk exposure in the Group's capital adequacy ratio calculation.

The Bank implements the internal capital adequacy assessment process (ICAAP) by estimating individual capital charges for every significant risk type inherent to the Bank. The internal modelling takes account of a greater number of risks than is provided for in minimum capital requirements (e.g. interest rate risk in the banking book, concentration risk, reputation risk etc). Furthermore, to ensure sustainability even at times of distress, the Bank simulates its capital adequacy position under assumptions of the adverse macroeconomic scenario. The following represents the qualitative assessment summary of risk profile, where risk level is measured as a perceived likelihood of unfavourable deviation of a given size from a budgeted income over one-year horizon:

Risk type	Risk subtype	2016 forward looking risk assessment *	Regulatory risk calculation method	Internal risk calculation method
Credit risk	Loan portfolio	Moderate	Standardized approach	Stress scenario with elements of credit value at risk
	Security portfolio of debt instruments	Moderate	Standardized approach	Credit value at risk
	Counterparty default	Low	Standardized approach	n/a
	Other (participations etc)	n/a	Standardized approach	n/a
Market risk	Position risk	Moderate	Standardized approach	Stress scenario
	FX risk	Low	Standardized approach	Value at risk
Operational risk		Low	Basic indicator approach	Loss distribution approach
Concentration risk	Loan portfolio	Not assessed in isolation	Simplified approach	Incorporated in credit risk calculation
	Counterparty default	Not assessed in isolation	n/a	n/a
	Security portfolio	Not assessed in isolation	n/a	Incorporated in position and credit risk calculation
Interest rate risk in the banking book		Moderate	200bp parallel shift impact on economic value	200bp parallel shift impact on economic value (enhanced duration gap)
Liquidity risk		Low	n/a	Stressed refinancing simulation
Other risks	AML risk	Moderate	Simplified approach: turnover criteria	n/a
	Reputation risk	Moderate	5% of minimum capital requirement	n/a
	Strategic risk	Moderate	Part of reputation risk	n/a

* on a 4-grade scale: low, moderate, elevated, high.

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Independent Auditors' Report

To the shareholders of AS "Citadele banka"

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of AS "Citadele banka" ("the Bank"), which comprise the separate balance sheet as at 31 December 2015, the separate statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 71. We have also audited the accompanying consolidated financial statements of AS "Citadele banka" and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2015, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 71.

Management's Responsibility for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of these separate and consolidated 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 separate and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these separate and consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Bank's and the Group's preparation and fair presentation of these separate and consolidated 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 Bank's and the Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Bank and the Group management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the AS "Citadele banka" as at 31 December 2015, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the AS "Citadele banka" and its subsidiaries as at 31 December 2015, and of the consolidated financial performance and 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

In addition, our responsibility is to assess whether the accounting information included in the Letter from the Management Board, as set out on pages 5 to 8, the preparation of which is the responsibility of management, is consistent with the consolidated and separate financial statements. Our work with respect to the Letter from the Management Board was limited to the aforementioned scope and did not include a review of any information other than drawn from the consolidated and separate financial statements. In our opinion, the Letter from the Management Board is consistent with the consolidated and separate financial statements.

KPMG Baltics SIA
Licence No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
26 February 2016

Rainers Vilāns
Sworn Auditor
Certificate No 200

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.

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